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**EXTERNAL FORCES, ECONOMIC DEVELOPMENT AND REGIONAL  
INEQUALITY IN LIBYA**

*The University of Oklahoma*

**Ph.D. 1983**

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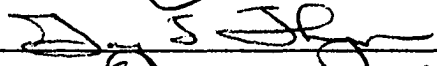
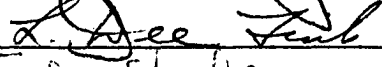
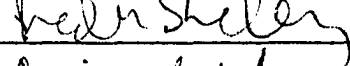
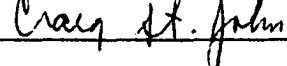
EXTERNAL FORCES, ECONOMIC DEVELOPMENT  
AND REGIONAL INEQUALITY IN LIBYA

A DISSERTATION  
SUBMITTED TO THE GRADUATE FACULTY  
in partial fulfillment of the requirements for the  
degree of  
DOCTOR OF PHILOSOPHY

By  
ABDELRAHIM SALEH ABDUSSALAM  
Norman, Oklahoma  
1983

EXTERNAL FORCES, ECONOMIC DEVELOPMENT  
AND REGIONAL INEQUALITY IN LIBYA

Approved by

DISSERTATION COMMITTEE



To my mother and  
in memory of my  
father, grandmother, and Saad.

## **ABSTRACT**

### **EXTERNAL FORCES, ECONOMIC DEVELOPMENT AND REGIONAL INEQUALITY IN LIBYA**

By: Abdelrahim Saleh Abdussalam

Major Professor: Edward J. Malecki

This study adopts an historical approach in order to trace the successive evolution of economic development in Libya since 1900 to the present. It has been demonstrated throughout this research that during this period a number of significant events, both international and national in origin, have altered and consequently transformed the Libyan economy. Three major external forces which have been identified include: Italian colonialism (1911 - 1942), foreign administration and foreign aid (1942 - 1960), and multinational corporations (1955 to the present). These outside factors introduced a wide-scale exchange economy which was brought about largely by external capital and enterprise. They also made the Libyan economy highly integrated and incorporated into the world economy. The regional outcome of these factors, together with the Libyan government policies after independence, has been a marked spatial as well as social, economic and political concentration of investments and development efforts in few locations (particularly in the two major cities of Tripoli and Behghazi).

In order to erradicate this socio-economic and spatial polarization, the goal should be to bring development closer to the people of peripheral regions through a greater integration of urban-rural development. Policies promoting even development and equitable distribution of resources would assist in eliminating socioeconomic differentials between regions and social groups inhabiting these areas and it would curb the tide of the current rural-urban migration and the urban problems associated therewith.

## ACKNOWLEDGMENTS

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To all the many people who helped in one way or another, my thanks are given. They share the credit for the worth of this study but the blame for any inadequacies is reserved for myself. Finally, I am indebted to Garyounis University (formerly Benghazi University) and the Ministry of Education for their financial support of my graduate education.

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# **EXTERNAL FORCES, ECONOMIC DEVELOPMENT AND REGIONAL INEQUALITY IN LIBYA**

## **CHAPTER I**

### **INTRODUCTION**

It is common, in the literature dealing with the Libyan economic experience, to find that more emphasis is placed on environmental factors as the major factors in limiting development and/or growth. However, the controls on Libya's economy are a complex of both physical and human determinants. This research will attempt to assess the impact of the country's historical evolution on its economic performance in modern times. It is believed that, from 1900 onward, the major transformations of the Libyan socio-economic structure, as manifested spatially, have been exogenous or external rather than endogenous or internal in origin. This study will try to identify the major historical determinants of the Libyan economic development and will attempt to analyze their operation in time and their cumulative spatial manifestations and ramifications.

It would not be an exaggeration to say, in certain respects, that forces from outside the country exerted the strongest influence on the shaping of twentieth-century Libyan society. It is in light of this argument

that this study will focus upon the cumulative spatial and temporal impact of these exogenous forces. The adoption of this historical/spatial theme stems from the irreversibility of history and the importance of the past (particularly in the case of socio-economic development) in shaping the present situation drastically.

The topic and the country reviewed are relatively virgin territory for such a perspective. Consequently, it is argued that if Libyan spatio-economic problems are to be studied in depth, the limited statistical data must be not only complemented but actually guided by an historical and theoretically-based analysis of the country's socio-economic structures and its long-term development.

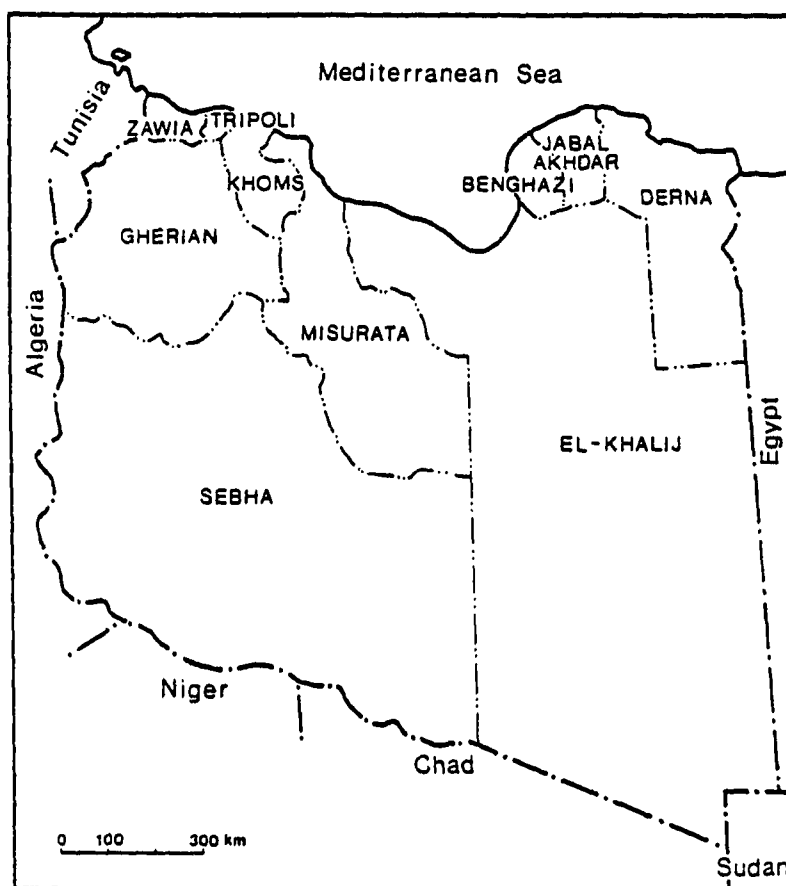
Although it is felt that the amount of data available for this research is adequate, it is appropriate here to mention the problems and limitations associated with Libyan data. The most severe problem is the continuous fluctuation and change in the areal extent of administrative units. After independence in 1951, the country was divided into three states: Tripoli, Cyrenaica, and Fezzan. In 1963, this federal system was abolished in favor of a unitary one and the country was divided into ten areal units called Muhafadat. The division of the Muhafadat underwent another change in the early seventies; but, nonetheless, the number of units remained unchanged with little alteration in their administrative lines. In this research the latter administrative system of the early 1970s will be used (Map 1)<sup>1</sup> However,

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<sup>1</sup>In addition, during the late 1970s the Muhafadat system was replaced by a new division which constituted forty-five administrative units and then, more recently, these units were reduced to only twenty-five divisions.

Map 1

## Administrative Divisions of Libya 1973



because of the limited number of areal units (ten) for which a reasonable amount of data is available, conventional multivariant techniques are felt to be inappropriate. Instead, data analysis throughout this research is presented in general qualitative terms rather than in terms of detailed empirical findings. This is due to the absence of disaggregated data concerning locational investments and income distribution.<sup>1</sup> Much of the available data exist only in aggregated form, and are usually uncollated, scattered, and scrappy.

There is a considerable body of more general literature about Libya, not addressing spatial polarization and regional inequality. Most of this literature is compiled in two comprehensive bibliographies (Hill, 1959; Schulter, 1972). The bulk of the literature contained in these two bibliographies had been produced by the Italians during their colonization period. However, it is important to stress that no existing study deals directly with the question of spatial polarization and uneven development. The purpose of this study is to address these issues directly; it will also evaluate the impact of external forces upon the Libyan economy. Consequently, it is hoped that this research will fill an important gap in the Libyan literature and will also contribute to and enhance our understanding and explanation of the problems of economic development and spatial concentration.

---

<sup>1</sup> Throughout this study the units of currency are expressed in terms of Libyan Dinar (LD) which was known as the Libyan Pound before 1969 and also in terms of American Dollars (\$). One Libyan Dinar equalled two dollars and eighty cents in 1951 and climbed to reach (and remain fairly stable at) three dollars and thirty-six cents in 1975.

The second chapter of this study will critically review "theories" (for the lack of a better word) of development which are grouped here under two major headings: The "Modernization" and "Dependency" paradigms. Although this review will be far from exhaustive, it will try to highlight successive shifts of emphasis within the subject and will attempt to ground the analysis of this study within a viable theoretical framework. The third chapter will discuss the Libyan colonial experience, focusing attention upon Italian policies with regard to economic development and their impact upon the Libyan society. Chapter Four will evaluate the impact of foreign administration, foreign aid, and multinational corporations on the course of economic and social transformations in the country. The fifth chapter will deal with government planning and policies in relation to population distribution, agriculture, and industry. In addition, it will investigate, in detail, whether the government role is increasing or decreasing spatial concentration and regional inequality. The final part of this research will furnish the concluding remarks and provide short-term and long-term strategies toward more integrated and equitable development alternatives in the future.



## CHAPTER II

### REVIEW OF THE LITERATURE

In order to furnish some theoretical base for this study, this chapter attempts to briefly trace the evolution of ideas about "development," thereby illuminating the nature and scope of the development debate. It can be said, for the purpose of this research, that the whole body of literature dealing with development is primarily concerned with explaining what will happen to an undeveloped region when it becomes more and more integrated into a larger "spatio-economic" system. We can distinguish between two sets of "theories" which try to explain what occurs in a region when integration starts to take place. This statement has a double edge. First, it is obvious that most of the theoretical contributions in this field consist of sets of imprecisely formulated and poorly systematized groups of definitions, hypotheses, and empirical generalizations which cannot claim the status of "scientific theory." Nevertheless, in recent years several attempts to formulate a "theory of development" have appeared and the literature has reached massive proportions.

Second, there is no denial that a comprehensive theory of development embracing the entire set of problems connected with the development process is still lacking. Furthermore, most of the existing theoretical

constructions provide only partial explanations for the issue at hand due to their concentration upon a limited range of the multiple aspects of development. This fact makes the task of this chapter easier, but at the same time it makes it difficult not to repeat, to a great extent, the judgements made in several penetrating studies aimed at evaluating the whole field of development theory.

Having these reservations in mind, we may classify broadly the numerous theoretical works on economic development into two groups. These are the "modernization" and the "dependency" paradigms.

### The Modernization Perspectives

The modernization thesis is quite interdisciplinary in scope and has dominated thinking about underdeveloped societies for the last thirty years. The starting point in this thesis was an attempt to discover the general trends in the development of all human societies. This usually led to the formulations of a "series of stages" of development. The notion of a series of stages has been an attractive one for many theorists, notably Rostow (1960), and continues to exercise appeal today. There are two major problems associated with such evolutionary theory. The first lies in the concept of a simple linear sequence of stages through which all societies pass. This notion is highly static, mechanical, and deterministic. The second problem concerns the "mechanism" which causes a society to shift from one evolutionary stage to another. Rostow, in his five-stage theory formulated explicitly upon the analysis of the British industrial revolution, stresses the need to increase the rate of capital investment and entrepreneurship in order to facilitate the

transition from one stage to another.

Emphasis on the entrepreneurial elite and capital accumulation is the single most pervasive theme in the literature on economic growth. This emphasis led some scholars to seek factors which were absent in the societies of the "Third World" and, therefore, would account for their failure to replicate the European, and later the American, experience. In so doing, they argued that the modernization of backward areas could be furthered by the adoption of modern technology ideas and attitudes from the already developed areas. According to Eisenstadt (1966), a leading modernization theorist:

Modernization historically is the process of change towards those types of social, economic and political systems that have developed in Western Europe and North America, and later spread to South America, Asia and Africa. (Eisenstadt, 1966, p. 1)

Failure on the part of the underdeveloped societies to adopt and integrate such diffused elements of modernization resulted in the identification of the so-called "barriers and obstacles" to the efficient transformation of a "traditional" society into a "modern" one. This paradigm of endogenous change based on the experience of the West, gave birth to the notion of dualism. There are numerous versions of the duality concept, but they all divide the economy into two broad and largely independent sectors. In many cases, the division is between "modern" and "traditional" or more generally between "industry" and "agriculture." It is argued that the "modern, capitalist, industrial" sector is receptive to change, is market-oriented and follows profit maximizing behavior. The "traditional, feudal, agricultural" sector, on the other hand, is stagnant, production is for subsistence, little output passes

through the market, producers have a high preference for leisure and they do not follow profit maximizing behavior (Griffin, 1969).

In his review of economic theory, Szentes (1976) has distinguished between two types of dualism. The first is the so-called "sociological" dualism and the second is the more explicitly "technological" or "economic" forms of dualism. The pioneer of the former type is Boeke (1953) who, in his research on Indonesia, put forward the idea that within the Indonesian society there existed a cleavage between an imported Western social system and the indigenous culture. He argued that the penetration of the capitalist system of the West into the pre-capitalist agrarian societies of the East results in a form of disintegration. Such disintegration creates two independent economic and social structures, each with its own separate history. Boeke held the view that Western economics is totally inapplicable to Eastern economics because the contrast between the two systems is too ill-inclusive and too deep. He maintained that sociological dualism is an irretrievable fact and for him "East is East and West is West."

Sociological dualism has been attacked mainly because of its "defeatism," a weakness pointed out by Higgins (1956, 1968). Higgins held that the characteristics considered as typical of Eastern societies used to be present in Western societies as well. He further argues that some degree of dualism exists in virtually every economy. According to him, the explanation of dualism must be sought not in the nature of society, as Boeke did, but it is more readily explained in economic and technological (sectoral) terms. Technological dualism implies the use of different production functions in both the advanced and the traditional sectors. The traditional sector is

labor-intensive while the modern sector is capital-intensive. The problem of unemployment is aggravated if technological progress favors the capital-intensive sector, and thus, technological dualism takes place. This line of thought was originated and developed by Lewis (1954) who elaborated a dual-sector model. Herein one has, on the one hand, a modern sector which is usually comprised of either plantations or mines or both, and, on the other hand, a traditional, mainly agricultural, sector which is stagnant. The basic problem is then seen in terms of transferring all resources, labor in particular, to the modern sector. It is assumed that the traditional sector enjoys a surplus of labor in the sense that part of its labor force could be withdrawn without causing a reduction in the total output. Labor absorption takes place in the modern sector because: (1) the wage rate in the capitalist sector is considerably higher than in the subsistence one and (2) productivity in the capitalist sector is supposedly high enough to ensure payment of the relatively high wage rate without affecting the rate of profit. The capitalist sector is said to enjoy "unlimited" supplies of labor since, at its level of tempting wages, everybody, more or less, in the subsistence sector is prepared to enter wage employment. Other contributions to this type of model are found in the works of Jorgenson (1961) and Fei and Ranis (1964). Although the terminology may differ among these writers, there are always two sectors described which are separate and radically different. The only link between the two is the one-way flow of unemployed labor from the traditional to the modern sector. The work of the above mentioned authors is adequately summarized and reviewed by Brookfield (1975). Many geographers have attached considerable theoretical weight to the concept of dualism. A

good example is Forde's (1968) study of Ghana in which he tried to test the "dualistic theory" of economic development in an underdeveloped spatial context. In addition, the adoption of dualistic conceptions may be found in the writings of Ullman (1960), Berry (1966), Gould (1970), Johnson (1970), Logan (1972), Ginsburg (1973), and Santos (1977).

All of the above mentioned works--among many others--are highly influenced by the neoclassical tradition of economic theory. This tradition states that production factors, namely labor and capital (no other factors are considered) move in economic space from positions of low reward to positions of high reward until an equilibrium is reached (Schuurman, 1978). Applied in physical space, this means that production factors move between forward and backward regions thereby initiating a convergence process in economic growth and/or development until a regional self-balance has been reached (Richardson, 1978, 1979). Consequently, the spatial system which results is hierarchically structured but constitutes a stable system in which every spatial entity realizes its development potential according to the law of comparative advantage. In addition, it was assumed that the origin of economic growth is the export sector (as embodied in the export-base model). This sector will generate export revenues which feed a process of accumulation and finally diversification for full scale regional development. It was noted, however, that although growth occurs unevenly over the national space, the long-run tendency is a gradual equalizing of the differences in regional per capita incomes due to the increased efficiency of the national labor market (Stuckey, 1975). Representatives of this approach are North (1955), Tiebout (1956), and Perloff et al. (1960). Richardson (1978) provides

an excellent overview of the models of regional economics from an economist's point of view.

Following this logic, the notion of "polarized growth" had its initial start in the writings of Myrdal (1957), Hirschman (1958), and Perroux (1964). These authors start with the assumption that regional inequality of growth is an inevitable, concomitant condition of economic growth itself. They argue that at the first stage of an accelerated economic development of a nation, there occurs always a concentration of growth in one, or a few, region(s) which have some initial advantages in their favor. Myrdal renders development as a process of interaction among areas which tends to increase variations in prosperity for regions that once moved ahead of others. He named this process "cumulative causation" which he argues has two mechanisms: "spread effect" and "backwash effect" (for a recent treatment, see Gaile, 1979, 1980). Spread effect is the positive external influence of intra-regional development. It occurs when, for example, a growing urban area stimulates agricultural production in its vicinity. There is, however, the reversed backwash effect which comprises the centripetal movement or transfer of labor, raw materials, entrepreneurship, and capital from the less developed "rural" to the highly developed "urban" areas. Myrdal is less optimistic in his conclusions as to reversing the trend towards lesser regional imbalances. Thus, he maintained that in the capitalist economy:

. . . the play of the forces of the market normally tends to increase, rather than to decrease, the inequalities between regions. (Myrdal, 1957, p. 26).

He has extended this view to also include the growing differentiation and inequalities between rich and poor countries, a subject little touched in

development writings at that time. Hirschman (1958), working independently of Myrdal, arrived at a similar argument. He has presented a model of a national economy, comprised of two regions, whose interactions lead to further accelerated growth of the more developed region at the expense of the other "polarization effect," and "trickling down effects" which bring to the less developed region the benefits of the progress of the developed one. In general, he considers the sequential predominance of polarization effects in the earlier stages of development and the reversal of this relation in later stages and thus—from growing to diminishing imbalances of growth. Although Hirschman (1958) assumed, optimistically, that the tolerance for regional inequality is low and suggests that a point is quickly reached whereupon central governments are forced to implement powerful compensatory measures, Myrdal (1957) is more pessimistic. He believed that government action will be long delayed and, if taken at all, will tend to strengthen the existing processes toward divergence. Both Myrdal's and Hirschman's works were statements of dissent with the "balanced growth" views of Nurske (1953). As Hirschman most recently stated:

. . . we were counter, not only to the theory of international trade, but to the broader traditional belief, so eloquently expressed by John Stewart Mill, that contact between dissimilar groups is always a source of all-around progress (Hirschman, 1981, p. 17).

Williamson (1965) has done an extensive empirical study to check Hirschman's hypothesis. He collected a large set of data on regional differentiation of income in many countries and computed, on this basis, the coefficients of variation (measuring the dispersion of regional income per capita relative to the national averages), and correlated these coefficients



with the data on the national income per capita. He concluded that regional income differences initially diverge under the condition of economic growth but will decrease after the country achieves a certain level of development. However, Gilbert and Goodman (1976) regarded this proposition with serious reservations after supplementing Williamson's international cross-section with more recent data for other less developed countries.

Another broad current of theoretical thinking on polarized development has been centered upon the concept of "poles of growth." Here we may distinguish two widely differing schools of thought: the French school, grouping the followers of the author of the concept, Perroux, and the Anglo-American school which has utilized the "core-periphery" model advocated by Friedmann. Drawing upon the notion of "spread of innovations," Perroux confined the growth pole concept to abstract (economic) space. Following Schumpeter's (1951) lead, he advanced his main hypothesis that innovations in several subsidiary lines will follow in the wake of an innovation in a dominant industry and that these innovations would be located in geographical clusters around the same industry. Thus, a growth pole was defined as a large group of industries strongly related through input-output linkages around a leading industry "propulsive industry or industrie motrice" (Richardson and Richardson, 1975). This trend was carried further by some of Perroux's successors, especially Boudeville (1966) who has broadened the growth pole concept to the concept of "polarized region." According to him, the polarized region is defined as a heterogeneous, continuous area localized in geographical space, whose different parts are interdependent through mutual complementary relations centered around a regional center of gravity.

A regional pole is, therefore, a set of expanding industries located in an urban area, inducing further development of economic activity throughout its zone of influence (Brookfield, 1975).

After the exposure of development pole theory to a spatial perspective, geographers and planners have responded with several contributions. At the regional level, for example, Hansen (1972) established a regional development policy for the United States based on a hierarchy of growth centers: regional, primary, and secondary. His criteria were built upon the degree of servicing provided by the centers (extracted from central place theory), and also on the geographical extent of the labor-commuting areas (Todd, 1974, p. 297). Thus, growth pole theorists became increasingly entwined in the debate about optimizing city-population sizes and the urbanization process in general. John Friedmann (1972) has formulated a comprehensive model of development in which significance is accorded to the historical process of dominance of the core areas over the economies of the peripheries. The model is elaborated by characterizing the spatial economy as the interaction of four processes: (1) the emergence and flow of innovations, (2) the flow of people via migration, (3) the flow of finance and investment, and (4) the flow of decision-making power. By further elaboration, on the previous assumptions, Friedmann develops a normative theory based on the assumption that the country must be geographically integrated to develop economically and socially. This goal can only be achieved by concentrating production, population, and consumption in urban centers (Urbanization I), and by geographical diffusion of "urban values" to the most distant corner of the country (Urbanization II). Thus, as a social scientist, Friedmann belongs to the diffusionist

Anglo-American school of thought. In fact, many geographers have for a long time felt attracted to these theoretical guidelines and engaged in research under the heading of "diffusion of innovation." Therefore, as reported by Malecki (1983), modernization was posited to take place in a wave-like manner outward from an urban origin in developing countries, and several empirical studies in Africa lent support to this view (Soja, 1968; Gould, 1970; and Riddell, 1970). This is nicely illustrated by Riddell's<sup>1</sup> remark that:

. . . modernization is a spatial diffusion process . . . patterns of change move like waves across the map, and cascade down the urban hierarchy as they are funneled along the transport system. (Riddell, 1970, p. 45).

In recent years however, there have appeared several critical evaluations of what we have called the modernization paradigm or perspective. (1) The modernization paradigm is characterized by a particular form of Western ethnocentrism. It would require a separate essay to analyze the extent to which the modernization perspective is ethnocentric; however, it suffices to say that most modernization writers have been influenced by the image of their own societies when defining the concept of "modern." This ethnocentrism is quite obvious among Western economic theorists whose elegant models "fit very uneasily when applied outside Euroamerica" (Gilbert, 1971, p. 124). In addition, several geographers and other social scientists have

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<sup>1</sup>For a similar view see also Morrill (1968). However, recently Riddell called for ". . . an expansion of the "mind set" within which many geographical investigations were undertaken in the 1960s and 1970s to incorporate the perspectives and critiques presented by the dependency paradigm." (Riddell, 1981, p. 296).

noted the ideological basis of modernization. For example, Brookfield (1973) has pointed out the ethnocentrism of, and the colonial vestiges embodied within, the surrogate indices of modernity. Similar views are found in the writings of Adams (1970), Bernstein (1970-71), Slater (1973), Hurst (1973), Porter and DeSouza (1974), and Brookfield (1975).

(2) Not only does the modernization perspective assert the "European-American" experience of development, but it also assumes that the agencies of change in that experience, referred to as modernization variables such as capital, technology, and institutions, will operate in the same manner in the less developed countries (LDCs). This is despite the fact that these variables have been diffused to the LDCs from the capitalist metropolises through distorting frameworks of colonialism and neo-colonialism which do not allow complete replication of the Western experience (McGee, 1974). For example, without direct intervention the British would not have been able to so effectively destroy the Indian textile industry and then proceed to supply India with cotton goods manufactured in Britain. Moreover, this approach suffers from overemphasizing the role of factors internal to LDCs as causes of underdevelopment to the exclusion of external factors (Inayatullah, 1976).

(3) Perhaps the greatest weakness inherent in this perspective is the fact that no history is granted to the so-called "traditional" societies. Not only are LDCs denied any significant history, but they are also categorized as always having lacked wealth and having suffered enduring poverty. However, as writers such as Vlekke (1946) for Indonesia, Lewis (1961) for the Middle East, Rodney (1972) for Africa, and Von Hagen (1963) for Peru have quite clearly shown, many parts of Africa, Asia, and Latin America have, in

the past, been far from poor and backward.

(4) Like the definition of "modern" society, the characteristics of the "traditional" society remain vague and fuzzy. Furthermore, the assumption of the existence of two independent and distinct sectors in the dualistic model is highly suspect, since many researchers such as Wolf (1959), Desai (1966), Griffin (1969), and Frank (1969) have shown how the traditional sector has always been inter-penetrated with the invasive modern sector.

(5) The spatial processes in the modernization paradigm, which become in a sense the classical geographical development models, can be summarized as: innovation diffusion, urbanization, central place system development, and growth center formation. Hence, it is that, under the modernization paradigm for economic development, the creation of growth centers and the encouragement of the forces of urbanization and industrialization are key strategies which will lead to a predicted spatial and mutually beneficial economic equilibrium between urban core and rural periphery. This intrinsic emphasis on industrial growth and urbanization in the already primate urban pattern of most of the LDCs will likely promote accelerated primacy rather than a balanced urban hierarchy. The paradigm remains strongly urban-biased and fails to analyze the social, political, economic, internal, and external factors which, in their interaction among each other, enhance or halt economic development in both the production and distributional aspects.

It must be noted here that the literature is replete with critiques, most of which are briefly included in the above review, but it must not be considered exhaustive or comprehensive. For more detail, the writings of Baran (1956), Darwent (1969), Arrighi (1970), Moseley (1973), Monsted (1974),

Todd (1974), Darkoh (1977), Ettema (1979), and Streeten (1979), provide a partial and/or complete treatment.

### The Dependency Perspectives

The second overall paradigm, the so-called dependency or under-development perspective will now be reviewed. This paradigm emerged as a critical response to the modernization thesis which depends, as shown above, on urban and industrial growth as the prime mover, and stresses the importance of the growth engine located at the urban core. Following Myrdal's assertion, dependency theorists argue that there is evidence that modernization may lead, not in the direction of the predicted spatial economic equilibrium between the urban core and the rural periphery, but rather toward increasing economic and spatial disequilibrium.

One of the key agencies involved in this new approach to development economics was the United Nations Economic Commission for Latin America (ECLA), under the direction of the Argentine economist Raul Prebisch and his associates. The major breakthrough in rupturing the old modernization paradigm was the focus on the fact that Latin America had developed as an integral part of the expanding world economy. The theorists of ECLA asserted that there was an immediate and direct link between changes in the industrialized countries of the "center" and the underdeveloped countries of the "periphery." Furthermore, Prebisch (1962), in an illuminating essay on "The Economic Development of Latin America and its Principal Problems" written in 1950, challenged the validity of the neoclassical claim that:

. . . the benefits of technical progress tend to be distributed alike over the whole (international) community, either by the lowering of prices or the corresponding rise of incomes (quoted in Street and James, 1982, p. 678).

He did not consider the static descriptions of the operation of the principle of comparative advantage and the international investment process to reflect adequately what had occurred over time in the relations between the industrially advanced countries and the countries supplying food and raw materials. The now-famous ECLA thesis focused on the secular tendency of the terms of the trade to turn against countries exporting primary products and importing manufactured goods. This meant that every quantum of Latin American exports brought in return a smaller and smaller quantum of imported manufactured goods from the industrial center (Baer, 1962). As originally put forward, the ECLA thesis consisted of two arguments which, often, were combined and, sometimes, were presented separately.

The first argument concentrated on the role of demand and asserted that the income elasticity of demand for raw materials and foodstuffs was less than one. That is, any increase in the income of consumers would result in an increase in consumption of raw materials and foodstuffs, but not to the same degree, so that as people became richer, they would spend a smaller and smaller proportion of their income on these commodities, even if their absolute levels of consumption rose. This is due, according to Roxborough, to three factors:

. . . (1) Engel's law which states that the income elasticity of food is less than one; (2) agricultural protection policies in the industrial nations would further discriminate against imported foodstuffs; and (3) technological advances would diminish the demand for raw materials as synthetic substitutes were discovered (Roxborough, 1979, p. 28).

All this would mean that the income elasticity of imports (Latin American exports) at the center would be less than one. The same argument suggested that income elasticity of demand for manufactured goods (Latin American imports) would be greater than one, so that as incomes rose, consumers would spend increasingly greater proportions of their incomes on manufactured goods. This imbalance in the income elasticities of imports in the center and in the periphery would mean a long-run decline in the terms of trade to the advantage of the center.

The second argument put forward by the ECLA theorists had to do with wage levels in both center and periphery. In an early version of what later came to be known as the notion of "unequal exchange," ECLA claimed that productivity increases at the center were matched by increases in wages due to the power of trade unions. This has resulted in a tendency for the prices of the manufactured goods in the center to go up. Meanwhile, in the periphery, high population growth made the labor market highly competitive and, consequently, wages hardly rose above the subsistence level. Therefore, there was no tendency for the prices of the products of the periphery (food and raw materials) to rise. These above mentioned arguments were equally applicable to other less developed countries and were used to justify a sustained policy of industrialization under the banner of import substitution.

Increasingly, the ECLA structuralists turned their attention to the international level and became participants in the emerging Dependency School. Most members of this school accept the definition provided by Theotonio Dos Santos for the state of dependence which he defined as:



. . . a situation in which the economy of certain countries (or regions) is conditioned by the development and expansion of another economy to which the former is subjected. The relation of interdependence between the two or more economies, and between them and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and can be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion. . . (Dos Santos, 1970, p. 231).

Yet, like the modernization perspective, the dependency paradigm takes a number of forms related to a variety of distinct backgrounds of writers who make up the school. In its simplest form, however, the dependency model is based on an historical-structural analysis which is extended to cover the national, regional, and international spatial economic system. It also recognizes "underdevelopment," not as an indigenous state, but as a process which stems from the evolution of colonial and neocolonial institutions in regions that were formerly parts of an extensive imperial system (Stein and Stein, 1970). The dependency theorists tried to incorporate the study of structural maladjustments within the less-developed countries into the world structure which had become increasingly unbalanced as its units grew inextricably more interdependent. They argue that, since international capitalism has become much more highly organized in the hands of multinational corporations, governments, and international lending organizations, it exhibits an ability to dominate and manipulate weaker national economies to its advantage.

Osvaldo Sunkel (1973) described a pattern in which research and development are concentrated and tightly controlled in advanced countries, so that foreign users are obliged to buy entire packages of entrepreneurship, financing and management skills, designs, technological processes, and marketing techniques from monopolistic or oligopolistic firms. Therefore, no longer

can they assemble their own technological components. Even domestic brain-power, credit agencies, import substitution restrictions, and other preferential arrangements become coopted for the benefit of foreign firms. The result is a widening of the technological gap and increasingly complex forms of dependency (Street and James, 1982, p. 680). This view is shared and elaborated by Furtado (1963, 1965) and Cardoso (1977, 1979) who are both Latin American writers. The major writings of the former are reviewed and evaluated in detail by Baer (1968-69).

It is important to note here that both terms "dependence" and "dependency" are used in a variety of ways which have led to considerable confusion in the literature. Caporaso and Zare (1981) tried to draw a distinction between the two terms in order to solve this definitional problem. They have stated that:

. . . dependence (is) conceived simply as (an) external reliance, and dependency (is) the process by which less developed countries are incorporated into the global capitalist system (Caporaso and Zare, 1981, p. 44).

Although both writers recognize the fact that there are "areas of overlap between the two approaches," they emphasize that "differences between them outweigh these similarities." But, in order to avoid getting into this debate about semantics, an overall and encompassing definition must be mentioned. This is to say that both "dependence" and "dependency" are constructs, with strong theoretical roots, which address and attempt to understand fundamental structural relationships between and/or among states and classes on a world scale. However, throughout the literature, many writers have focused their attention on the external reliance component of

dependency and the ways in which these external linkages disrupt and distort the economic and political processes within a dependent economy.

This is quite obvious in both the above mentioned moderate version and, also, in the following more radical interpretations of the dependency concept or construct. Some radical writers, taking their inspiration from the Marxist tradition, particularly Lenin's theory of imperialism, argued that:

. . . a long sequence of mercantilist expansion, colonialism, and neocolonialism by the West has resulted in appropriation of productive surpluses from the subjugated "Third World," a perpetuation of their role as suppliers of cheap raw materials for Western industry and as markets for the industrial goods whose production the West has preempted. Under neocolonialism an elite has arisen in "Third World" countries whose interests are allied to those of the developed West, and who, thus, have a stake in maintaining the patterns of interaction that deepen underdevelopment (Freeman, 1979, p. 19).

This conceptualization led to the emergence of the notion of "unequal exchange" which ties the lack of development in the less developed countries to the structure of the international economy, and thereby explains why the predictions of the classical trade theorists and the authors of the export-base model did not come to fruition on these countries. Emmanuel (1972) maintained that:

. . . (1) it is the very integration of the "Third World" and the industrialized countries that led historically to "underdevelopment," and (2) it is the continuance of the relationship in the framework of the international market economy that reproduces and intensifies the condition of underdevelopment (Stuckey, 1975, p. 94).

Emmanuel's formulation in its simplest form can be expressed as follows: unequal exchange arises from the fact that real wages are higher in the developed countries than in the less developed ones. Trade under these conditions is unequal to the less-developed countries, in the normative sense

that their terms of trade (and income levels) are lower than they would be under a Pareto-efficient trade arrangement allowing for "perfect" mobility of the factors of production internationally. Given the premise that there is "equalization of profit rates in all regions and lines of production," as is indeed the tendency under capitalism, part of the surplus appears to be lost from lower wage regions to higher wage regions (Emmanuel, 1972).

Andre Gunder Frank's definition of dependence is similar (almost identical to those of Dos Santos and Emmanuel). It, however, offers a better visualization of the state of dependence. According to him, dependence is:

. . . a whole chain of constellations of metropolises and satellites which relate all parts of the whole capitalist system from its metropolitan center in Europe or the United States to the farthest outpost in the Latin American countryside . . . Each of the satellites . . . serves as an instrument to such capital or economic surplus out of its satellites and to channel part of this surplus to the world metropolis of which all are satellites (Frank, 1969, pp. 31-32).

On this basis, Frank refers to the "development of underdevelopment" and describes this phenomena as "the opposite faces of the same coin." The roots of capitalist evolution, he argues, were to be found in the rise and expansion of a "mercantile capitalist system" which had incorporated the entire face of the globe. With the rise of this system, there was "created a whole series of metropolis-satellite relationship, interlinked as in the surplus appropriation chain noted above." As the "core" end of the chain developed, the "peripheral" end simultaneously underdeveloped (Frank, 1969, pp. 33-34). Frank's thesis has been criticized most heavily by Ernesto Laclau (1971). Starting from Frank's claim that Latin America has been a capitalist society since the beginning of the sixteenth century, Laclau held that Frank's

definition of capitalism differs radically from the Marxist one, since it over-emphasizes exchange and commercial relationships rather than the processes of production. This led Frank, Laclau maintained, to confuse participation in the world capitalist economic system with the dominance of the capitalist mode of production in Latin America. Laclau further claims that the manner in which the key terms of capitalism and feudalism are defined determines the entire methodology employed and the conclusions deduced from such a definition.

Following and expanding Laclau's argument, Robert Brenner (1976, 1977) extended his criticism to include the works of both Seezy (1942) and Wallerstein (1974a, 1974b, and 1976) as well as those of Frank. He consistently showed that the basic theoretical underpinnings of these writers is the well known model put forward by Adam Smith in The Wealth of Nations, Book I. Therefore, Sweezy, Wallerstein, and Frank are shown to emphasize the role of exchange as the determinant factor in the development of capitalism. In contrast, Brenner stated that:

. . . "Production for profit via exchange" will have the systematic effect of accumulation and the development of the productive forces only when it expresses certain specific social relations of production, namely a system of free wage labour, where labour power is a commodity. . . Only under conditions of free wage labour will the individual producing units (combining labour power and the means of production) be forced to sell in order to buy, to buy in order to survive and reproduce, and ultimately to expand and innovate in order to maintain this position in relationship to other competing productive units. It follows that the historical problem of the origins of capitalist economic development in relation to pre-capitalist modes of production becomes that of the origin of the property/surplus extraction system (class system) of free wage labour--the historical process by which labour power and the means of production become commodities (Brenner, 1977, pp. 32-33).

As a result, Brenner is able to criticize the theory of surplus transfer associated with the above mentioned writers (most notably Frank), both in terms of its historical and conceptual explanatory power and for its failure to draw the distinction between exchange-oriented and capital-based modes of production (Fine, 1978, p. 88). Bill Freund (1979), drawing upon the same logic, has criticized Wallerstein's The Capitalist World Economy (1979) as being a system determined entirely by relations of exchange and, in which the development of classes is ascribed largely to market relationships. Further, George (1980) gave a detailed critique of Wallerstein's formulation, and both he and Nabudere (1977) argue that the weakest side of development theory is its over-emphasis on exchange relations and unequal exchange. This debate repeats in many ways a previous one concerning the "transition" from feudalism to capitalism in Western Europe (Hilton et al., 1976).

There is no doubt that the interaction of "internal" and "external" factors is the central question in the dependency paradigm. However, there has hardly been any analysis of this interaction between the internal development of production and the external stimulus, whether through commerce or otherwise. Consequently, underdevelopment itself has not been adequately explained. A somewhat radical way of dealing with the external-internal problem has been suggested by Samir Amin, an Egyptian political economist, who attempts to abolish the distinction altogether by making the global system his unit of analysis. In his highly acclaimed book, Accumulation on a World Scale--1974a, he utilizes a theory which rests on the Marxist concept of surplus value as it operates in a world capitalist system. Amin argued that the capitalist mode of production tends to become exclusive only at the

center (where it produces for an internal mass market), while in the periphery (where production is "extraverted") the capitalist system includes and even promotes the existence of non-capitalist modes of production. Wages in the periphery, even for equally productive labor, are depressed to level below those of the center. Consequently, international exchange between developed and underdeveloped capitalist nations inevitably involves absolute transfers of surplus value toward the center. This is the mechanism which accounts for the growing inequality between core and periphery in the world capitalist system. According to Amin, this system leads to extreme social polarization and class differences which tend to make the masses increasingly marginalized in the periphery where internal contradictions of the capitalist system are most potent. He argues, therefore, that it is in the periphery where the overthrow of the capitalist system will start. Moreover, besides his efforts to achieve a global and comparative perspective, Amin's analysis is inevitably influenced by the African experience with which he is quite familiar (Amin, 1970a, 1970b, 1972a, 1972b, 1973, 1974b).

Despite the wide diversity of detail and emphasis within the writings of the more radical dependency theorists, as briefly (and by all means neither comprehensively nor exhaustively) presented above, they all tend to agree on a number of conclusions. First, the condition of widespread underdevelopment is an outcome of the expansive and exploitative development of industrial market economies (through mercantilism and colonialism). Second, development and underdevelopment are seen as counterparts in a single, unified world-wide capitalist mode of production characterized by a single international market of commodities dominated by a high international mobility of capital and very

low international mobility (immobility) of labor. Third, underdevelopment is not a temporary stage which will lead ultimately to development. That is, the already established pattern of center-periphery exploitative relationships is likely to continue. Fourth, although the mechanisms of interaction between developed and less developed countries may vary, the latter will continue to be subjected to the former with regard to political, social, and economic policies and decisions.

Even though the dependency perspective contains a number of elements that are of great interest to geographers, it is not yet very popular among them. One reason, suggested by Ettema (1979), is that most geographers are alien to the pronounced Marxist background of many radical dependency theorists. It is implicit in the dependency argument that attention must be focused on space as the variable which has to be explained when analyzing socio-economic inequality. Furthermore, it is not the physical-spatial framework which is seen as the ultimate cause of inequality but the social, political, and economic contexts which determine the nature, form, and functioning of a physical-spatial unit. In addition, although spatial inequality must be interpreted as a reflection of social production, it must be made clear that the specific forms in which inequality becomes manifest are also influenced by the local, regional, and global spatial contexts. For example, the studies of Slater (1975a) and Smith (1974) provide a politico-economic analysis of spatial inequality at the national level. Slater tries to explain spatial inequality in the socio-economic field within Tanzania in terms of the country's integration in the international capitalist system. He distinguishes various historical stages of this integration process. Smith, on the other hand, directs his study



toward the analysis of spatial differences in social welfare as a result of differences in access to resources and technology for the various social groups. Development geography is increasingly experiencing a paradigm-shift toward attempting to combine spatial analysis with the alternative dependency perspective as a result of the critical works of Brookfield (1973, 1975), De Souza and Porter (1974), Slater (1973, 1975b, 1977, 1978), Regan and Hurst (1975), Stuckey (1975, 1976), Soja and Weaver (1976), Soja (1980), and Rogerson (1980).

It appears that the dependency perspective is enjoying wider and wider currency. However, although it is claimed that dependency has provided methodological, historical, and theoretical correctives to the modernization perspective, it also has its limitations. First, similar to the modernization paradigm, there is no unified "theory" of dependency but rather a variety of distinct theoretical tendencies or "traditions." Second, many dependency theorists seem to avoid the presentation of empirical evidence to support their assertions and abstract generalizations (McDaniel, 1976-77). Two exceptions to this observation are the studies done by Chase-Dunn (1975) and Cereseto (1982). Third, some radical writers have at times inclined toward a one-sided emphasis on the determining role of the world market and, consequently, have seen development within less developed countries as mere reflections of, or responses to, exogenous changes. Such purely exogenously determined models of change are as inadequate as the purely endogenous ones. The task—and it is not an easy one—is to combine both endogenous and exogenous factors in a single integrated theoretical framework. Fourth, many writers associate dependency with political dogmatism which inhibits scientific

impartiality in the formulation of problems and the interpretation of results. It is only without taking a dogmatic stand, that the spatial, political, social, and economic phenomena can be studied and understood through a fruitful historical approach which, in the final analysis, promotes scientific explanation far from ideological polemics. Finally, it must be repeated here that this is only a highly selective synthesis of an extensive and far reaching literature. Therefore, for a detailed treatment Bergquist (1979) has provided an excellent, selected, and annotated bibliography which reflects the multiplicity of the dependency perspective. In addition, besides the works mentioned above, there exist adequate reviews and critiques to cover the massive dependency literature; good examples are the works of Foster-Carter (1974), Leys (1975), O'Brien (1975), Shaw and Grieve (1977), and Roxborough (1979).

It is on this second major theoretical approach that this research herein is based, i.e., emphasis upon historical external factors as major determinants of economic performance. However, this study will attempt to combine both exogenous and endogenous changes in the case of Libya as a former colony enmeshed in the capitalist system through colonialism, foreign aid, and multinational oil corporations.

## CHAPTER III

### THE LIBYAN COLONIAL EXPERIENCE

This chapter will focus on the impact which Italian colonialism had upon socio-economic development in Libya. First, however, it is appropriate to sketch a general, but brief, historical introduction describing Libyan colonizations prior to the Italians. Tripolitania (the northwestern region) was first colonized by the Phoenicians and Cyrenaica (the northeastern region) was colonized by the Greeks. Although both, subsequently, became part of the Roman empire during the first century A. D., they continued to maintain separate existences throughout the Roman period (which lasted until the middle of the fifth century A. D.). During this period, a fairly well developed, sedentary agricultural system was made possible through the careful utilization of water resources. After the introduction of the camel (probably in the first century A. D.), trade flourished between the northern Libyan settlements and the African interior. With the decline of Rome and the arrival of the Arabs in the middle of the seventh century and their permanent settlement 400 years later, agriculture dwindled in importance and the country became increasingly characterized by a nomadic way of life. Under the Arabs, trade was revived and expanded between the coastal towns and the caravan centers in the south.

After the Arabs came the Turks or Ottomans, in 1510, who controlled the country for approximately four centuries. During the feudal Turkish rule agriculture declined to an even more backward level than previously. Peasants practiced primitive agricultural techniques near the coast while the nomadic tribes roamed the inland areas practically free from Ottoman urban dominance. Generally, the Ottomans did very little to improve trade, communications, or agriculture. Rather, they limited most of their activities to the maintenance of military garrisons in the towns and to the collection of the largest possible sums through taxation.<sup>1</sup> In the 1860s the central Turkish government attempted a reform movement aimed at reviving both the power and economy of the alien empire in the face of European aggression and expansion. Therefore, the law of "provisional administration" was promulgated in 1864. Libya was designated to be among the first five provinces in which the new administrative system would be constituted.

Under the new administrative system, Tripoli was reconstituted as a Wilayah (state or province), in which there were four permanent Sanajeq

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<sup>1</sup>The Ottoman tax system was quite complex in detail. Briefly, for the province or the state local budget, these taxes were annually collected: (a) Personal taxes paid by every adult (average 40 Turkish piasters). (b) Animal taxes: 40 Turkish piasters for every camel, 20 for every cow or ox, 4 for every sheep, and 2 for every goat. (c) Water and tree taxes: 2.5 Turkish piasters for every olive tree and palm tree and 25 for every well. (d) There was also the agricultural tax (which equals 1/10 of farm production), income tax which was collected from merchants, shop owners, and foreigners, real estate tax which varied between 5% and 10%, and precious metal tax.

For the Ottoman central government there were: import-export tax which reached 8%, port tax paid by ships, Postal Service tax, and taxes collected to help pay Ottoman debts on such commodities like salt, silk, stamps, and alcohol (Al-Dajjani, 1971, pp. 205-207).

"sing. Sunjuk" (administrative center). Tripoli City was the administrative center of a Sunjuk which extended from the Tunisian frontier along the coast to Tripoli and then southeast to the Jabal (mountain). It included nine Qadhas (districts) and eight Nahiyahs (sub-districts). Likewise, the Sanajeq of Khoms, Jabal Gharbi (western mountain), and Fezzan were divided into districts and sub-districts (Table 1). In 1863 Cyrenaica was made a Sunjuk directly dependent upon Istanbul, in 1871 it was transferred to Tripoli's supervision, and in 1879 it was elevated to the status of Wilayah (state). Finally, in 1888 it was returned to its original status as a Sunjuk dependent once again upon Istanbul (Anderson, 1981, p. 109). Cyrenaica was divided into six Qadhas and thirteen Nahiyahs.

Furthermore, the Turkish authorities tried to encourage people to settle and till the land, and in 1858 the Ottoman Code of land law was promulgated.<sup>1</sup> Land ownership appears to have been one of the major sources of wealth in Tripolitania and Cyrenaica. However, burdensome tax policies continued to make agriculture less attractive and, in fact, retarded its growth and development. In short, on the eve of Italian colonial occupation in the early 1900s, Libya had been endowed with a stable and somewhat continuous administration since the 1860s.

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<sup>1</sup> This law was derived from the Islamic code, five categories of land tenure were identified in Libya: (a) Mulk private or freehold property when an individual held full rights of ownership. (b) Waqf permanent endowment to religious foundations such as mosques or shrines. (c) Miri land to which the state held domainal rights and direct control of usufruct. (d) Matruka abandoned land to which the state usually retains domainal rights and (e) Mawat dead or waste land that was either uncultivated or uncultivable. Distinction between the last two categories is hard to make and often tends to disappear at increased distances from sedentary areas.

TABLE 1

THE OTTOMAN ADMINISTRATIVE SYSTEM IN LIBYA  
DURING THE TURN OF THE CENTURY

<u>Wilayah</u> (State or Province)	<u>Sujuk</u> (Administrative Center)	<u>Qadhas</u> (Districts)	<u>Nahiyah</u> (Sub-Districts)
TRIPOLI	<u>(1) Tripoli</u>	--Tripoli	--Zanzur
		--Zawia	--Tajura
		--Agelat	--Gefara
		--Zuara	--Nawahi Arba
		--Njad	--Sahel
		--Gherian	--Manshia
		--Tarhuna	--Alawna
		--Worffalla	--Regaibat
		--Azizia	
		<u>Total Population 286,592*</u>	
	<u>(2) Khoms</u>	--Kohms	--Tauorga
		--Mesallata	
		--Zliten	
		--Misurata	
		--Sirte	
		<u>Total Population 140,719*</u>	
	<u>(3) Jabal Gharbi</u> (Western Mountain)	--Yafran	--Kiklah
		--Fsato	--Mizda
		--Nalut	--Al-Hodd
		--Ghadames	--Zentan
		<u>Total Population 88,126*</u>	
	<u>(4) Fezzan</u>	--Tibesti	--Zawilah
		--Ghat	--Sebha
		--Auzkor	--Samnu
		--Shati	--Hun
		--Socna	--Gatrun
			--Wadan
			--Zella
		<u>Total Population 20,000*</u>	

TABLE 1 (continued)

**THE OTTOMAN ADMINISTRATIVE SYSTEM IN LIBYA  
DURING THE TURN OF THE CENTURY**

<u>Wilayah</u> (State or Province)	<u>Sujuk</u> (Administrative Center)	<u>Qadhas</u> (Districts)	<u>Nahiyah</u> (Sub-Districts)
BENGHAZI	<u>(5) Benghazi</u>	--Benghazi --El-Marj --Jalo --Derna --Tobruk --Kufra	--Suluq --Qaminis --Agedabia --Tokra --Bersis --Sultan --Shahat --Qubba --Tolmaita --Bardia --Sallum --Bomba --Haniyah
		<u>Total Population 230,000**</u>	
		Total Libyan Population 765,437	

Sources: (Anderson, 1981, pp. 108-109)  
 (Al-Dajjani, 1971, p. 216)  
 (Naji, 1970, pp. 15-16)  
 (Evans-Pritchard, 1959, p. 95)

\* Reported in Naji.

\*\* Reported in Al-Dajjani.

### Italian Colonization

Due to its late internal development and late emergence as a unified nation state in 1861, Italy came to the scramble for colonial possessions as an inexperienced and weak competitor, especially in comparison with the French and British empires. No attempt is made here to review the domestic and international circumstances by which Italy was prompted to war with Turkey over Libya. There is also no need to narrate in detail the reasons and justifications which the Italian expansionists (especially the Nationalists) gave for their declaration of war and the course of subsequent fighting between the Italians and the Libyans. It suffices to say that Italian expansionists invoked several major themes to defend and promote the conquest of Libya. Perhaps the most important was the expressed belief that "a colonial enterprise will fulfill Italy's aspirations to be a great power among its European counterparts" (Johnson, 1973, p. 166). Strategic interests in the African coast (opposite to Italy) were the basis of the "need to incorporate the fourth shore." Other claims were advanced, including Libya's potential as a fruitful colony and as a population outlet for Italian emigration, and Italy's legal-historical right—as the successor of the Roman empire—to Libya (Segré, 1974, p. 21). Further, like all other European colonial powers, the Italians intended to spread "civilization" into Libya. Therefore, as early as 1900, the vice-president of the "Istituto Coloniale," after having visited Tripoli, claimed that the Libyan province:

. . . is so rich with historical memories. . . so abundant in land. . . so lacking in population and so important for the future trade routes to the continent of Africa. . . (quoted in Bosworth, 1979, p. 147).



Italy's initial penetration in Libya was limited to "peaceful attempts" to gain commercial privileges and concessions particularly in Tripolitania. Eyeing with utmost suspicion the French and German intentions, the Italian government pursued vigorous investment plans in Tripoli, even though the Turks still ruled Libya. Consequently, the first initiative for a serious economic presence in Libya came from the "Banco di Roma" which, on April 15, 1907, started its operations in Tripoli City and later opened branches in Misurata, Zliten, Zuara, Khoms, Sirte, Benghazi, Derna, Tobruk and Sallum. In addition, the Roman bank extended its activities to include industrial and commercial investments. In December 1907, the "Banco di Roma" had built an olive oil processing plant in Tripoli with small branches in Khoms, Mesallata and Zliten. In August 1910, the bank opened a wheat mill in Tripoli and, despite the suspicions of the local Turkish authorities, the Banco di Roma financed the construction of railways, expansion of the port at Tripoli, agricultural improvements, hydraulic works, and coastal trading services. For example, the bank operated a dairy farm near Benghazi on four thousand hectares with fifteen thousand cattle. The bank also operated several lines of coastal trading services such as the line between Tripoli, Misurata, Kohms and Zliten. In 1910 and 1911, the Banco di Roma signed two contracts with the Italian government to initiate two shipping lines, one between Tripoli and Alexandria via Malta, Misurata, Benghazi, Derna and Sallum and the second between Tripoli and Tobruk through Kohms, Sirte and Derna (El-Sherkasi, 1976, p. 14). By 1907, Italian shipping lines controlled forty-five percent of the commerce entering the Tripoli port.

Italian traders and businessmen aimed at total control of Libyan

commercial activities, but until February 1911, Tripoli's imports came primarily from Britain, Italy, Austria, Turkey, France, Germany, and Tunisia. The majority of exports were shipped to Britain, then to Turkey, France, Malta, the United States, Greece, and Italy. Eight Italian banking and commercial concerns existed in Tripoli and the Italian community totaled 660 citizens with a Roman Catholic mission, a hospital, schools, and cultural organizations like the "Dante Alighieri Society" which had branches in both towns of Tripoli and Benghazi. Although Italian investments in Libya were still limited in scale, the Italian government, and specifically its Nationalist leaders, claimed a "hostile and uncooperative" attitude on the part of the Ottoman government. Consequently, tension and hostility between the two states began to mount culminating in Italy's declaration of war against Turkey. Italian forces invaded the Libyan coast to firmly control Tobruk on October 4, 1911, Tripoli (October 11), Derna (October 18), Benghazi (October 20), and Kohms (October 21). Although not very well prepared, the Turkish authorities and the Libyans resisted the landing of the Italian troops.

#### The Italian Agricultural Policies

After securing a foothold on the Libyan coast in 1914, particularly in the coastal towns, the Italian administration--with attention focused on agricultural development--controlled the Miri land (land to which the Turkish administration held domainal rights). By 1919 the Italian government was in the process of granting concessions. Large parcels, reaching in some cases thousands of hectares and small lots, were made available for long-term rent or lease to Italian citizens. The large grants were to be developed utilizing

Libyan labor, and the small grants were to be worked by enterprising individual families. Forty lots totaling about 1,250 hectares were granted in the immediate vicinity of Tripoli. By the end of 1922 more land had been granted to reach the total of 3,612 hectares out of the 9,313 hectares nationalized by Italian authorities (Table 2). In order to create and expand the public domain, the Italian Land Office declared that all lands which were not cultivated were to belong to the state. Furthermore, Italian military successes, aimed at total pacification of the country, provided more land through confiscation and direct or indirect expropriation. This phase of Italian colonialism (1914-1927) can be called "capitalist colonialism" since the goal of the Italian government was to attract large-scale Italian capital by offering cheap land, favorable tax advantages, and the extension of government credit and technical assistance. Naturally, such a policy gave rise to a few large agricultural estates or "latifundia." In all large-scale estate operations, the managerial and technical levels were filled by Italians but most of the labor requirements were supplied by the native population. However, with the world economic depression and the reluctance of private Italian capitalists to invest, the state ultimately paid for an expensive colonization scheme. It has been estimated that the state contributions for development of the concessions reached proportions as high as thirty percent of their cost.

In 1928, the Fascist Italian government adopted a new policy which can be described as "capitalist settler colonialism." The existing grantees had the primary responsibility for demographic colonization. However, colonization in Libya during the early 1930s depended primarily upon the efforts of private enterprise with the government's conditional land grants and generous credits

TABLE 2

**LAND NATIONALIZED AND GRANTED TO  
ITALIAN COLONISTS, 1914-1932  
(In Hectares)**

YEAR	NATIONALIZED	GRANTED
1914-1922	9,313	3,612
1923	26,100	3,970
1924	27,100	9,949
1925	4,887	17,619
1926	35,124	25,596
1927	45,264	27,554
1928	14,722	13,465
1929	17,153	14,944
1930	20,376	5,322
1931	57	1,726
1932	2,229	2,376
TOTALS	202,325	126,183

Sources: (Fowler, 1972, p. 637).  
(Bulugma, 1975, p. 15).

and subsidies. By 1937 Italian agriculture was confined to a narrow belt along the Mediterranean coast, with the most intensive development around Tripoli (this area counted for about half of the total area developed for farms). Settler colonialism based on the creation of small, family farms was in progress, but capitalist concessions were dominant. Farms of more than 500 hectares occupied 75.8 percent of the total farm area (187,749 hectares) (Segre, 1974, pp. 97-98). Clearly the government's concern with settling Italian peasants brought forth a change in its colonial development policy. The main institutional tools to implement this change were to be the colonization companies, particularly ECL (Ente per la colonizzazione della Libia) and INFPS (Istituto Nazionale Fascista per la previdenza Sociale). This extension of colonization activities were thought to solve Italy's economic depression and to reduce the high rate of Italian unemployment.

This shift in policy meant that the state had to be in charge of the increased financial burden. Between 1929 and 1933 the state contributed an estimated 35.7 million lire in agricultural subsidies to Tripolitania alone (Segre, 1974, p. 70). Between 1934 and 1937 government loans to private concessioners totalled about 62 million lire and Tripoli Savings Bank (Cassa di Risparmio per la Tripolitania) extended credits which reached 158 million lire for agricultural development in the colony (El-Sherkasi, 1976, p. 71). All in all, during the thirty years of its colonial administration, the Italian state invested 1.8 billion lire (equivalent to \$150 million in pre-war U. S. dollars at the pre-war rate of exchange) almost half of which was spent during the years 1937-1942. Most of the investment until 1937 was directed toward the construction of railways, roads, ports, and public buildings but during the

later phase (1937-1942) two-thirds of the expenditure (which averaged \$5 million a year) was spent on agricultural projects, land reclamation, and land confiscation<sup>1</sup> (Sayigh, 1978, p. 421). In addition, it has been estimated that private Italian investors matched those of the state at 1,840 million lire. By 1940 the colonization companies were involved in intensive settlement projects which provided 23,919 Italian colonists with farms in the Tripoli region and only 15,014 settlers in Cyrenacica (Table 3).

According to the Italian colonial plans, there were to have been 100,000 colonists in Libya by 1942 and the settlement of half a million there by the early 1960s was envisioned. In order to serve the present and future colonists' social needs, the Italian government built rural centers with various public buildings such as churches, schools, cooperative stores, coffee houses, bars, and hospitals or medical centers. These rural centers were well connected with roads or principal highways to urban centers. In Tripolitania ten rural centers were constructed between 1938 and 1939. These included Oliveti, Crispi, Gioda, Breviglieri, Bianchi, Giordani, Garibaldi, Tazzoli, Micca and Corradini (Map 2A and Table 4). Similarly, rural centers were built in

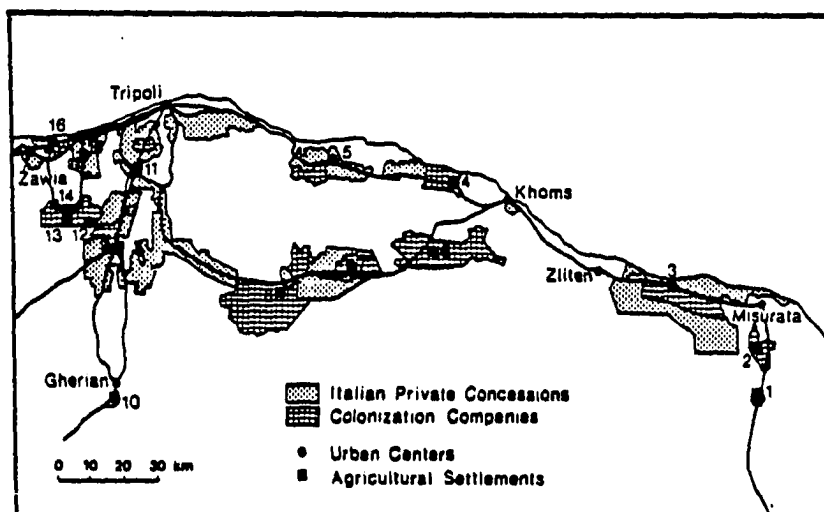
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<sup>1</sup>Describing confiscation policies in Cyrenaica, Johnson has written: ". . . The procedure followed in confiscating the tribal lands was particularly unscrupulous. Notification of the land registration requirement was published in Italian in government offices where none of the interested parties were likely to see it. . . Even when, perhaps as a sop to international opinion, compensation was offered to the dispossessed, no opportunity for impartial assessment of the value of the property was made available and only paltry and inadequate compensatory sums were furnished" (Johnson, 1973, p. 178). The Libyans were likely to lose their land whether or not they took compensation and most of them accepted what they got. Land of the public domain came mostly from direct and indirect expropriation and confiscation from the so-called "rebels." These confiscation policies were first applied at Tripolitania.

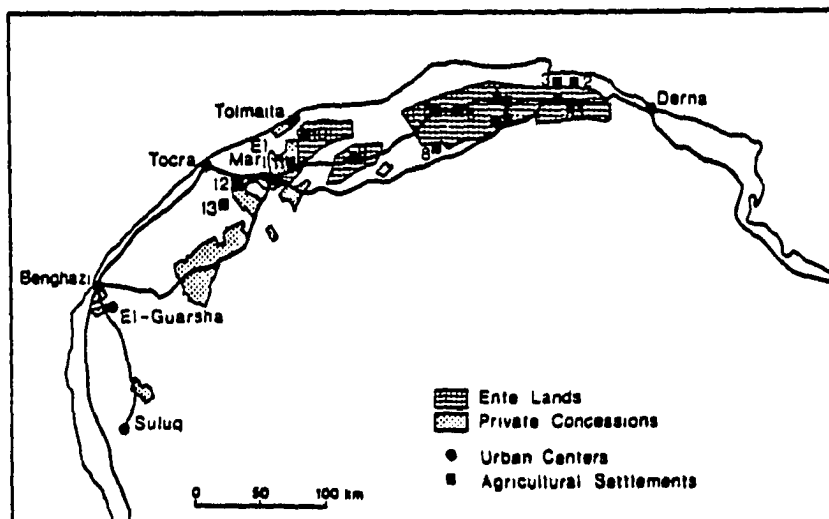
**TABLE 3**  
**DEVELOPED SETTLED FARMING BY ITALIANS IN LIBYA, 1940**

Region	Area of land developed (in hectares)	Number of Families	Number of People
<b>(1) Tripolitania:</b>			
--Private Concessionaires	80,366	1,639	6,896
--Colonization Companies	67,779	2,321	17,023
<b>TOTAL</b>	<b>148,145</b>	<b>3,960</b>	<b>23,919</b>
<b>(2) CYRENAICA:</b>			
--Private Concessionaires	15,960	466	1,524
--Colonization Companies	63,872	1,740	13,490
<b>TOTAL</b>	<b>79,832</b>	<b>2,206</b>	<b>15,014</b>
<b>TOTAL LIBYA</b>	<b>227,977</b>	<b>6,166</b>	<b>38,933</b>

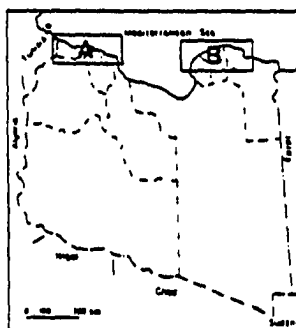
Sources: (Fowler, 1973, p. 493).  
(IBRD, 1960, p. 428).



A. Italian Agricultural Development in Tripolitania.



B. Italian Agricultural Development in Cyrenaica.





**TABLE 4**  
**ITALIAN FARMS AND COLONISTS IN TRIPOLITANIA**  
**(1941 - 1961)**

Settlement		As of December 31, 1941			As of October 31, 1961			
Italian name	Libyan name	Settle- ment number <sup>1</sup>	Total area developed <sup>2</sup>	# of farms	# of colonists	# of Italian farms	# of farms sold to Libyans	# of farms returned to the Libyan government
<b>ECL:<sup>3</sup></b>								
<b>Irrigated:</b>								
--Gioda	El-Kararim	(1)	3,360	100	776	2	--	98
--Crispi	Tummina	(2)	13,431	370	2,731	113	64	100
--Sabotina	Azizia	(9)	2,178	30	212	12	3	9
--Oliveti II*	Jud Daïem	(16)	3,557	49	389	4	118	--
<b>Dry:</b>								
--Garibaldi	Dafnia	(3)	23,089	314	2,460	106	57	91
--Breviglieri	El Khadra	(7)	19,723	168	1,365	70	76	3
--Fonduco	Fonduk el- Togar	(11)	1,960	27	172	4	23	--
<b>INFPS<sup>4</sup></b>								
<b>Irrigated:</b>								
--Bianchi	El-Zahra	(14)	13,963	168	1,377	14	90	19
--Giordani	El-Nasria	(13)	11,401	193	1,544	20	129	25
--Mica	El-Ameria	(12)	6,742	157	1,091	22	63	26
--Oliveti I	Jud Daïem	(16)	3,252	72	588	--	--	--
--Hascian	El-Hashan	(15)	830	19	156	9	10	--

TABLE 4 (continued)

ITALIAN FARMS AND COLONISTS IN TRIPOLITANIA  
(1941 - 1961)

Dry:								
--Tazzoli	Tarhuna--Sidi							
	El-ssaied	(8)	27,484	180	1,041	19	--	153
--Marconi	El-Gusea	(6)	17,146	150	1,119	1	--	138
--Corradini	Ghanima	(4)	6,938	64	517	4	34	10
--Castelverde	Garabulli	(5)	3,640	65	385	2	--	56
ATI <sup>5</sup>								
--Tigrinna	Tigrinna	(10)	2,047	271	1,071	15	--	341
TOTAL:			161,979	2,405	16,994	417	900	1,069

<sup>1</sup>Numbers show settlement location on map (2A).<sup>2</sup>Total area in (acres).<sup>3</sup>ECL refers to: "Ente per la collonizzazione della Libia."<sup>4</sup>INFPS refers to "Istituto Nazionale Fascista per la previdenza sociale."<sup>5</sup>ATI refers to: "Azienda Tabacchi Italiani."<sup>6</sup>The difference in the total number of farms (1961)

is due to the regrouping of original farm units according to the (1956) accord between the Libyan and Italian governments.

\*The two settlements of Oliveti are considered as one settlement in 1961.

Sources: (Fowler, 1969, pp. 421-2, 466, 490-91)  
(Segre, 1974, p. 179)  
(IBRD, 1960, p. 431)

Cyrenica, to be called Beda, Razza, Savoia, Berta, Baracca, Filzi, D'Annunzio, and Maddalena (Map 2B and Table 5).<sup>1</sup> The era of Italian demographic settlement and intensive agricultural colonization influenced dramatically the Libyan rural landscape. The full impact of Italian economic policies upon the Libyan economy and people will be more closely examined at the end of this chapter.

### The Italian Industrial Policies

During the Turkish rule in Libya, large-scale industrial activities were virtually non-existent. All industry centered around the production of traditional handcrafts such as handloom weaving, the making of mats and carpets, basketwork, leather curing and tanning. Other small scale industrial activities were limited to the processing of agricultural goods, especially the milling of flour by very small grist mills in the main coastal towns. In addition, there were fruit and vegetable processing industries, notably that of olive oil by hand-operated presses (probably dating back to the Roman times) which were scattered throughout the Tripolitanian rural areas. Salt extraction from the sea was performed primarily around the two cities of Tripoli and Benghazi. Libyan Jews were specialized gold and silversmiths whose population was concentrated in the city of Tripoli. Other industrial

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<sup>1</sup>For example, the costs of the 1800 farms developed and prepared for settlers in 1938 were officially estimated at (20 million pre-war American dollars) including the entire infrastructure of roads, houses, water services, and village facilities. The costs per farm ranged from \$6,750 in Briviglieri (Tripolitania) to \$9,250 in the farms of the Jabal Akhdar (Cyrenaica) [Serge, 1974, p. 121].

**TABLE 5**  
**ITALIAN AGRICULTURAL SETTLEMENTS IN CYRENAICA (1958)**

Settlement		Settlement number*	Number of farms**	Total area developed in hectares
Italian Name	Libyan Name			
Giovani Berta	El-Qubba	(1)	44	418
Fiorita	El-Athrun	(2)		
Alba	Ras el-Hilal	(3)	32	117
Lugi di Savoia	El-Abrag	(4)	92	470
Battisti	Gernada-Faidia	(5)	132 <sup>1</sup>	2,121 <sup>1</sup>
Beda Littoria	El-Beida	(6)	193 <sup>1</sup>	4,223 <sup>1</sup>
Luigi Razza	Massa	(7)	112	2,128
Mameli	Omar el-Mukhtar	(8)	70	1,266
D'Annunzio	El-Byadda	(9)	76	1,439
Oberdan	Batta	(10)		
Umberto Maddalena	El-Awillia	(11)		
Baracca	Farzugha	(12)	634 <sup>2</sup>	10,733 <sup>2</sup>
Filzi	El-Hemadah	(13)		
Tolmaita	Tolmaita	(14)	387	5,534
TOTAL:			1,772	28,449

\* Numbers show settlement location on map (2B).

\*\* Neither the number of Italian families nor the number of Italian colonists are available for each settlement. By 1940 more than (2000) Italian families (15,014 settlers) were in Cyreniaca.

Source: (IBRD, 1960, p. 430).

<sup>1</sup> These figures include (32) farms developed in the area of "Shahat" with a total area of (704) hectares.

<sup>2</sup> These figures include (10) farms developed in the area of "Tacnis" with a total area of (300) hectares.

activities included printing, construction and manufacturing of wood products for the local market.

When the Italians began their peaceful economic penetration which eventually led to their total domination of the Libyan colony, the Libyan industrial potential was significantly expanded. The Italian industrial investments were geared toward: (1) processing agricultural surplus, (2) processing marine products such as fish, sponges and sea salt, and (3) mineral industries. As stated above, the bulk of early Italian industrial investments were mainly based on the processing of agricultural products. These industrial investments were highly concentrated in the area of Tripolitania and especially in the city of Tripoli and its environs. The Italians were also responsible for the spread of large-scale modern techniques and industrial methods. For example, by 1939 the Italians had built more than sixty machine-operated olive oil processing and purifying plants which improved the quality of olive oil. Production reached a maximum of 2200 metric tons annually (all of it occurring in Tripolitania). The colonists also constructed a tobacco plant in Tripoli (1923) which employed 2000 people; two beer plants, the first in Tripoli (1920) and the second in Benghazi (1929); and three large, modern flour mills in Tripoli with two smaller mills in Benghazi. Four new modern facilities for the manufacturing of noodles were built in Tripoli with an additional four constructed in Benghazi. A factory was built in Tripoli utilizing esparto grass for the manufacture of paper. In addition, a leather shoe industry was developed and five factories were built (three in Tripoli, one in Benghazi, and one in Derna). In 1937, the Italians built a plant for manufacturing and storing wine at Beda Littoria (Cyrenaica). During the Italian period, the

textile industry was also improved, whereupon four large textile factories were built and divided evenly between the two major cities. Other industrial activities included the production of canned fruits and vegetables and alcohol.

The Italians tried as early as 1919 to develop and improve the sardine and tuna fish canning industry. Therefore, they built several plants along the coastal line in towns such as Sabrata, Zliten, Zuara, Tripoli, and Benghazi. Furthermore, they expanded and introduced modern techniques to the sponge industry which averaged an annual production of sixty million metric tons valued at six million Italian lire (El-Sherkasi, 1976, p. 33). The Italian state monopolized salt production (from the sea near Benghazi and Tripoli) using new methods which raised the annual production to twenty thousand metric tons, half of which were exported and the rest consumed in the colony.

Although the Italians struck methane and other hydrocarbon gases while drilling wells near Tripoli, they never possessed the resources or the techniques to consider large-scale exploration for oil. The only mineral deposits they attempted to exploit commercially were the potash deposits near Zuara. A plant was completed in 1940 and production was established at twenty-five thousand metric tons. Moreover, chemical factories, soap industry, printing enterprises, and construction companies were almost exclusively owned and operated by the Italians. A general survey of the Tripolitanian commercial and industrial firms recorded the total number of 3,645 firms of which 1,605 were owned and operated by Libyans. An additional 1,974 were owned and operated by Libyan Jews, 813 were owned and operated by Italians, and 153 were owned and operated by other foreigners.

Another commercial and industrial survey in Tripolitania during 1935 clearly reflected the great concentration of these activities in the city of Tripoli. It was shown that out of the total of 2,944 commercial and industrial enterprises, 2,116 or 72 percent were located in Tripoli and the rest were divided unevenly among the other coastal towns of the region (El-Sherkasi, 1976, pp. 41-42). There is no evidence of any industrial activity initiated by the Italians at a distance from the Mediterranean coast, and virtually all Italian industry was placed only in the two major cities, Tripoli and Benghazi.

In 1938 the "Ufficio dell 'Economica Corporativa" had published an exclusive account of industrial employment and activities in both regions of Tripolitania and Cyrenaica. Table 6 illustrates both regional concentration (mainly in the city of Tripoli) and Italian industrial control. The Italian colonists owned 80 percent of the industrial establishments and accounted for 37 percent of the total industrial employment.

#### The Impact of Colonization Upon the Libyan People and Economy

There is no doubt that the Italian colonization left Libya with a valuable legacy of an impressive modern infrastructure of roads,<sup>1</sup> airports, village centers, water systems, schools, hospitals, railroads, ports, and other public installations and buildings, as well as some equally impressive research

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<sup>1</sup>The Litoranea "the major coastal highway" extending from the Tunisian frontier in the west to the Libyan-Egyptian borders in the east was completed in the late thirties. In March, 1937, Mussolini attended its inauguration during a visit to the colony.

TABLE 6  
THE LIBYAN INDUSTRY IN 1938

Location	<u>Number of Industrial Establishments</u>			<u>Number of Workers Employed</u>		
	Italian	Non-Italian	Sub-total	Italian	Non-Italian	Sub-total
Tripoli	414	135	549	1161	1900	3061
Benghazi	137	---	137	527	700	1227
Derna	66	---	66	161	200	361
Misurata	22	15	37	90	500	590
TOTAL	639	150	789	1939	3300	5239

Source: (El-Sherkasi, 1976, p. 43).



work relating particularly to agriculture and mineral resources. At the same time, the substantial Italian agricultural and industrial investments had contributed to the growth and development of the Libyan economy and provided a useful base for future expansion. However, although the advantages were quite considerable, it must be recognized that the Libyans paid heavily for what the Italians achieved. In fact, such development of the infrastructure did not, in the least, negate the exploitative character of the colonial relationship. In order to substantiate this claim it is necessary to examine closely, but briefly, this relationship.

Before the Italian invasion, the great majority of the Libyan population depended upon pastoralism and subsistence-level agriculture. The extent to which the natives relied upon livestock and agriculture for their support is indicated by the fact that 75 percent of the labor force, as enumerated in the 1936 census, was engaged in agriculture. In addition, 15 percent was involved in manufacturing, including domestic handcrafts such as weaving, the making of leather goods, food and the like. Another 5 percent of the native labor force was employed in trade and commerce (Pan, 1949, p. 111). Before the mass settlement program was instituted by the Italian colonial authorities, 60 percent of the Italian labor force in Libya was engaged in urban occupations while only 15 percent of the Italian immigrants worked in agriculture. However, the Italian migratory swarms of 1938-39 threatened the very existence of the Libyans, to whom the increased number of Italian colonists represented more population pressure on limited agricultural resources as well as the introduction of modern industrial techniques with which the traditional lifestyles cannot compete (Table 7). The agricultural

TABLE 7  
THE POPULATION OF LIBYA IN 1931 AND 1936<sup>1</sup>

Administrative Division <sup>1</sup>	Native		Italian		Others		Total	
	1931	1936	1931	1936	1931	1936	1931	1936
Tripoli	311,184	343,093	26,036	42,091	2,291	2,420	339,511	387,604
Misurata	168,715	203,922	1,892	2,954	114	111	170,721	206,987
Benghazi	100,509	91,743	14,494	34,420	2,365	382	117,368	126,545
Derna	35,706	45,839	1,566	32,557	37	28	37,309	78,424
Libyan Sahara	38,716	48,376	612	672	--	2	39,328	49,050
TOTAL	654,830	732,973	44,600	112,694	4,807	2,943	704,237	848,610

- (1) Before these Italian censuses, available information concerning the size of the Libyan population was provided only as estimates at best (see Table 1). Estimates of the population of Tripolitania and Cyrenaica for 1951 and 1923, respectively, were made by the Italian colonial official Colonel E. de Agostini. For Tripolitania, he gave a population of 569,093 and for Cyrenaica 185,400.
- (2) Up until the early thirties Tripolitania and Cyrenaica were administered as two independent colonies. However, in 1934 the two colonies were unified as a single unit which was divided into four deputy-governorships (administrative divisions) while the Libyan Sahara remained a military zone (Evans-Pritchard, 1944, p. 8).

Source: (Migliorini and Others, 1955, p. 98).

expansion carried out by the Italians meant the forced displacement of Libyan pastoralists to marginal, arid desert regions subject to severe droughts.<sup>1</sup> This wholesale deportation of Libyans from the agricultural zone created large numbers of displaced, landless, unskilled, second-class wage-earners who were induced to migrate to neighboring countries such as Egypt,<sup>2</sup> Tunisia, Chad, and Niger or to urban centers, especially Tripoli and Benghazi, seeking employment in development projects initiated by the Italians.<sup>3</sup> In fact, the Italian policy makers were highly disturbed to witness the native gradual abandonment of the countryside in favor of the relatively secure and high-paying jobs in the cities. This uncontrolled native rural-urban migration was feared because as Segré observed:

. . . These migrations would accentuate labor shortages in the countryside. . . (and) would lead to the formation of a socially and politically restless and dangerous urban proletariat (Sergé, 1974, p. 155).

In order to reduce and alter the native rural-urban migration pattern, the Italian decision makers proposed a program which was aimed at the complete assimilation of elements of the rural population of the colony.

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<sup>1</sup>The 1936 drought, which reduced the sheep livestock of Tripolitania from 1,500,000 to 300,000 head, is a good example (Pan, 1949, p. 116).

<sup>2</sup>It was estimated that nearly more than 30,000 exiles and refugees migrated from Cyrenaica alone to live in Egypt (Evans-Pritchard, 1944, p. 4).

<sup>3</sup>The Italian development projects were mainly dependent upon the cheap and abundant indigenous labor. For example, the enormous program of public works projects for the mass emigration in 1938 which was carried out in little more than two years occupied an average daily employment of 32,650 workers—"8,650 Italians and 24,000 natives" (The Italian Library of Information, 1940, p. 67).

Parallel to the development of demographic settlements for metropolitan peasants, the Italians designed a similar scheme to settle Libyans in agricultural villages.<sup>1</sup> Although the program hardly advanced beyond the planning stage, it was anticipated to serve two purely political motives. First, it was conceived for propaganda purposes and intended to quiet disgruntled Libyans whose lands were expropriated and confiscated by the state. Second, sedentary farmers were easier to control and, consequently, presented far fewer political and police problems than restless nomads.

The losses, both economic and physical, sustained by the Libyan population during the Italian invasion and occupation reflect the traumatic impact of the period, evidenced by a markedly sharp decline in the native population. Such a great reduction in the native population occurred when the Italians applied harsh repressive measures in their quest to control the country and its people. Due to the lack of accurate statistics, there exists hardly any agreement concerning the size and scale of the Libyan casualties. John Wright has approximated a reduction of approximately 175,000 in the native population in the period from 1911 to 1934. However, he adds:

. . . while many Libyans died in the fighting against the Italians, many Libyan lives were saved by the enormous improvements in the public health services that followed the Italian conquest (Wright, 1982, p. 42, n. 9).

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<sup>1</sup>Eight villages were planned for native settlement, six of which were to be built in Cyrenaica. In all, only thirty-two farm units, totaling only forty-three hectares, were ever developed in both villages of Alba and Fiorita which were occupied by Libyan farmers recruited by Italians in 1939 (Johnson, 1973, p. 190). In Tripolitania, a settlement of one hundred "four-hectare farms" was developed near the city of Zawia to be called Maamura. Another one Naima, near Misurata, never progressed beyond the blueprint stage (Segré, 1974, p. 149).

In contrast, Adrian Pelt, the United Nations Commissioner in 1950-51, believed the assertion that one-half of the Libyan nation died in the struggle for freedom. Basing his assumption on a Libyan population of barely over one million, he calculated the total death roll (from all causes except natural death) between 1912 and 1934, to be in the region of 250,000 to 300,000 (Pelt, 1970, p. 500, no. 89). For Cyrenaica alone, Evans-Pritchard has given only an impressionistic assessment of the casualty figures as one-half to two-thirds of the nomad population during the period of 1911-1932 (Evans-Pritchard, 1959, p. 191).<sup>1</sup> In addition to this physical repression and displacement, the Italians, like other European colonial powers, did little or nothing to prepare the Libyan for self-government. Education and technical training were completely neglected, and Libyans were virtually excluded from the administration.<sup>2</sup> As a result, Libya remains even today heavily dependent on foreign administrative and technical personnel whose replacement by Libyans was, and continues to be, a major handicap to an independent economic development.

The strongest Italian influence upon Libya can be summarized as follows:

The introduction of a wide-scale exchange has been brought about

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<sup>1</sup>Based on the Italian census of 1931, the Cyrenacian nomads were about 120,338. However, assuming the Turkish estimate of 230,000 to have been accurate (Table 1), the nomad population of Cyrenaica may reach a total of 172,500 (if we assume their percentage of the total population of the region was 75% as it was in the 1931 census).

<sup>2</sup>For a detailed treatment of Italian educational policies in Libya, De Marco (1943) provides the most comprehensive.

largely by Italian capital and enterprise. Consequently, the Libyan economy became strongly tied to and dependent upon the Italian economic structure. This dependency furthered the integration and incorporation of Libya into the world capitalist system. The exchange economy was forcefully imposed on the local traditional setting, but it was highly concentrated in urban centers, especially in the two provincial cities of Tripoli and Behghazi. This structural change has induced a relatively large out-flow of unskilled labourers as wage earners from the traditional subsistence economy to the urban exchange economy, inducing and further reinforcing regional inequality in the country.

Finally, since 1934, Libya emerged as one unified entity with its three regions of Tripolitania, Cyrenaica, and the Fezzan delimited by well-defined political borders over which the Italians negotiated with both the French and the British.

The defeat of the Axis by the Allies during the Second World War signified the end of the Italian colonization in Libya and the country has fallen once again under a different form of foreign domination to which we turn our attention in the following chapter.

## CHAPTER IV

### FOREIGN ADMINISTRATION, FOREIGN AID, AND MULTINATIONAL CORPORATIONS

#### War and Foreign Administration

The outbreak of World War II turned North Africa (particularly western Egypt and eastern Libya) into a major battlefield. Three successive campaigns and a series of fighting engagements during 1941-42 between the armies of the Allies and the Axis completely destroyed the Italian installations and development projects in Cyrenaica. Life conditions in coastal towns became extremely difficult because of the continuous state of war. For example, Tobruk and Bardia were completely destroyed and throughout 1943 remained closed areas for operational reasons. In Benghazi, three-quarters of the residential/commercial area was razed to the ground. The devastation due to bombardment from the air and from the sea was very extensive forcing a large number of the displaced population to either crowd into the less damaged parts of the town or to be moved into temporary accommodations in the suburbs . Under these chaotic conditions, Italian families were evacuated from Cyrenaica shortly before the third and final British offensive. By 1942, virtually the whole Italian community in Cyrenaica fled the region to be

resettled in Tripolitania.<sup>1</sup>

For the nomad and pastoral elements of the Libyan population, these military operations had restricted their movements, destroyed or emptied their water wells, closed their markets, and depleted their herds.<sup>2</sup> In comparison with Cyrenaica, however, the Italian colonization projects and infrastructure in Tripolitania suffered little damage due to the small size and scale of the military engagements in the region. By early 1943, the British Military Administration (BMA) occupied both Cyrenaica and Tripolitania while the French administered Fezzan. This joint British and French administration ruled according to international law. Consequently, Libya was Occupied Enemy Territory and its government was on a "care and maintenance" basis. The fact that the administration was of a temporary nature ruled out any attempt to plan long term development policies. There was also no direct administrative connection between the two British-administered regions and the Fezzan. It was only in February 1951 that the two British administrators met their French counterpart for the first time (Lockwood, 1957, p. 328). Within the terms of a care and maintenance approach, the BMA allowed Libyan farmers (under British supervision) to harvest a grape crop from the four oldest Italian villages in Cyrenaica (Savoia, Berta, Razza, and Beda Littoria).

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<sup>1</sup>A total of 916 Italian families left Cyrenaica in 1942, of which 100 families returned to Italy, 500 resettled on farms in Tripolitania and about 300 moved to the central urban centers (mainly in Tripoli) [Segre, 1974, p. 167].

<sup>2</sup>In 1941, the Axis armies slaughtered: 55,000 cattle, 150,000 sheep, 150,000 goats, and 15,000 camels in order to obtain leather. The livestock killed represented, respectively, 75%, 60%, 58%, and 48% of the total in Tripolitania (Rennell of Rodd, 1948, p. 276).



At the latter settlement, the grape harvest was processed into wine during the summer of 1943. During the same year the British cultivated wheat and barley on four thousand hectares formerly operated by private Italian concessioners in the plains of El-Marj and El-Abyar. The BMA prepared few Cyrenaicans toward self-government and encouraged the Italian community in Tripolitania to continue its economic activities of farming and the running of urban services. The French attempted to integrate the Fezzan region administratively and financially with Algeria, thus isolating it from the rest of Libya. Like the British, their economic and social policies were modest but were accompanied by a distinctively repressive view of political activities.

Lacking subsidies, the Italian colonization companies in Tripolitania (ECL and INFPS) decided to encourage independence among the Italian colonists by transferring ownership of the farms to the families as quickly as possible. However, the size of the Italian resident population in Tripolitania had shrunk dramatically. By 1954, there were 38,000 Italians still living in the region. They retained their right of Italian citizenship and two-thirds of them lived in and around the city of Tripoli. The management of industry in Tripolitania remained almost entirely in Italian hands, and Italians continued to play an important role in the operation of public utilities, the staffing of medical services, agricultural research, banking and commerce, the management of hotels, and many other economic activities.<sup>1</sup>

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<sup>1</sup>Not every one in the Italian population was living prosperously, of course. The stream of refugees from Cyrenaica increased the number of Italian unemployed and homeless in Tripolitania. Thus, the Italian community suffered the hard times of war and felt a kind of physical and spiritual humiliation and isolation.

By contrast, however, the impact of the Second World War upon the Libyan population was more dramatic and severe. The native people were under-educated, with an estimated illiteracy rate of 94 per cent, and were untrained and impoverished with an annual per capita income of fifty dollars, and the native infant mortality was a "horrifying" 40 per cent (Wright, 1982, p. 48). In addition, the unskilled labor suffered an extremely high rate of unemployment and consequently poor living standards.<sup>1</sup>

It was against such a dismal economic, social, and political destitution that Libya's future was considered by the Big Four--Britain, The United States, the Soviet Union, and France. Not being able to arrive at an acceptable compromise regarding the Libyan question, the Four Powers referred the issue to the United Nations General Assembly, which decided in November, 1949 to create a united and independent Libya. After independence in 1951 there were immediate disputes over the land which the Italian colonial government confiscated during its rule. Such disputes were settled by a United Nations Tribunal which assumed that those Italians who had been buying land under contract from the Italian government were the rightful owners if they had paid for more than half the value of the land at the time of the outbreak of World War II. However, the future of the Italian farms was finally decided by the Libyan-Italian property agreement of October 1956. This agreement affected about 1,400 farms and the rest of the Italian farms were either returned to the Libyan government or were sold to Libyan farmers (Table 4).

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<sup>1</sup>Up until the late 1950s, Libyans risked their lives in the wartime minefields to earn a living by salvaging abandoned military equipment. After 1945, in some years scrap metal from this source contributed up to 13 per cent of total exports by value (Wright, 1982, p. 107).

### Foreign Aid

Shortly after independence there was, as has been indicated, little coherence in the functioning of the Libyan national administration. The country adopted an elaborate federal system of government but has only a very small population. In this system of administration, there were thirty-four separate government departments (11 federal, and 23 among the three states of Tripolitania, Fezzan, and Cyrenaica).<sup>1</sup> This high cost government made heavy demands on the very poor Libyan citizens and also involved the relatively unproductive use of manpower for administration, rather than toward developing the country's productive sectors. Furthermore, the multiplicity of government departments and agencies gave rise to confusion of functions and responsibilities which delayed decisions and slowed down the administrative process.

The most acute problem which faced the new independent United Kingdom was the question of financing. Following independence, Libya was frequently cited as the most extreme case of poverty and backwardness. Lack of capital and financial resources in the country made Benjamin Higgins, the head of the UN mission to Libya in 1952, to declare that:

. . . It has become a commonplace among observers of Libyan affairs to describe the country as "deficitary." Indeed, the economy is deficitary to an extraordinary extent (Higgins, 1953, p. 3).

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<sup>1</sup>The operation of this system of government was very costly. For example, total payroll for government employees was more than 12 per cent of the GDP (about 7 million Libyan pounds) during 1957-58. Additional expenditures were incurred on the building and maintenance of government offices, official transport and other administrative overheads (IBRD, 1960, p. 75).

In his 1950 report to the General Assembly, Adrian Pelt, the UN Commissioner in Libya, had urged the Economic and Social Council, the specialized agencies and the Secretary-General of the UN to:

. . . extend to Libya, insofar as they may be in a position to do so, such technical and financial assistance as it may request in order to establish a sound basis for economic and social progress, (quoted in Lockwood, 1957, p. 331).

In February 1952, the General Assembly requested the Economic and Social Council to extend an expanded program of technical assistance to Libya with the cooperation of all governments and specialized agencies. Consequently, financial and technical assistance programs were initiated and undertaken by international agencies (Table 8). Financial and technical assistance were also provided by some UN member countries which included Egypt, Pakistan, Turkey, France, Italy, Britain, and the United States. The last two countries contributed a particularly important share in financing the economic and social development program because of their special relationships with the Libyan government at that time. Under treaties with Britain (1953) and the United States (1954), Libya received economic aid in return for the right to establish military bases on its territory.

By the terms of the financial agreement accompanying the Anglo-Libyan treaty, which was to last until 1973, Britain was to contribute a direct subsidy to the Libyan budget in return for the establishment and use of military facilities on Libyan soil. The British privileges included the right to the "exclusive and uninterrupted use for military purposes" of certain areas and buildings and the right of British aircraft to "fly over and, in any emergency, land or take off from any of the territory of Libya." By 1960,

TABLE 8

## UN FINANCIAL ALLOCATIONS UNDER THE EXPANDED TECHNICAL ASSISTANCE PROGRAM IN LIBYA (U. S. Dollars)

International <sup>2</sup> Agency	1952	1953	1954	1955	1956 <sup>3</sup>	TOTAL
UNTA	229,546	127,715 <sup>4</sup>	76,710	95,266	69,000	598,237
ILO	18,123	176,422	178,405	160,480	156,320	689,750
FAO	160,264	281,105	191,825	176,336	248,900	1,058,430
UNESCO	211,801	160,234	98,189	136,093	179,500	785,817
ICAO	---	---	6,133	---	---	6,133
WHO	34,709	26,484	13,826	12,291	61,263	148,573
WMO	---	3,091	19,075	21,955	52,000	96,121
TOTAL	654,443	771,960	584,163	602,421	776,983	3,379,970

1 After 1956, the annual allocation under the technical assistance program averaged LE 260,000.

2 UNTA (UN Technical Assistance), ILO (International Labor Organization), FAO (Food and Agricultural Organization), UNESCO (UN Educational, Scientific, and Cultural Organization), ICAO (International Civil Aviation Organization), WHO (World Health Organization), and WMO (World Meteorological Organization).

3 Estimates

4 UNTA allocation for 1953 included the 3,091 allocated by WMO.

Source: (Lockwood, 1957, p. 336).

there was one British regiment stationed outside Tripoli, another outside Benghazi, and a tank regiment at Khoms. The British built a large air base at El-Adem south of Tobruk and maintained a detachment of the Royal Air Force personnel at Tripoli airport. During the first five years of the treaty (1953-58), the British government was to pay one million Libyan pounds a year to Libyan development organizations and 2.75 million Libyan pounds annually as a direct budgetary assistance. A new agreement was negotiated in 1958, under which the United Kingdom was providing 3.25 million Libyan pounds a year in the form of budgetary aid for five years, but with no additional contribution to development organizations (IBRD, 1960, p. 45).

In 1952, with the aid of the UN Mission to Libya, the Libyan Public Development and Stabilization Agency (LPDSA) was established mainly to manage the British financial assistance. From the time of its inception until the end of 1959, the agency handled a total expenditure of 7.5 million Libyan pounds of which L£ 5,720,000 had been allocated to development projects and L£ 1,375,500 had been earmarked for the stabilization fund. The remainder was accounted for by management expenses. The activities of the LPDSA were concentrated heavily in transport and public utilities (Table 9). In addition, the agency carried out relief works in Tripolitania and Cyrenaica at a cost of L£ 424,000 (mainly in 1955-1956). Other relief works included measures of soil and water conservation in Tripolitania and the construction of a new road between El-Marj and Tolmaita in Cyrenaica (IBRD, 1960, p. 51).

Under the 1954 Libyan-American base agreement, the United States was entitled to retain the air base at Wheelus Field southeast of Tripoli together

**TABLE 9**  
**LPDSA MAJOR INVESTMENTS AND PROJECTS<sup>1</sup>**

Project	Location	Costs <sup>2</sup>
(1) Construction and re-equipment of Tripoli Harbor	Tripoli	545,000
(2) Road Maintenance	Susa-Derna (Cyrenaica)	67,000
	Fezzan	590,000
(3) Airport Improvement and Village reconstruction	Tripoli	282,000
	Benghazi	273,000
	Fezzan	33,500
(4) Water supplies, repair of flood damage and electric power	Tripolitania and Cyrenaica	570,000
	Cyrenaica	65,000
	Cyrenaica	522,000

<sup>1</sup> Among the major projects carried out by the agency: the construction of the irrigation system of the Wadi Megenin in Tripolitania, the provision of equipment for the Zorda experimental farm in Cyrenaica, the construction of a new hospital at Yafran, a TB sanitorium at Cyrene, a nurses' training center in Tripoli, popular housing in Cyrenaica, the equipment of the technical and clerical training center in Tripoli, a training college for men and a boarding school in Agedabia (Cyrenaica).

<sup>2</sup> The amount spent up to 1959 in Libyan pounds.

Source: (IBRD, 1960, p. 51).

with the Al-Watiyh bombing range in western Tripolitania up to the end of 1970. In exchange, the United States agreed to pay an initial sum of seven million dollars and four million dollars annually for six years until 1960, after which Libya was to receive one million dollars a year until 1971. A number of United States agencies were established including the Libyan American Technical Assistance Service (LATAS), the Libyan American Joint Services (LAJS) and, most important of all, the Libyan American Reconstruction Commission (LARC). Although they all worked in consultation with the Libyan government, they were closely tied to the U. S. Embassy and the United States Operations Mission in Libya (USOM), especially concerning matters of fund allocations and project executions and implementations (IBRD, 1960, p. 52). LARC was established in April, 1955, to finance projects supported by American official assistance. A total of L£ 14.3 million (40 million dollars) had been actually received by the agency up to the end of March 1959. All of the U. S. contributions to the LARC were in the form of grants, except a 3.5 million dollar loan which was intended for the expansion of the Tripoli electric power system.

The financial provisions of the Libyan-American base agreement underwent revisions according to which the American government agreed to channel all grants and aid through the Libyan Ministry of Finance. Furthermore, starting in the year 1960 and continuing for five years, the United States was to pay to the Libyan government an annual ten million dollars unconditional budgetary assistance and thereafter one million dollars a year until 1971. Projects financed by the LARC up to 1959 included the establishment of an international telecommunications system, the Libyan broadcasting system, the



National Bank of Libya, and the foundation of a Libyan University. Other funds were also allocated for a number of smaller projects such as livestock improvement, agricultural training, and soil and water conservation (Table 10).

Until 1954 France had the right to keep three companies in the Fezzan in return for a subsidy toward the province's budgetary deficit. After long negotiations with the Libyan government in August, 1955, France agreed to withdraw its garrison of 400 men by the end of 1956. However, the French government was allowed to retain limited aircraft landing rights at Sebha (for five years), Ghat and Ghadames (for two years), and the right of passage for six convoys per year to French Equatorial Africa. All in all, the amount of French assistance was small and varied from the L£ 235,000 paid during 1956-57 to the L£ 10,000 in 1957-58. In addition, Libya has also received financial assistance from Italy, Egypt, Turkey, and Pakistan (Table 11).

Libyan planning and development remained highly dependent on foreign financial aid throughout the 1950s and the early 1960s. Foreign assistance was not always assured because it was generally left to the donor country to underwrite financial requirements. In the Libyan case, both France and Italy failed to provide anticipated funds. The British aid contributions were reduced in 1958, also earlier than anticipated. Most of the economic planning and project execution was done by foreign experts and several foreign aid agencies with no attempt to integrate or coordinate a properly prepared program for development. This uncoordinated, haphazard development method resulted in confusion, duplication of efforts, and wasted limited resources. Neither the Libyan government nor the development and technical agencies had made any real effort to coordinate development activities. In addition,

TABLE 10  
**LARC ALLOCATIONS BY ECONOMIC CATEGORY: 1955-1960**  
 (Thousands of Libyan Pounds and Millions of Dollars)<sup>1</sup>

Category	Amount		Percent of Total
	Lf <sup>2</sup>	\$	
(1) Agriculture, forestry, and fisheries	1,580	4.40	8
(2) Water resources and minerals	1,556	4.35	8
(3) Electric power	4,030	11.28	21
(4) Telecommunications	1,851	5.18	9
(5) Broadcasting	1,013	2.87	5
(6) Roads	2,471	6.91	13
(7) Education	2,639	7.38	14
(8) Health	1,584	4.44	8
(9) Capitalization of National Bank	700	1.96	4
(10) Capitalization of National Agricultural Bank	1,000	2.80	5
(11) Administration	1,135	3.18	5
TOTAL	19,559	54.76	100 <sup>3</sup>

<sup>1</sup>By 1959, the actual LARC expenditure reached about 73 percent of these total allocations.

<sup>2</sup>To be called later "Libyan Dinars" (LD).

<sup>3</sup>Does not add to total due to errors in rounding.

Sources: (IBRD, 1960, p. 52).  
 (Parks, 1974, p. 105).

**TABLE 11**  
**FOREIGN ASSISTANCE TO LIBYA: 1950-1956<sup>1</sup>**  
(In Million Libyan Pounds)

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
UK and French grants	1.35	1.46	2.23	1.92	2.91	--	--	--	--	--	--	--	--	--	--	--
LPDSA	--	--	.44	.72	1.12	1.05	1.02	1.47	.25	--	--	--	--	--	--	--
UK grain grants	--	--	.25	--	--	--	--	--	--	--	--	--	--	--	--	--
UN technical assistance	--	--	--	.17	.19	.22	.26	.26	.26	.26	.22	.22	.22	1.85	1.00	.82
US grants	--	--	.64	.50	1.25	6.15	4.62	5.89	5.61	11.20	10.85	6.92	6.26	5.44	2.93	.91
UK grants	--	--	--	--	--	2.79	2.75	3.00	4.63	3.25	3.26	3.25	3.25	5.25	5.25	--
	1.35	1.46	3.56	3.31	5.75	10.21	8.65	10.62	10.75	14.71	14.33	10.39	9.73	10.54	9.18	1.73

<sup>1</sup>In addition, Italy contributed to the Libyan government one million and sixty thousand Libyan Pounds between 1952 and 1958. The figure for 1958 included a sum of one million Libyan pounds transferred in cash under the Libyan-Italian agreement of 1956. Both Egypt and Turkey paid fifty thousand Libyan pounds each between 1954 and 1958. Furthermore, Pakistan donated ten thousand Libyan pounds to Libya's financial assistance during the year 1958.

Sources: (Bank of Libya, 1967, pp. 27-28)  
(IBRD, 1960, p. 48).

public capital investment was directed toward repairing the damages to infrastructure (roads, harbors, public buildings) which were caused both by the war and by lack of proper maintenance. General administration absorbed a great share of the public investment and a comparatively small proportion of the investment was directed into the productive sectors. Apart from small scale agricultural improvements, the flow of foreign financial assistance and investment were highly concentrated in the urban sector of the economy. This led the IBRD mission to declare that:

. . . the mass of small Libyan farmers and pastoralists remain desperately poor, and rural conditions . . . contrast unfavorably with the flourishing state of trade and service industries and with the fairly rapid growth of manufacturing production (IBRD, 1960, p. 55).

To sum up, after independence in 1951, the Libyan economy received considerable support from foreign financial and technical assistance and foreign military expenditures. Economic growth was mainly concentrated in the urban service sector which includes wholesale and retail trading, personal services, building and construction, transport and government. At the same time, public investment was heavily concentrated in transport and communications, public utilities, government buildings, and social services. This pattern of lopsided growth distorted the wage-price relationships and increased an already uneven distribution of income and wealth. This unbalanced growth induced rural people to leave the land and drift in large numbers to major urban centers. Such a process was firmly begun during the Italian occupation and continued to respond to the injection of foreign capital inflow into the urban sector of the economy. This pattern was intensified even further following the increased oil exploration activities by multinational corporations.

### Multinational Corporations

Even with foreign assistance and grants, the Libyan balance of payments ran heavy deficits (Table 12). In 1960, roughly half of all public expenditures were financed out of domestic revenues and the other half out of foreign loans and aids. However, after some successful oil discoveries in neighboring Algeria, the Libyan government in 1955 passed its first petroleum law in which it declared that all subsurface mineral resources are the property of the state. In addition, it divided the country into four exploration zones and laid down rules for the granting of concessions. Since Libya entered into the oil business when the international petroleum market was oversupplied, the country's oil law extended favorable inducements to encourage smaller and competing firms.<sup>1</sup> The idea was to seduce the largest possible number of competitive bidders to enter Libya in search for oil (First, 1980, p. 128).

Three months after the passage of the petroleum law, forty-seven separate concessions were let to fourteen different companies or different groups of firms. Six of the seven "majors" were represented. Standard of New Jersey (EXXON) became the first to discover large commercial quantities of oil in 1959, and it was followed by the Oasis group (American "independents" Marathon, Continental, and Amerada). Although at the exploration state the local expenditure of these oil companies did not significantly influence the state revenue--little flowed directly into the treasury--it served to expand

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<sup>1</sup>Both Kubbah (1963) and Waddams (1980) describe in detail the legal aspects as well as other sides of the Libyan oil industry.

TABLE 12  
TOTAL REVENUES AND EXPENDITURES  
(1944/45 - 1962/63)<sup>1</sup>

Financial Year	Revenues	Expenditures	Surplus <sup>2</sup>	Deficit
1944/45	1,814	1,971	--	157
1945/46	2,037	2,179	--	142
1946/47	2,507	2,771	--	264
1947/48	2,543	3,870	--	1,327
1948/49	3,075	4,555	--	1,480
1949/50	3,478	3,984	--	526
1950/51	3,658	5,522	--	1,864
1951/52	4,171	5,911	--	1,740
1952/53	6,154	6,618	--	464
1953/54	9,252	8,233	1,019	--
1954/55	11,190	8,797	2,393	--
1955/56	13,331	12,978	353	--
1956/57	18,126	15,433	2,693	--
1957/58	20,440	17,031	3,409	--
1958/59	16,952	20,024	--	3,072
1959/60	18,363	20,613	--	2,250
1960/61	22,356	28,342	--	5,986
1961/62	25,703	34,456	--	8,753
1962/63	36,027	44,432	--	8,405

<sup>1</sup>In LD '000

<sup>2</sup>The surplus during the financial years 1953/54 to 1957/58 was due to the increased foreign financial aids and grants (Table 11).

Source: (Bank of Libya, 1967, Table 25).

many satellite service activities in the urban sector of the economy.<sup>1</sup> Oil company expenditure was in the form of salaries and wages, rents and payments for services such as transport, hotels, restaurants, housing, and trade (Table 13). The IBRD study observed the pronounced effect of oil capital flow "particularly in Tripoli" to appear:

. . . in the sharp rise in prices of housing rents, hotel accommodations and other services bought mainly by foreigners, in the almost equally sharp rise in wages and salaries paid to skilled and semi-skilled Libyan workers, in the establishment of many new Libyan and foreign trading and construction enterprises catering to oil company requirements, in the acceleration of the drift of labor from the rural areas (most conspicuously in the Fezzan) and in the general boom in trading and servicing activities of all kinds (IBRD, 1960, p. 62).

Instead of following the usual development progression from agriculture to industry to services, investments of the multinational oil corporation provoked the growth of only the tertiary sector (services). Although certain signs of development were taking place in the fast expansion of the service sector, levels of production, with the exception of the oil sector, suffered a continuous decline. The migration rush of labor to the urban sector was far more than the oil industry could absorb. The oil sector employed little labor because it is relatively capital-intensive and by the time the main thrust of the exploration phase was over in the early 1960s, the demand for unskilled labor declined as a result of the change from exploration to production (Table 14). Movement from the land became a mass exodus, the result of which was

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<sup>1</sup>During the exploration phase, revenue to the government originating in oil company payments remained very modest. In all, such receipts totalled just under half a million Libyan dinars in the financial year 1960/61. This amount formed only one-half of one percent of total state revenue.

**TABLE 13**  
**OIL COMPANY EXPENDITURES AND INVESTMENTS**  
**1957 - 1979<sup>1</sup>**

Year	Expenditures (LD million)	Year	Expenditures (LD million)
1957	4.3	1969	78.8
1958	9.6	1970	73.0
1959	10.3	1971	55.5
1960	21.3	1972	46.0
1961	27.5	1973	61.3
1962	40.0	1974	55.0
1963	42.2	1975	73.1
1964	47.6	1976	60.0
1965	50.7	1977	43.3
1966	47.7	1978	75.8
1967	43.3	1979	37.9 <sup>2</sup>
1968	60.1		

<sup>1</sup>These figures do not include company payments to the Libyan government. In addition, the number of companies included varies between 21 in 1965, to 19 in 1970, to 7 in 1975, to only 6 in 1979.

<sup>2</sup>The 1979 figure accounts only for company investments during the first half of the year (January to June).

Sources: Figures up to 1969 (Attigah, 1972, p. 44)  
 From 1970 to 1979 (Central Bank of Libya, 1980, Table 39).



**TABLE 14**  
**NUMBER OF EMPLOYEES OF OIL FIRMS**  
**HOLDING CONCESSION AREAS**  
**(1956 - 1974)**

Year	Libyan	Expatriate
1956	1,150	350
1957	2,900	850
1958	4,600	1,300
1959	5,000	1,800
1960	7,600	2,650
1961	7,950	2,700
1962	8,150	2,850
1963	9,000	3,000
1964	9,500	3,100
1965	3,902	1,970
1966	3,772	1,897
1967	3,536	1,842
1968	3,327	2,070
1969	3,465	2,135
1970	4,308	2,170
1971	4,750	2,013
1972	4,854	2,018
1973	5,032	1,611
1974	5,140	1,580

Source: (Waddams, 1980, pp. 75, 173 and 297).

crowded urban centers coupled with deserted farmland. There were higher profits to be made as well as job opportunities available in the trade and service sectors of the economy; therefore, both capital and labor moved away from agriculture.<sup>1</sup> For example, between 1954 and 1965 the population of Tripoli grew by 64 percent, from 130,000 to 213,000, while that of Benghazi doubled from 70,000 to 137,000 with most of the newcomers housed in shanties that were breeding grounds for extremely poor social and economic conditions.

Although the data on Libya's national accounts for the late 1950s are tentative at best, it is still useful to use them in order to examine the structure of the Libyan economy in terms of sectoral contributions. According to the gross domestic product (GDP) estimates for 1958, agriculture accounted for about one-fourth of national income. Trade and other services contributed more than half of the GDP, while prospecting for oil only accounted for about seven percent of the GDP. By 1965, the percentage shares of the different economic sectors had been drastically changed by the overwhelming impact of petroleum. Mining and quarrying alone accounted for more than 54 percent of the total output. Agriculture, which was the source of 26.1 percent of the GDP in 1958, yielded only five percent in 1965. Similarly, manufacturing, small as it was, also declined in relative importance although, like agriculture, in absolute figures its contribution to GDP increased slightly (Table 15). These changes attest to the predominant weight which the oil industry has in the

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<sup>1</sup>The impact of oil upon the agricultural sector will be discussed at length in the following chapter.

**TABLE 15**

**ECONOMIC ACTIVITIES AS PERCENTAGES OF GDP: 1958, 1962, AND 1956-76**

Economic Activity	1958	1962	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
(1) Agriculture and fishing	26.1	9.7	5.0	4.3	4.0	3.1	3.1	2.5	2.0	2.4	2.7	1.6	2.9	2.8
(2) Petroleum mining and quarrying	6.9	27.2	54.1	54.4	53.5	60.7	62.2	61.2	57.2	51.4	50.6	58.4	50.2	55.4
(3) Manufacturing	11.5	5.6	2.5	2.3	2.2	1.9	1.7	1.7	1.5	2.1	2.3	1.8	2.4	2.2
(4) Construction	3.4	7.1	7.0	7.4	8.7	8.3	7.1	6.6	7.2	10.2	11.6	9.8	11.3	10.6
(5) Electricity and gas	1.5	0.5	0.3	0.3	0.2	0.3	0.3	0.5	0.5	0.5	0.5	0.3	0.5	0.5
(6) Trade, hotels, and restaurants	14.0	8.6	6.6	6.7	6.4	4.2	4.0	3.5	4.7	5.3	5.6	4.5	6.3	5.5
(7) Transport, storage, and communications	5.6	5.5	3.7	3.9	4.1	3.7	3.3	3.2	5.3	5.6	5.7	4.7	6.5	5.6
(8) Other	31.0	35.8	20.8	20.7	20.9	17.8	18.3	20.8	21.6	22.5	21.0	18.9	19.9	17.4
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Sources: For 1958 (IBRD, 1960, p. 371).  
For 1962 (First, 1980, p. 131).  
For 1965-76 (Waddams, 1980, p. 313).

economy. By far the fastest rate of growth was in the petroleum sector. Furthermore, the construction sector, which felt the strongest impact of oil company spending, enjoyed the second highest rate of growth owing to the immense pressure that was created by the inflow of many expatriate labourers and technicians. In addition, many Libyans were eager to improve their housing conditions under the impetus of increased incomes.

The preceding figures indicate that the Libyan economy has significantly changed since 1958 through the injection of substantial funds in the urban sector. The managerial activities of oil firms, which were very concentrated in the major cities (especially Tripoli) increased the money supply and sectoral wage differentials (Table 16). No country developed and exploited oil reserves as rapidly as Libya did in the 1960s, and from the moment that oil revenues began to flow, Libya's economy became one of the fastest growing in the world. The country's revenue from oil has grown spectacularly (Table 17). However, the receipt of abundant revenues was not automatically a panacea for all of Libya's economic problems. Suddenly, the Libyan state began to amass handsome financial resources which brought a precipitous leap from rags to riches. This surplus of capital enabled the government to initiate and execute development plans. As a matter of fact, the oil industry has supplied the country with more capital than the country could profitably absorb. For example, between 1962 and 1971, the government has never been able to spend more than one-third of oil revenues for development programs (Parks, 1974, p. 98). These state developmental programs aggravated inflationary effects which resulted from the disproportionate flow of capital investments (especially in the service sector) which has led to an

TABLE 16

LIST OF OIL COMPANIES OPERATING IN LIBYA,  
THEIR NATIONALITIES AND HEADQUARTER  
LOCATIONS, END 1971

Abbreviated Name	Full Name	Nationality	Headquarter locations <sup>1</sup>
*AGIP	AGIP S.p.A	Italian	T
*AMERADA	Amerada Petroleum Corporation of Libya	American	T
AMEXCO	American Mining & Exploration Company	American	T
*AMOCO	Amoco Libya Oil Company	American	T
*AQUITAINE	Societe Nationale des Petroles d'Aquitaine (Libye)	French	T
ATLANTIC	Libyan Atlantic Company	American	T
*B.P.**	British Petroleum Exploration Company (Libya), LTD	British	T
BOSCO	Bosco Middle East Oil Corporation	American	T
CALASIATIC	California Asiatic Oil Company	American	T
CLARK	Libyan Clark Oil Company S.A.	American	T
CONTINENTAL	Continental Oil Company of Libya	American	T
CORI	Cori-Compagnia Ricerche Idrocarburi, S.p.A.	Italian	B
DEA	Deutsche Erdoel Aktiengesellschaft Libya (DEA)	German	T
ELF LIBYA	Societe Auxiliare del' Enterprise et d'Activities Petrolieres	French	T
ELWERATH	Elwerath Oil Company, Libya	German	T
*ESSO SIRTE	Esso Sirte, Inc.	American	T
*ESSO STANDARD	Esso Standard Libya, Inc.	American	T
GELSENBERG	Gelsenkrichener Bergwerke, A.G.- Gelsenberg, Libyan Branch	German	T
GRACE	Grace Petroleum Corporation	American	T
*HISPANOIL	Hispanica De Petroleos S.A.	Spanish	T
*HUNT**	Nelson Bunker Hunt Oil Exploration & Production	American	B
*INJAZ	Arabian Gulf Oil Exploration Company	Libyan	B&T
LIAMCO	Libyan American Oil Company	American	T
*MARATHON	Marathon Petroleum Libya, Ltd	American	T
*MOBIL	Mobil Oil Libya, Ltd.	American	T
MURCO	Murco Libya Oil Company	American	T

TABLE 16 (continued)

LIST OF OIL COMPANIES OPERATING IN LIBYA,  
THEIR NATIONALITIES AND HEADQUARTER  
LOCATIONS, END 1971

Abbreviated Name	Full Name	Nationality	Headquarter locations <sup>1</sup>
*OCCIDENTAL	Occidental of Libya, Inc.	American	T
*PHILLIPS	Phillips Petroleum Company, Libyan Branch	American	T
SCHOLVEN	Scholven-Chemie Libya	German	B
SIRTICA SHELL	Sirtica Shell, Ltd.	British Dutch	T
*SHELL	Shell Exploratie en Productie Maatschappij (Libya), N.V.	British Dutch	T
TEXACO	Texaco Overseas Petroleum Company	American	T
UNION	Union Rheinische Libyen	German	T
WINTERSHALL	Wintershall A. G. Libyen	German	T
*AMOSEAS	American Overseas Petroleum, Ltd. (Operator for Cal- asiatic and Texaco)	American	T
*OASIS	Oasis Oil Company of Libya, Inc. (Operator for Amerada, Continental, Shell, and Marathon)	American	T

\*These companies are producing oil

\*\*Nationalized

<sup>1</sup>T: Tripoli  
B: Benghazi.

Source: (Ministry of Petroleum, 1972, pp. 21-22)

TABLE 17

**OIL EXPORTS AND REVENUES  
1961 - 1980**

Year	Oil Exports (million barrels)	Revenues (million dollars)	Year	Oil Exports (million barrels)	Revenues (million dollars)
1961	6	3	1971	1,003	1,674
1962	67	40	1972	812	1,563
1963	167	108	1973	794	2,223
1964	314	211	1974	544	6,000
1965	443	351	1975	522	5,100
1966	547	523	1976	660	7,500
1967	621	625	1977	742	8,850
1968	945	1,002	1978	693	8,600
1969	1,120	1,175	1979	730	16,300
1970	1,209	1,351	1980*	622	22,000

\*Estimates

Source: (Wright, 1982, p. 227).

increased demand for goods and services in excess of domestic output capacity. The extent of the inflation pressure can be illustrated by the forty-two percent increase in the per capita GNP from 1966 to 1967 which was, in real terms, substantially undermined by a seventeen percent rise in the cost of living during the same period (El-Mallakh, 1969, p. 315).

It has been demonstrated rather tentatively, thus far, that the Libyan economic transformation is characterized by the presence of exogenous factors which have left their strong fingerprints upon the Libyan physical, social, and economic landscape. Looking at Libya's economic evolution from 1900 to the present, three major external forces which strongly influenced the course of the country's destiny have been identified. These outside forces came in large part as a result of a long history of foreign rule which was highlighted by the Italian occupation (1911-1945) and by the British and French administrations in the immediate post-war period. The partial removal of direct foreign rule in 1951 was overshadowed by a second phase of dependency, this time on foreign aid and grants (1945-1965). Availability of huge financial revenues from oil (starting in 1963) freed Libya of foreign generosity but the international significance of the new oil wealth has once more involved the country in a third phase of external influence. This time multinational oil corporations furthered Libya's integration and incorporation into the international capitalist economic system, starting as early as 1955. Due to the availability of huge financial funds, the Libyan state took on the role of the principal investor. Consequently, it has embarked (during both the monarchy and republic eras) in drawing and implementing economic development plans.



The regional outcome of these eras of foreign control has been a marked concentration of investment by all parties in the two major cities of Tripoli and Benghazi. The remaining part of this study will attempt to evaluate the process of development and government planning with respect to their impact in increasing or decreasing regional inequality. Moreover, the spatial impacts of government policies will be investigated focusing attention upon population and wealth distribution as well as the changes in the productive sectors (namely agriculture and industry) of the economy.

## CHAPTER V

### REGIONAL INEQUALITY IN LIBYA

#### The Demographic Situation

It is important to point out that the controls on Libya's population distribution are a complex of physical and historical determinants: in this chapter the latter will be emphasized. Furthermore, there are two outstanding features characterizing the structure of the country's population. These are its obvious coastal concentration and its small absolute size (Table 18). Certain features of the present demographic system have been hinted at in the previous two chapters. Inadequate statistical data and the lack of a common methodology of functional classification have made earlier regional groupings extremely difficult.

The population of Libya in the early 1950s was a little over one million inhabitants. Twenty to twenty-five percent of this population lived in the cities, forty-five to fifty percent lived in rural areas, and twenty-five percent lived a nomadic or semi-nomadic way of life (IBRD, 1960, p. 3). This distribution of population was the result of unique environmental conditions as well as external historical factors which were referred to in the previous chapters. It has been argued that these exogenous factors have shaped and

TABLE 18  
LIBYAN CITIZEN POPULATION  
1931 TO 1973

Date of Census	Citizen Population	Annual Growth Rate
21 April 1931*	654,716	---
21 April 1936*	732,973	2.2
31 July 1954**	1,041,599	1.9
31 July 1964**	1,515,501	3.7
31 July 1973**	2,249,237	4.3

Sources: \*(Pan, 1949, p. 106)

\*\*(Census and Statistics Department, 1958, p. 82;  
1966, p.1; and 1979, p. 1).

imposed structural changes upon the Libyan people and their economic, social, spatial, and political organization. The most dramatic was the impact of oil exploration and exportation by multinational oil firms.

Rural-urban migration is not a recent phenomenon in Libya, but it was accentuated during the period 1954-1964 as a result of the economic expansion in the coastal cities. Migration was intensified by the growth of employment opportunities in the construction and service sectors. Many migrants were attracted by the high wages paid in the urban section, as Thomas noted:

. . . the starting wage rate is thirty-five paisters for an eight-hour work day, and the unskilled laborer can soon advance to forty-two or even fifty paisters a day, almost twice the amount which the farm laborer is paid for a ten- or eleven-hour day (Thomas, 1961, p. 266).

During this period of rapid urban growth, migration was the significant mechanism of demographic change, and a stimulus to reactions especially in economic conditions. Although it provoked and reinforced regional inequalities, migration reflected the demographic and social adjustments to the rapidly changing economic structure of the country. Even in view of the small total population, the scale of Libyan migration was particularly significant. There was a net lifetime migration from the Fezzan of about 3,000 to Tripolitania and 4,000 to Cyrenaica. Tripolitania experienced a net loss of 31,000 to Cyrenaica, with most of the migrants originating in Misurata (Hartley, 1972, p. 330).

Nearly forty percent of the total population had changed residence during their lifetime as indicated by the 1964 census. Over half of this group was composed of nomads and semi-nomads involved in some form of seasonal

movement and shifting cultivation. Furthermore, almost twelve percent of the total citizen population born in Libya were enumerated in a major administrative region other than their region of birth, more than half of these being enumerated in Tripoli and Benghazi, to which there was considerable movement (Hartley, 1972, p. 329). For instance, during the period 1954-1964 the number of in-migrants to Tripoli and Benghazi was 24,395 and 14,175 migrants, respectively. In fact, Tripoli received the highest percentage of in-migration to total number of migrants (46.4), whereas Benghazi had about twenty-seven percent (Table 19). Figure 1 shows a relatively high Gini coefficient of 37 reflecting inequality and polarization of in-migration. The high values for in-migration in Tripoli and Benghazi during 1954-1964 were due to the above-mentioned internal movements and were also the result of the return of many Libyans back to the country after independence. Thus, a great part of the high growth rates of major urban centers was attributed to this return of natives from neighboring countries. It is estimated that about 59,000 Libyans returned home by 1969. Almost two-thirds of the returnees resided in the Benghazi and Tripoli Administrative regions (Census and Statistics Department, 1976, p. 49).

The dominance of the two cities of Tripoli and Benghazi is reflected in the rate of urbanization and population growth as well as in the population density of their regions (Table 20, Maps, 3, 4, and 5). Although the combined area of the Tripoli and Benghazi administrative units accounted for nearly eleven percent of the total area of the country, or 19,000 square kilometers, they both shared a population concentration of 36.5 percent, 40.3 percent, and 46.7 percent (of the total population of Libya) during 1954,

TABLE 19

THE NUMBER OF IN-MIGRANTS, OUT-MIGRANTS, NET MIGRATION  
BY ADMINISTRATIVE UNITS DURING 1954-1964

Administrative Unit <sup>1</sup>	In-migration	Out-migration	Net Migration	Percent of In- migration to total number of migrants	Percent of Out- migration to total number of migrants
Derna	2,227	3,716	- 1,489	4.24	7.07
Jabal Akhdar	3,553	4,418	- 866	6.76	8.41
Benghazi	14,175	4,255	+ 9,920	26.97	8.10
Misurata	943	8,039	- 7,096	1.79	15.30
Khoms	712	9,502	- 8,790	1.35	18.09
Tripoli	24,395	5,633	+18,762	46.37	10.72
Zawia	4,536	5,636	- 1,100	8.68	10.72
Gherian	864	9,972	- 9,108	1.64	18.97
Sebha	1,204	1,437	- 233	2.29	2.73
Total	52,608	52,608	0.0	100.0*	100.0*

<sup>1</sup> El-Khaliij is not included.

\*Percentages do not add to exact total due to rounding errors.

Source: (Italconsult, 1975, Vol. IV, p. B-23).

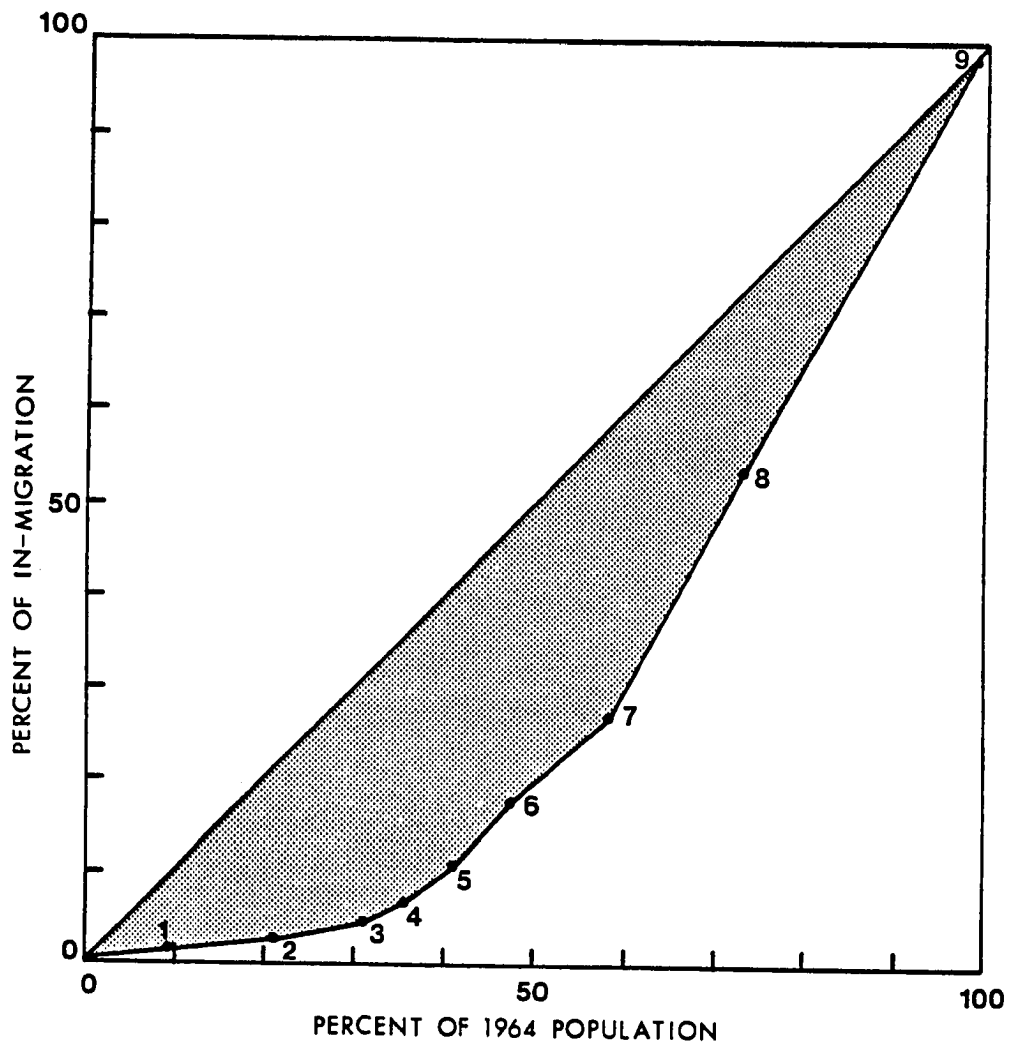


Figure 1. Lorenz Curve of In-migration, 1954-64.

TABLE 20: AREA, POPULATION AND DENSITY BY ADMINISTRATIVE UNITS 1954, 1964 AND 1973

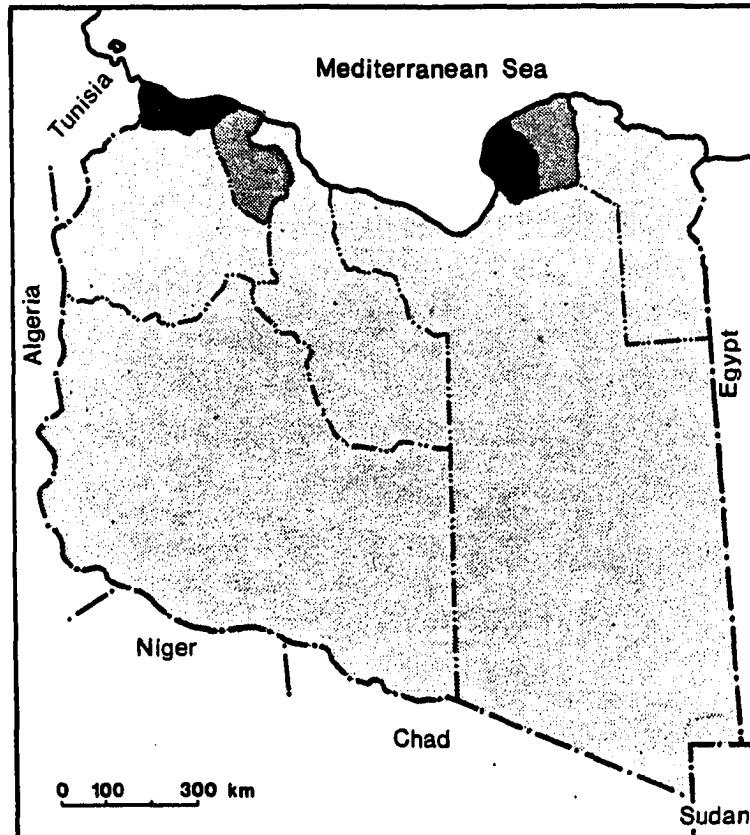
Administrative unit	Area in thousand km <sup>2</sup>	% of total area	1954			1964			1973		
			Population size	Percent of total population	Density per 100 km <sup>2</sup>	Population size	Percent of total population	Density per 100 km <sup>2</sup>	Population size	Percent of total population	Density per 100 km <sup>2</sup>
Derna	103	5.9	55,777	5.1	54	84,112	5.4	82	122,984	5.4	119
Jabal Akhdar	17	1	67,391	6.2	394	90,524	5.8	535	132,366	5.9	771
Benghazi	17	1	134,137	12.3	788	224,653	14.4	1324	332,333	14.6	1948
El-Khalij	720	41.1	51,505	4.7	7	80,143	5.1	11	105,049	4.8	15
Misurata	148	8.4	92,370	8.5	73	129,917	8.3	88	178,129	7.9	121
Khoms	25	1.4	124,388	11.4	496	136,679	8.7	548	160,882	7.3	651
Tripoli	3	0.2	263,523	24.2	8800	406,356	25.9	13533	707,438	31.4	23600
Zawia	7	0.4	119,971	11	1714	164,277	10.5	2343	244,456	10.8	3491
Gherian	150	8.6	114,211	10.5	76	180,883	11.6	121	154,297	6.9	103
Sebha	559	32	49,600	4.6	9	66,825	4.3	12	111,303	5	20
Total	1,749	100.0*	1,088,889	100.0*	--	1,564,369	100.0*	--	2,249,237	100.0*	--

\* Percentages do not add to exact total due to rounding errors.

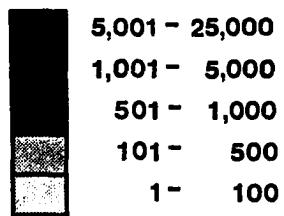
Source: (Auditing Department, 1976, p. 18, Table 2).



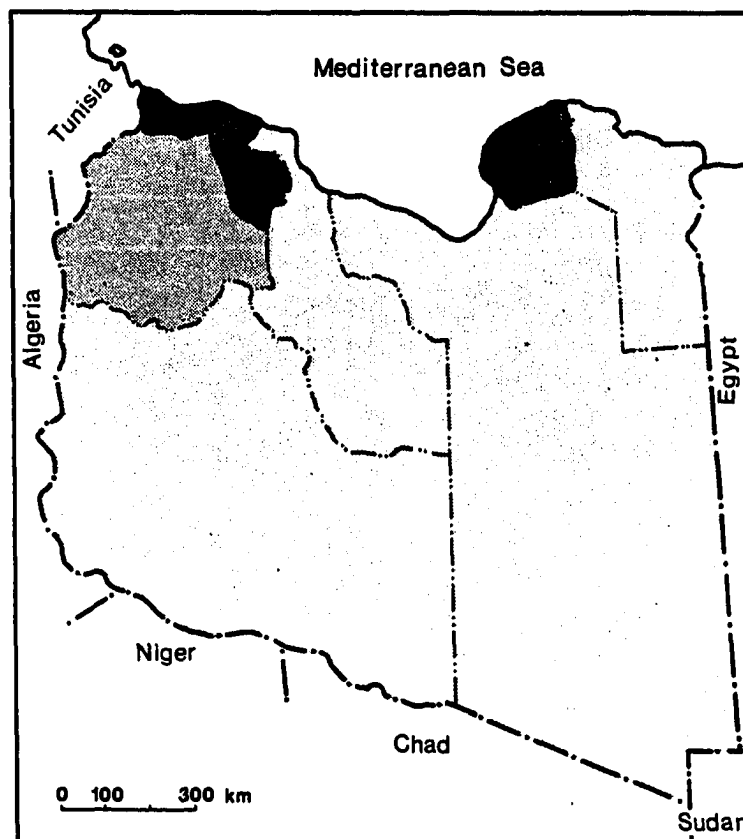
MAP 3.  
POPULATION DENSITY 1954



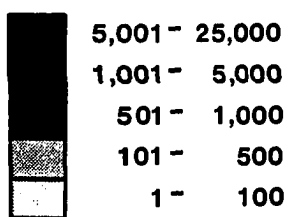
Persons per 100 km<sup>2</sup>



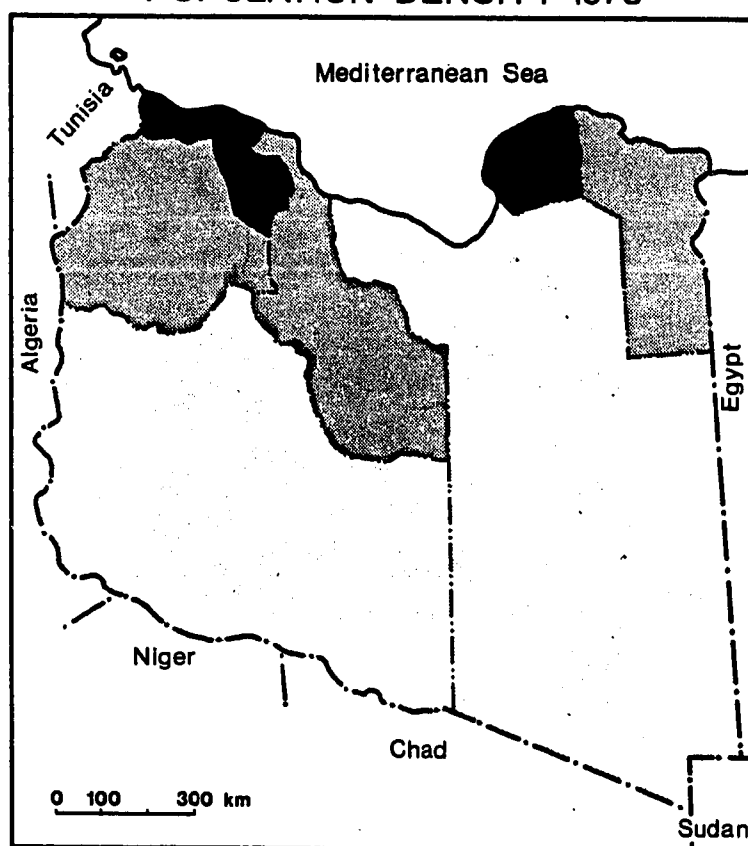
MAP 4.  
POPULATION DENSITY 1964



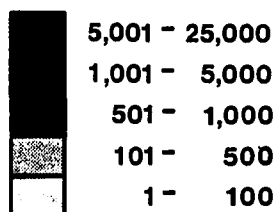
Persons per 100 km<sup>2</sup>



MAP 5.  
POPULATION DENSITY 1973



Persons per 100 km<sup>2</sup>



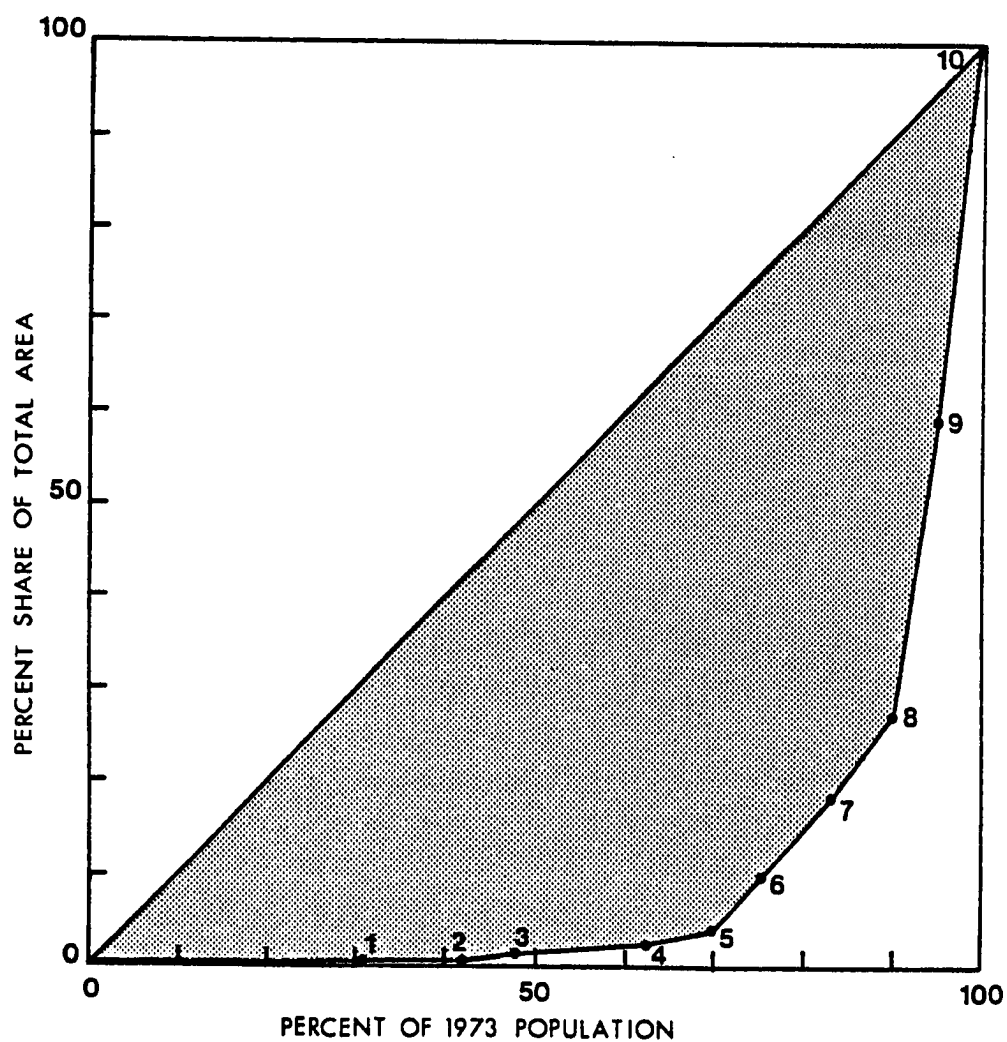
1964, and 1973, respectively. The high value of the Gini coefficient of 85.1 (Figure 2) reflects this great concentration of population. By 1973 the population of the two cities represented forty percent of Libya's total population (Census and Statistics Department, 1976, p. 18). One of the demographic effects of rural to urban migration is seen in the rapid growth of city population and especially those of Tripoli and Benghazi (Table 21). This influx of migrants was bound to make itself felt in the creation and accelerated growth of slums.<sup>1</sup> Due to the rising prices of land and the high rents demanded by landlords, the great flow of poor in-migrants found it difficult to obtain accommodations and turned to squatting and the building of unlicensed shacks. In addition, the unskilled rural newcomers were more than the urban economy could absorb and, consequently, they suffered from high rates of unemployment and underemployment.

In their report to the Libyan government about housing conditions, Doxiadis Associates (1964) observed that:

- . . . (1) There was an acute shortage of dwellings, (and) there were 1.37 families per dwelling.
- (2) One-fourth of the total number of existing dwellings were not up to standards, and another fifth needed major improvement.
- (3) The majority of dwellings were without proper maintenance.
- (4) Important community buildings such as schools, markets. . . etc. were generally inadequate, both in number and in size.
- (5) Particularly urgent were the needs of slum dwellers in Tripoli, Benghazi, and other towns with, more than 50,000 inhabitants. (quoted in Malhauf, 1979, p. 33).

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<sup>1</sup>In his study of migrants in the city of Tripoli, Robert S. Harrison (1967) described in detail the distribution and prevailing conditions in the city's shanty towns.



- |                |              |
|----------------|--------------|
| 1 Tripoli      | 6 Derna      |
| 2 Zawia        | 7 Misurata   |
| 3 Jabal Akhdar | 8 Gherian    |
| 4 Benghazi     | 9 Sebha      |
| 5 Khoms        | 10 El-Khalij |

Gini Index = 85.1

Figure 2. Lorenz Curve of Total Area.

TABLE 21  
POPULATION OF A SELECTED GROUP OF LIBYAN CITIES  
1966 and 1973

City	Population Size		City	Population Size	
	1966	1973		1966	1973
Tripoli	325,088	481,295	Gherian	11,000	10,582
Benghazi	160,000	219,317	Khoms	10,000	9,297
Misurata	32,930	42,815	Zuara	14,618	12,987
Zawia	19,700	39,382	Sirte	3,900	7,660
Derna	22,700	30,241	El-Abiar	3,400	9,219
El-Beida	12,600	31,796	Tarhuna	2,400	13,797
Agedabia	18,000	31,047	El-Jof	3,500	5,712
Tobruk	16,350	28,061	Nalut	6,566	6,487
Sebha	13,600	28,714	Hoon	2,970	6,976
El-Marj	11,222	25,166	El-Gusbat	3,200	6,111
Zliten	4,500	21,340	Brak	2,000	5,212

Sources: For 1966 (Italconsult, 1975, Vol. II, p. 40, Table: 9).

For 1973 (Census and Statistics Department, 1973, p. 3).

This study noted that the most obvious problems associated with in-migration were overcrowding and the lack of adequate housing. For example, about twenty-four percent of the total number of dwellings in Tripoli—at the time of the field survey—were part of the rapidly growing shanties. During that time both Benghazi and Derna had seventeen percent and thirty-nine percent, respectively, dwellings classified as slums.

Rural to urban movement has developed as the significant migration pattern because the contrast between urban centers (especially Tripoli and Benghazi) and the rest of the country is so marked that the choice of destinations by migrants became obvious. During the period 1964-1973 internal migration continued to rise dramatically. In absolute terms, for example, it increased from the total of 52,608 migrants during the period 1954-1964 to 256,289 migrants during the period 1964-1973. Tripoli remained the overwhelming recipient of in-migration, receiving about forty-five percent (or 81,986 in-migrants) of the total in-migration during that period (Table 22 and Figure 3). Benghazi, on the other hand, was the second major destination of migration. Its share of in-migrants represented twenty-three percent of the total in-migration in the country (or 37,045 in-migrants). In addition, Zawia, most probably under the influence of Tripoli's "pull" impact, attracted more than ten percent of the Libyan migration (or 2,742 migrants). The Jabal Akhdar share of positive net migration was small and only gained the total of 28 in-migrants. All other administrative units lost population with Gherian, Misurata, El-Khalij, Derna, and Kohms on the top of the list. They experienced high rates of out-migration which translate in absolute terms to 45,240, 23,039, 7,540, 4,179, and 4,115 out-migrants, respectively.

TABLE 22

THE NUMBER OF IN-MIGRANTS, OUT-MIGRANTS, NET MIGRATION  
BY ADMINISTRATIVE UNITS DURING 1964-1973

Administrative Unit	In-migration	Out-migration	Net Migration	Percent of In-migration to total number of migrants	Percent of Out-migration to total number of migrants
Derna	10,592	14,771	- 4,179	4.13	5.76
Jabal Akhdar	15,800	15,772	+ 28	6.16	6.15
Benghazi	57,988	20,943	+37,045	22.62	8.17
El-Khalij	7,099	14,639	- 7,540	2.76	5.71
Misurata	6,280	29,319	-23,039	2.45	11.43
Khoms	3,899	44,014	- 4,115	1.52	17.17
Tripoli	115,260	33,274	+81,986	44.97	12.98
Zawia	27,640	24,898	+ 2,742	10.78	9.71
Gherian	4,866	50,106	-45,240	1.89	19.55
Sebha	6,865	8,553	- 1,688	2.67	3.33
Total	256,289	256,289	0.0	100.0*	100.0*

\*Percentages do not add to exact total due to rounding errors.

Source: (Census and Statistics Department, 1979, pp. 81-82).



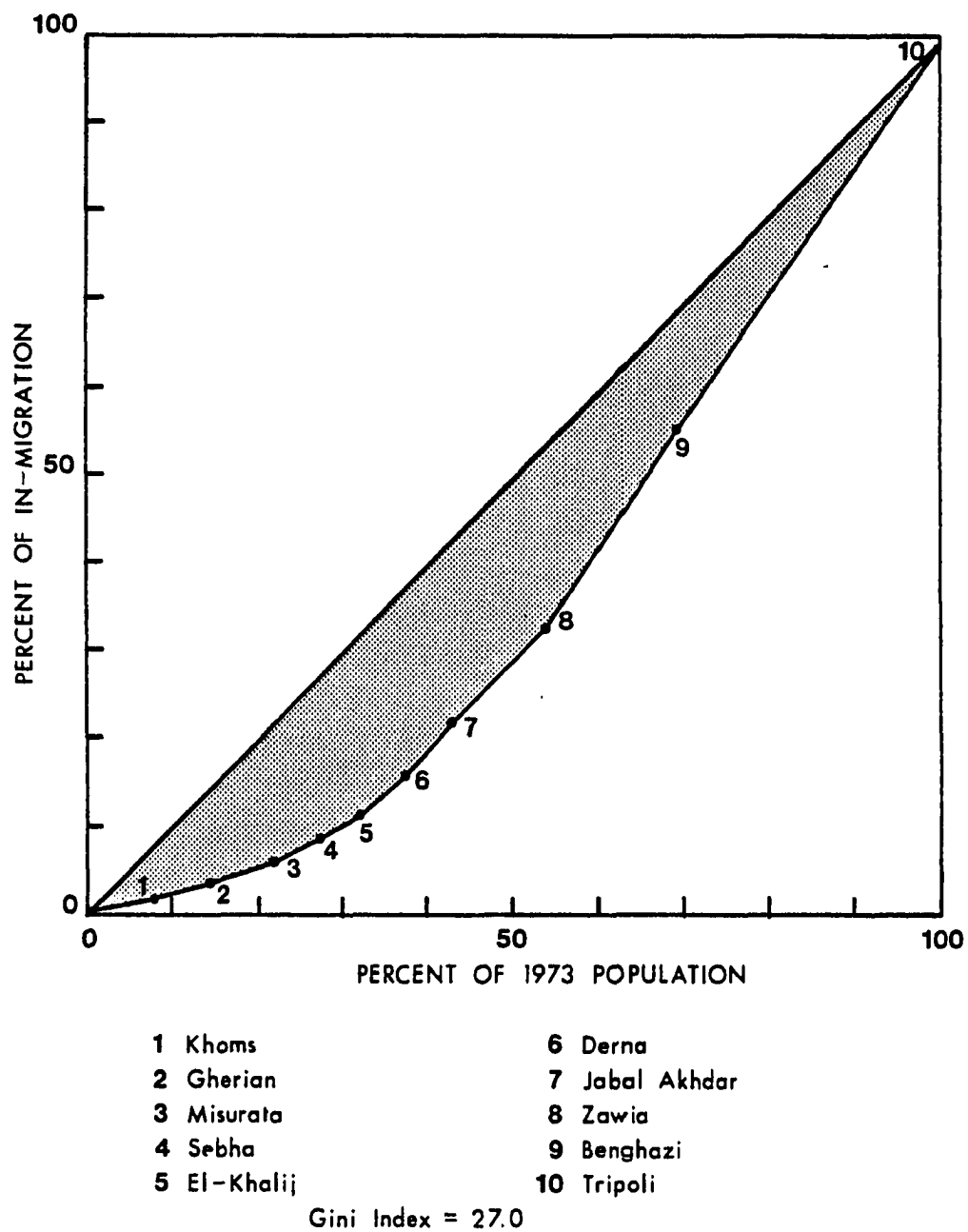


Figure 3. Lorenz Curve of In-migration, 1964-73.

The changing demographic pattern reflected both the heavy and continuing flow of urban migration that had characterized the years since independence and the increasing oil revenues which had transformed Libya from a country with one of the world's lowest per capita incomes to a country with one of the highest. In absolute terms, per capita income has witnessed a remarkable increase along with the increase in the GDP. Although information regarding income distribution is virtually non-existent and varies depending upon source, it appears that per capita income rose from a level of about the equivalent of forty dollars before independence in 1951 to about 6,634 dollars in 1979. These figures in themselves, however, hide the real per capita of the average Libyan citizen, given the fact that great sums of the disposable national income were distributed among a small number of the population.<sup>1</sup> Thus, Farley wrote:

. . . While the Libyan national income trebled between 1963 and 1968, the median disposable income averaged only 2,940 dollars (U.S.) a year, or about 510 dollars per capita. The average was much less in the rural areas. Inequity characterized income distribution throughout the country. In 1968, the top 10 percent of the Libyan population commandeered an estimated 50 percent of the disposable income of the country. . . (Farley, 1971, pp. 226-227).

This situation depicts an extremely high dichotomy between rural and urban incomes since the Libyan economy was (and still is) characterized by urban concentration. Such a concentration created a severe inequality in the system which appeared most strongly in wage and income differentials.

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<sup>1</sup>By 1981 the Ministry of Planning reported that the average per capita income reached 3,206 Libyan Dinars or the equivalent of 10,829 U.S. dollars. (Ministry of Planning, 1981, p. 116, Table 3).

By 1964, for example, income distribution was skewed towards the urban sector and Tripoli and Benghazi administrative units commanded close to fifty percent of Libya's total income. Per capita income in the rest of the country appeared to be below the national average of 94.6 LD. The lowest per capita income was recorded in Gherian at 58 LD followed by Khoms at 74 LD (Table 23). Incidentally, these two administrative units suffered the highest rate of out-migration. In fact, Gherian's population decreased from a total of 180,883 in 1964 to 154,297 in 1973 (Table 20). Furthermore, the spatial distribution of income during 1973 continued to be unequal and showed the dominance of both the Benghazi and Tripoli administrative units, whereas Gherian and Khoms had the lowest per capita in the country (Table 23 and Figure 4).<sup>1</sup> This polarized pattern of income distribution is mainly due to biased government spending policies which favored the urban centers.

As a consequence of wage and income differentials, migration has put Libya among the most urbanized of the under-developed countries. Urban population was estimated to have increased from twenty-two percent to sixty percent of total population in 1954 and 1973 respectively (El-Wifati, 1977, p. 4). Urban migration which began under the Italians and continued to increase ever since, resulted in an infusion of progressively larger numbers of workers outside the traditional rural areas and laid the basis for an expanding urban economy. Job availability, increased social mobility, and the attractions of city life, coupled with the "push factors" or the lack of economic and social

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<sup>1</sup>Information on income distribution is limited and almost nonreliable. Therefore, income figures should be viewed with caution. Although the Gini index depicts a low level of inequality (17), in absolute terms income distribution is highly concentrated (see Table 23).

TABLE 23

**TOTAL INCOME, PER CAPITA, AND PERCENT SHARE OF INCOME  
BY ADMINISTRATIVE UNITS, 1964 AND 1973**

1964 <sup>1</sup>				1973			
Administrative Unit	Total Income	Per Capita Income in LD	Percent of Libya's Total Income	Administrative Unit	Total Income	Per Capita Income in LD	Percent of Libya's Total Income
(1) Derna	7,317,744	87	4.62	(1) Derna	39,477,864	321	5.54
(2) Jabal Akhdar	8,147,160	90	5.15	(2) Jabal Akhdar	44,342,610	335	6.23
(3) Benghazi	30,103,502	134	19.02	(3) Benghazi	143,900,189	433	20.20
(4) Misurata	12,212,198	94	7.71	(4) El-Khalij	28,783,426	274	4.04
(5) Kohms	10,114,246	74	6.39	(5) Misurata	52,904,313	297	7.43
(6) Tripoli	61,359,756	151	38.76	(6) Khoms	36,359,332	226	5.10
(7) Zawia	12,813,606	78	8.09	(7) Tripoli	232,747,102	392	32.68
(8) Gherian	10,491,214	58	6.63	(8) Zawia	66,003,120	270	9.27
(9) Sebha	5,746,950	86	3.63	(9) Gherian	33,945,340	220	4.77
				(10) Sebha	33,836,112	304	4.75
Total	158,306,376	National Average 94.6	100.0*		712,299,408	National Average 307.2	100.0*

TABLE 23 (continued)

**TOTAL INCOME, PER CAPITA, AND PERCENT SHARE OF INCOME  
BY ADMINISTRATIVE UNITS, 1964 AND 1973**

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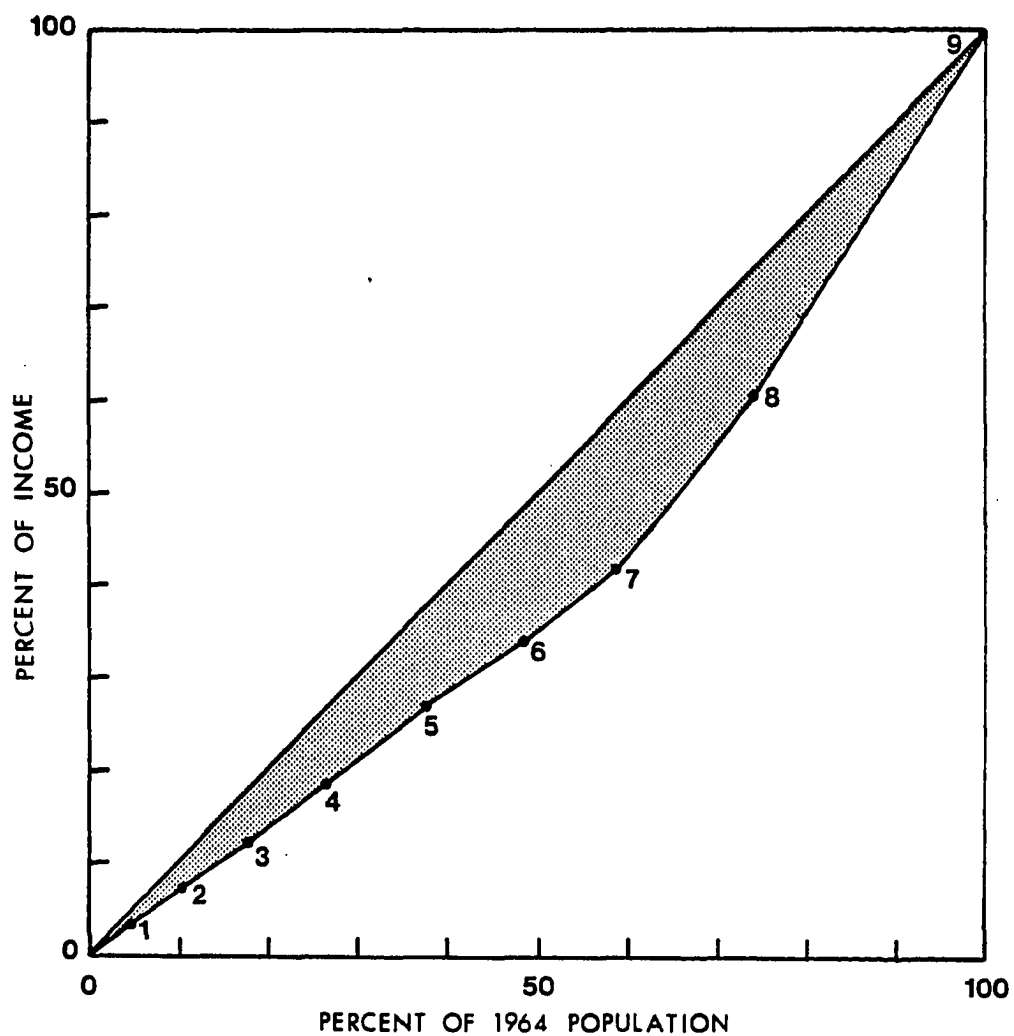
<sup>1</sup> El-Khalij administrative unit is not included during 1964.

\*Percentages do not add to exact total due to rounding errors.

Sources: For 1964: (Ministry of Planning 1968, no page assigned).

For 1973: (Italconsult, 1975, Vols. IV, V, VI, and VII, Tables C-5 and C-6, pp. C-8 and C-10).

Figure 4. Lorenz Curve of Income, 1964.



- |                |            |
|----------------|------------|
| 1 Sebha        | 6 Misurata |
| 2 Derna        | 7 Zawia    |
| 3 Jabal Akhdar | 8 Benghazi |
| 4 Khoms        | 9 Tripoli  |
| 5 Gherian      |            |

Gini Index = 17.0

opportunities in the rural environment which ". . . was nothing less than miserable" (to use Farley's description) contribute to the drift toward large urban centers (Farley, 1971, p. 227). Today, nearly one out of two Libyans lives in the metropolitan areas of Tripoli and Benghazi. Interregional mobility is evidently a reflection of rapidly changing economic reality brought about by the investment of multinational oil corporations and by government development programs. Therefore, improvement in roads and in ways and means of communication between the coastal regions and the steppes and remote oases has facilitated, intensified, and reinforced the heavy population flow toward coastal cities.

Apart from increasing spatial concentration and polarization, the consequences of migration to Libyan cities can be summarized as follows: First, reference was made to the various pressures of the colonial period, independence, and the fast development of the oil industry which have done much to expand the bases of urban society and to dissolve tribal and village socio-economic structures. To a great extent, the cities have been centers of rapid social change in modern Libya and the traditional rural economic system is being eroded strongly. As urban migration continued to accelerate, income became the basic determinant of differentiation between residential neighborhoods in place of the old divisions based primarily on tribal and family backgrounds. Second, due mainly to external stimuli, the Libyan economy is undergoing dramatic changes in employment and occupational structures of the economically active population. Subsistence agriculture and nomadism have been abandoned for city and government service jobs. For example, the total number of nomads declined both in absolute terms and as

a percentage of the total population between 1954 and 1973, from 281,343 (or 27.6 percent) to 68,705 (or 3.3 percent). In rural areas, release of pressure on meager resources has been offset by the lack of a youthful labor force and economic and social services in the cities could not absorb or accommodate the large streams of the newcomers. This situation increased the marginalization of in-migrants and forced them to reside in shanty towns which sprouted around "attractive" cities. It also created the serious problem of under-employment and unemployment, for example, the latter had been marked at 8.4 percent in the 1964 census (Nelson, 1979, p. 69).

It has been demonstrated thus far that Libya is experiencing an increased population growth and interregional mobility, the cause of which is primarily economic but also is determined by the country's physical, social, cultural, and historical environments. The fast growth and expansion of the urban service sector, which was initiated by the state and foreign concerns, created a marked dichotomy between rural and urban areas and intensified spatial polarization and regional inequality. Although revenues from oil made the government task appear to be easier, its policies continue to preserve and maintain urban growth and concentration. The following sections will attempt to shed some light on government policies and economic planning.

#### Description of Government Economic and Social Plans

Economic development, as it has taken place in "modern" Libya has been planned, executed, and financed by foreign planners and foreign donors. In Chapters Three and Four mention was made of the Italian colonial



policies, foreign aid, and multinational oil corporations. Therefore, the establishment of the Rehabilitation Council (RC) in 1960 to take over the tasks of foreign assistance agencies such as LARC and LPDSA<sup>1</sup> was the first attempt by the Libyan government to be fully in charge of economic and social planning. The Council's responsibility was to examine and survey natural resources and the economic and social conditions in order to prepare a long-term plan designed to raise both the standard of living and national income. In 1963, a constitutional change<sup>2</sup> was accompanied by change in planning institutions. The National Planning Council (NPC)<sup>3</sup> replaced the RC when the financial resource base for planning and development increased significantly because of the rising revenues from petroleum exports. The NPC was to decide matters of policy for planning and development; meanwhile, the Ministry of Planning and Development was to act as the administrative and executive agency.

After these institutional and administrative changes, the Libyan planning authorities adopted the First Five-Year Development Plan: 1963-1968 which was basically designed by the IBRD mission to Libya during 1960. The

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<sup>1</sup>The RC was composed of the undersecretary of the Ministry of Finance as Chairperson, a representative from the federal government (to be named by the council), and one representative from each state (Cyrenaica, Tripolitania, and Fezzan) [Farley, 1971, p. 181]. For more details, see Ministry of Planning and Development (1965, pp. 14-18).

<sup>2</sup>The federal system was amended and replaced by a unitary state in April, 1963.

<sup>3</sup>The NPC was composed of the Prime Minister as Chairperson, and the ministers, respectively, of Planning and Development, Finance, National Economy, Petroleum Affairs, Agriculture and Animal Wealth, and Industry (Farley, 1971, p. 192).

guidelines for the plan were drafted as mere extensions to development efforts in the fifties. Therefore, the mission stated that:

. . . Many projects are already in progress. . . The mission's program thus in large part represents a continuation of existing lines of development rather than any radically new departure (IBRD, 1960, p. 14).

Reference was made to the "existing lines of development" during the 1950s when the focus was on building and establishing a viable infrastructure in the country. Consequently, the First Five Year Plan actually allocated only 15.7 percent of the total expenditures to directly productive activities, i.e., agriculture and industry (Table 24). Reconstruction and investment in infrastructure were the main priorities of the plan. For example, more than twenty percent of the total allocations during the five years went to communication and transportation, more than nineteen percent was allocated for housing, and more than fourteen percent was devoted to municipalities, mainly to improve public works in major cities and towns. All in all, the bulk of the government expenditures was actually allocated for the expansion of infrastructure and social services.

This notable proportional over-allocation was largely concentrated in the urban sector (especially in Tripoli and Benghazi) and was—to a great extent—the government response to the influx of people from the rural areas to urban centers. Ironically, the rapid extension of housing schemes, construction and public works improvements in the urban sector—after the plan implementation—dramatically accelerated rural to urban mobility. The expansion as well as urban concentration of governmental bureaucracy and centralization tended to induce more interregional population movement. This

TABLE 24

ALLOCATIONS AND ACTUAL EXPENDITURES FOR DEVELOPMENT  
1963-1972 (In Million LD)

Category	1963-64 to 1968-69 Allocations	Percent of total Allocation	1969-70 Allocations	1971-72 Actual Expenditures	Percent of Total Actual Expenditures
(1) Agriculture	47.4	10.3	115.9	84.3	16.6
(2) Industry	24.9	5.4	61.5	50.7	10.0
(3) Petroleum	---	---	21.2	16.8	3.3
(4) Electricity	36.0	7.8	27.6	27.0	5.3
(5) Transportation & communication	94.1	20.4	93.1	51.9	10.2
(6) Economy & tourism	4.7	1.0	10.8	9.7	1.9
(7) Education	45.2	9.8	61.9	31.6	6.2
(8) Health	16.4	3.5	33.7	11.3	2.2
(9) Labor & social affairs	18.2	3.9	11.3	3.5	0.6
(10) Information & culture	6.6	1.4	6.4	3.4	0.6
(11) Housing	89.1	19.3	145.6	143.2	28.2
(12) Municipalities	67.4	14.6	72.8	69.7	13.7
(13) Planning & development	8.1	1.7	4.2	1.8	0.3
(14) Reserve fund	2.2	0.4	4.3	1.1	0.2
Total	460.3	100.0*	671.1	506.8	100.0*

\*Percentages do not add to exact total due to rounding errors.

Sources: For 1963-69: (Zaid, 1980, p. 130).

For 1969-72: (Auditing Department, 1978, p. 13, Table 1).

trend was reinforced by the state's hiring policies which were based on patronage. This increase in government functions provided a further encouragement to migration. For example, one study found that almost twenty percent of migrants to Benghazi had jobs with government offices where "most of them engaged in unimportant services" such as messengers, watchmen and the like (Mukurji and Kataifi, 1970, p. 15).

A Second Five-Year Plan: 1969-74 was prepared with an estimated total allocation of 1,149.5 million LD (or 3.2 billion dollars) approximately 2.4 times the actual expenditures of the first plan. Like the previous one, it was also designed to allocate the largest share of government investments to infrastructure. However, the second plan was never implemented. The second planning attempt was ignored by the young officers who took over after September, 1969, and formed the twelve member Revolutionary Command Council (RCC).<sup>1</sup> The new government adopted a series of ad hoc annual investments which remained strongly oriented toward both physical and social infrastructural improvements. Overall, allocations between the years 1969-72 differed only slightly from the previous plan of 1963-68. The most significant difference between the two was the substantial increase of allocations for both agriculture and housing (Table 24). A similar investment policy took place during the fiscal year of 1971-72. However, in April, 1972, the new government announced and published the Three-Year Development

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<sup>1</sup>The overthrow of the monarchy and the seizure of power by the Libyan Army is indicative of the rapidly changing socio-economic conditions in the country. Ruth First (1974) has treated rather comprehensively the events and forces that led to the social, economic, and political changes in Libya.

Plan 1973-75<sup>1</sup> (Table 25). These planned expenditures were relatively large compared to the size of the domestic economy. However, the new government, during the early 1970s, was able to squeeze substantial additional revenues and taxes from oil firms and, consequently, huge supplies of capital were under its disposal to finance development projects. Therefore, agriculture was to receive more than twenty-five percent of total actual expenditures, whereas housing received more than fifteen percent and industry came third with a total share of more than thirteen percent.

With increased oil revenues, the Libyan state continued to commit the economy to even more spectacular investments. The government launched a more ambitious plan which was officially called the Five-Year Economic and Social Transformation Plan: 1976-80. Again priorities were given to agriculture, industry, electricity, education, municipalities, and housing (Table 26). However, it must be noted that, since 1973, development allocations have been changed and modified almost every year. Revised allocations usually include new projects, increased spending on specific projects, or increased costs of imported items needed to finish a program. For example, as of 1978, the 1976-80 plan had been revised and allocations were raised to 9.25 billion LD from an original of just over seven billion LD. However, although Libyan planning has been financially well-endowed, over-allocation proved to be part

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<sup>1</sup>The Libyan development plans are usually proposed in lists of public expenditures to be undertaken during the planning period. Unlike other plans, they do not contain the spatial distribution of proposed allocations. It is only for this Three-Year Development Plan of 1973-75 that such data exist. These data will be used in the following two sections of this chapter in an attempt to analyze and evaluate the spatial impacts of government policies.

**TABLE 25**  
**ALLOCATIONS AND ACTUAL EXPENDITURES FOR DEVELOPMENT**  
**1973-75 (In Million LD)**

Category	Allocations	Actual Expenditures	Percent of Total Actual Expenditures
(1) Agriculture	595.4	554.8	25.2
(2) Industry	320.3	271.5	12.3
(3) Petroleum	178.7	138.2	6.3
(4) Electricity	255.3	212.1	9.6
(5) Transportation & Communication*	284.3	226.1	10.3
(6) Economy & Tourism	9.6	7.4	0.3
(7) Education	220.5	174.7	7.9
(8) Health	66.2	46.6	2.1
(9) Labor & Social Affairs	46.8	30.9	1.4
(10) Information & Culture	25.1	14.1	0.6
(11) Housing	367.8	336.0	15.2
(12) Municipalities	193.5	179.1	8.1
(13) Planning & Development	11.4	8.6	0.5
(14) Nutrition & Sea Wealth	3.8	3.6	0.2
(15) Reserve Fund	6.2	---	---
<b>Total</b>	<b>2,585.9</b>	<b>2,204.8</b>	<b>100.0**</b>

\* Includes allocations and actual expenditures for sea transport.

\*\* Percentages do not add to exact total due to rounding errors.

Source: (Auditing Department, 1978, p. 17, Table 2).

**TABLE 26**

**ALLOCATIONS FOR THE FIVE-YEAR ECONOMIC AND SOCIAL TRANSFORMATION PLAN:  
1976-80 (In Million LD)**

Category	Allocations	Percent of Total Allocations
(1) Agriculture	1,226.6	17.1
(2) Industry	1,089.7	15.2
(3) Petroleum	648.2	9.0
(4) Electricity	543.6	7.6
(5) Transportation and Communication	1,005.6	14.0
(6) Education	470.4	6.6
(7) Health	171.4	2.4
(8) Labor and Social Affairs	85.0	1.2
(9) Housing	794.2	11.1
(10) Economy, Tourism, and Culture	124.0	1.8
(11) Municipalities	552.7	7.7
(12) Planning	56.7	0.8
(13) Nutrition and Sea Wealth	41.4	0.5
(14) Interior	35.0	0.4
(15) Reserve Fund	325.3	4.5
<b>Total:</b>	<b>7,170.0</b>	<b>100.0*</b>

\* Percentages do not add to exact total due to rounding errors.

Source: (Allan, 1981, pp. 188-189, Tables 7-1.1 and 7-1.2).

of the problem. Thus, in 1977, for example, little more than half the funds allocated that year for development projects had been actually spent. Many bottlenecks appeared to slow down and sometimes reverse the intended impact of this ambitious and extravagant expenditure. Libyan development is beset by the kind of problems that impede development in most underdeveloped countries, such as insufficient manpower and equipment and the lack of efficient administration to ensure the effective implementation of projects. Moreover, apart from the unlimited supplies of capital, the resource bases in all the factors of production were poor "and it proved difficult to substitute capital for skilled labor and management" (Allan, 1981, p. 191). This labor shortage forced the import of skilled and unskilled manpower from outside the country.

The Libyan planning process in general, cannot be understood unless put in its historical context and viewed as several attempts to cope with rapidly changing socio-economic conditions. The following two sections will provide a closer look at one of these attempts, focusing attention upon the spatial impacts of government policies regarding both agricultural and industrial developments.

#### Government Policies and Agriculture

Prior to oil discovery, nearly eighty percent of the Libyan population was engaged in the rural sector of the economy. Apart from a few modern farms, owned and managed by Italians, productivity of this sector was low. However, in spite of its poor conditions, agriculture generated marketable surpluses in several products such as esparto grass, olive oil, sponges, and



castor seeds. Its contribution to the total GDP reached almost sixty percent. The immediate huge injection of oil exploration funds into the urban sector of the country contrasted sharply with the poor earnings from agriculture and nomadism. High urban wages induced a large wave of rural-urban migration resulting in massive desertion of farmland in many parts of the country.

For example, Harrison observed that the:

. . . number of (Fezzanese) workers in the date palmeries decreased from about 10,000 in 1936 to only about 2,000 in 1960. The loss of labor in the rural areas, and the reduced efficiency of the remaining labor force, have resulted in a reduction in the cultivated area. According to Italian statistics, there were 2,657,000 hectares under all types of cultivation in Tripolitania in 1925 (but) according to the 1960 agricultural census there were only 1,724,246 hectares under arable and permanent crops (including fallow land). . . In the Fezzan, according to a 1953 estimate, the local productive land amounted to 125,000 hectares, of which 115,000 were in use, but in 1960 there were only 37,224 hectares under all types of land use (Harrison, 1967, pp 421-22).

Clearly, such a dramatic decrease in cultivated area has led to a decrease in agricultural output. As a result, agricultural exports almost disappeared while activities associated with oil were expanding and overwhelmingly dominated the country's economy.

By 1960, seventy percent of the Libyan population was classified as rural (i.e., peasants and nomads). However, the more lucrative and attractive employment opportunities connected with the oil boom and government policies had speeded the drift of rural to urban migration and aggravated wage and income differentials. During the same year, for example, the per capita income originating in the agricultural sectors was estimated at half that of the rest of the economy (El-Mallakh, 1969, p. 313).

In the face of a declining agricultural sector where output was decreasing by about four percent annually, the government adopted a liberal import policy that has transformed the country from a food exporter to a net importer. Exports of certain foodstuffs in which Libya had traditionally been either self-sufficient or a net exporter declined dramatically. By 1968 Lawless noted:

. . . Agricultural exports--in 1968--were not enough to pay for Libya's food imports for one-third of a single day (Lawless, 1975, p. 2).

Although prices for fresh food were rising rapidly as a result of higher consumption, the Libyan consumers turned to the world markets for the purchase of their daily food (Table 27).

The urban oil-induced prosperity, aided by inefficiency of agricultural production, diminished the rate of increase of domestic food prices in relation to an expanding demand in the urban areas. Consequently, in the case of Libya, the inherent weaknesses in agriculture were reinforced to the point where both capital and labor moved away from agriculture. The drastic decline in the level of earnings and profitability--even in efficient farms--induced Libyan landlords and traders to invest in trade, services, construction and real estate. Rising costs of land and higher rents increased the amount of private capital to be invested in the construction industry. The classic example in Libya, Harrison has argued:

. . . is the movement of merchants from the oasis of Ghadames, which most early travelers remarked upon (Harrison, 1967, p. 400).

Under these circumstances, the market mechanism performed its traditional function of allocating resources and distributing income in favor

TABLE 27

LIBYA'S IMPORTS OF AGRICULTURAL COMMODITIES  
1962, 1966, and 1971-76  
(In Million LD)

Years	Food Imports	Percent of Total Imports
1962	7	---
1966	21	---
1971	48	---
1972	53.1	15.4
1973	86.1	15.9
1974	132.8	16.2
1975	179.6	17.1
1976	140.4	14.7

Sources: Figures from 1962 to 1972: (El-Wifati, 1977, p. 9).  
Figures from 1973 to 1976: (Nelson, 1979, p. 292).

of more profitable forms of activities in the tertiary sector. However, the high consumption pattern, which in turn brought higher prices, has stimulated local agriculture with extensive, generous financial aids and subsidies given by the government to Libyan nationals. Long-term agricultural credits on easy terms were granted to Libyans who entered the market as potential buyers while the supply side was small and mainly composed of Italians. This had the effect of further raising the cost of agricultural production and, consequently, reduced agricultural output. Furthermore, these long-term loans were highly accessible to the urban population who, as Attigah described:

. . . lack both the experience and the necessity to maintain and improve farming. . . Since they had other sources of income, either in government or in the tertiary sector, they generally looked upon their purchases of these farms as good "recreational environment" (and) good outlets in the face of rising inflationary trends initiated by the oil industry (Attigah, 1970, p. 13).

In addition, the government hiring policies, hinted at earlier, had expanded its bureaucracy and absorbed unneeded labor. Therefore, First has reported that:

. . . The administration was smothered with useless civil servants, workers, and orderlies and watchmen. The jobs created by the state were often disguised unemployment and the salaries disguised hand-outs. The policy led to a serious artificial labor shortage (which) forced the import of manpower from outside the country (First, 1980, p. 132).

As a consequence, government functions and the service sector absorbed a greater share of the total economically active population ten years and older. In 1973, for example, the percent share of both public and private services was more than thirty-three percent (Table 28) which increased to reach more than forty-five percent in 1980 (Table 29). On the other hand,

TABLE 28: DISTRIBUTION OF ECONOMICALLY ACTIVE POPULATION (10 YEARS AND OLDER) 1973

Economic activity	Derna	J. Akhdar	Benghazi	El-Khalij	Misurata	Khoms	Tripoli	Zawia	Gherian	Sebha	Total	Percent of Total
(1) Agriculture	5,349	7,186	8,179	6,864	13,414	15,309	22,541	25,951	9,359	7,667	121,917	22.94
(2) Mining	386	193	1,336	1,926	447	175	5,017	1,512	386	182	11,560	2.17
(3) Industry	788	502	4,689	290	2,072	665	10,486	1,492	592	597	22,173	4.17
(4) Electricity, Gas and Water	887	647	1,796	364	536	547	3,047	941	527	652	9,944	1.87
(5) Construction	4,851	5,547	19,937	3,842	6,954	3,568	29,374	7,110	3,605	4,185	88,973	16.74
(6) Trade and Hotels	1,796	1,479	7,815	1,484	2,596	1,620	15,113	3,123	1,487	156	37,469	7.05
(7) Transportation and Storage	2,078	1,532	9,114	1,492	3,827	2,923	16,343	3,373	2,058	879	43,619	8.20
(8) Other Services	11,819	13,212	31,579	6,406	8,815	8,222	63,519	14,636	10,565	10,467	179,240	33.72
(9) Unidentified	1,058	893	4,317	911	720	681	6,075	687	656	507	16,505	3.10
Total	29,012	31,191	88,780	23,579	39,381	33,790	171,515	58,025	29,235	26,092	531,400	100.00*

\* Percentages do not add to exact total due to rounding errors.

Source: (Census and Statistics Department, 1979, p. 99, Table 69).

TABLE 29: DISTRIBUTION OF ECONOMICALLY ACTIVE POPULATION (10 YEARS AND OLDER) 1980

Economic activity	Derna	J. Akhdar	Benghazi	El-Khalij	Misurata	Khoms	Tripoli	Zawia	Gherian	Sebha	Total	Percent of total
(1) Agriculture	1,738	2,372	2,821	3,195	3,477	2,773	6,570	2,567	2,670	3,021	31,214	6.23
(2) Mining	336	83	740	6,190	486	40	1,741	517	528	98	10,759	2.15
(3) Industry	1,175	1,465	6,599	923	2,381	1,782	19,479	3,191	1,079	1,262	39,321	7.85
(4) Electricity, Gas and Water	1,304	1,454	2,168	921	1,160	809	3,074	1,182	1,423	1,666	15,161	3.03
(5) Construction	5,154	3,960	9,416	11,922	5,087	9,997	27,629	6,631	14,043	8,937	102,766	20.54
(6) Trade and Hotels	1,854	1,822	9,703	2,581	2,322	1,426	18,195	2,731	1,565	1,915	44,137	8.82
(7) Transportation and Storage	1,997	1,403	5,060	571	1,714	1,343	12,890	1,469	756	1,127	28,330	5.66
(8) Other Services	15,496	16,937	32,951	370	14,667	12,862	72,859	20,918	15,615	15,052	228,231	45.61
(9) Unidentified	36	--	50	--	7	--	182	111	6	6	398	0.07
Total	29,090	30,496	69,508	36,152	31,325	31,032	162,619	39,316	37,695	33,084	500,317	100.00*

\* Percentages do not add to exact total due to rounding errors.

Source: (Census and Statistics Department, 1980, pp. 129-130, Table 5).

agriculture's share of employment of the total active population declined from seventy percent in 1958, to fifty percent in 1963, to almost twenty-five percent in 1973. It reached only a little more than six percent by 1980 (Census and Statistics Department, 1980, pp. 129-30). Libyan agricultural labor was replaced by foreign labor, especially from neighboring countries such as Egypt and Tunisia.

Government allocations to agriculture enabled it to subsidize agricultural production in the form of long-term credits, farm machinery, fertilizers, well drilling, and seeds. Due to their spatial polarization, these activities created a significant area under irrigation around the two cities of Tripoli and Benghazi "in the areas set out originally for Italian agricultural settlements in the 1930s" (Allan and McLachlan, 1976, p. 334). The substitution of Italian farmers by Libyans furthered land fragmentation and over-use of underground water resources.<sup>1</sup> Underground water levels experienced an alarming rate of decline of more than one meter per year in some areas due to the introduction and use of modern technology, namely well drilling and water lifting. Despite the quick depletion of groundwater resources (which was to be felt and recognized in the late 1970s) agricultural output increased by a slow rate of two percent per annum. However, this rate of growth went almost unnoticed when compared with the fast

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<sup>1</sup>As mentioned earlier, numerous Italian farmers remained in Libya after independence. In 1970, the government nationalized all remaining Italian-owned agricultural property, all of which was in (Tripolitania), which amounted to about 38,000 hectares (Nelson, 1979, p. 158).

growth of the oil sector and urban activities. Unfortunately, urban land use (especially that of a residential nature) was increasingly substituting for cultivation--a process that strongly affected agricultural lands near large and expanding urban centers.

All the above-mentioned tendencies were amplified by the availability of oil revenues to work against the full development of the agricultural sector and consequently increased spatial polarization. The approaches to economic and social development of both the monarchy and military government were slightly different. The trends in sectoral allocations of oil revenues under the latter showed a clear enthusiasm toward agriculture as well as housing and industry. Although the new leadership criticized the monarchy's neglect of agriculture and industry, the spatial distribution of development funds (during 1973-75) tended to maintain the previous development tendencies and trends. This was done by basing investment allocations upon population distribution which tended to preserve and reinforce the existing unequal patterns of economic development. The two administrative units of Tripoli and Benghazi received more than forty-two percent of total development expenditures. Kohms and Gherian, on the other hand, had the lowest percentage share of development funds which amounted to 3.7 percent and 5.1 percent respectively (Table 30 and Map 6). On the sectoral level agriculture commanded first place with twenty-six percent share (or 493.4 million LD) of total actual development expenditures followed by housing at 16.8 percent (or 318.9 million LD) and then industry with a percent share of 13.8 (or 263 million LD). Again, Tripoli and Benghazi accounted for the lion's share of government investment during the period of



**TABLE 30**

**POPULATION DISTRIBUTION AND PERCENT SHARE OF GOVERNMENT  
EXPENDITURES FOR EACH ADMINISTRATIVE UNIT: 1973-75**

	Government Expenditures <sup>1</sup>		Population Size <sup>2</sup>	
	Actual Amount	Percent of Total	Actual Size	Percent of Total
Tripoli	509	26.9	707,438	31.4
Benghazi	287.2	15.2	332,333	14.6
El-Khalij	214.8	11.4	105,049	4.8
Sebha	186	9.8	111,303	5.0
Zawia	145.6	7.7	244,456	10.8
Misurata	135.6	7.2	178,129	7.9
Jabal Akhdar	131.2	6.9	132,366	5.9
Derna	116.2	6.1	122,984	5.4
Gherian	96.1	5.1	154,297	6.9
Khoms	70.6	3.7	160,882	7.3
Total	1,892.3	100.0*	2,249,237	100.0*

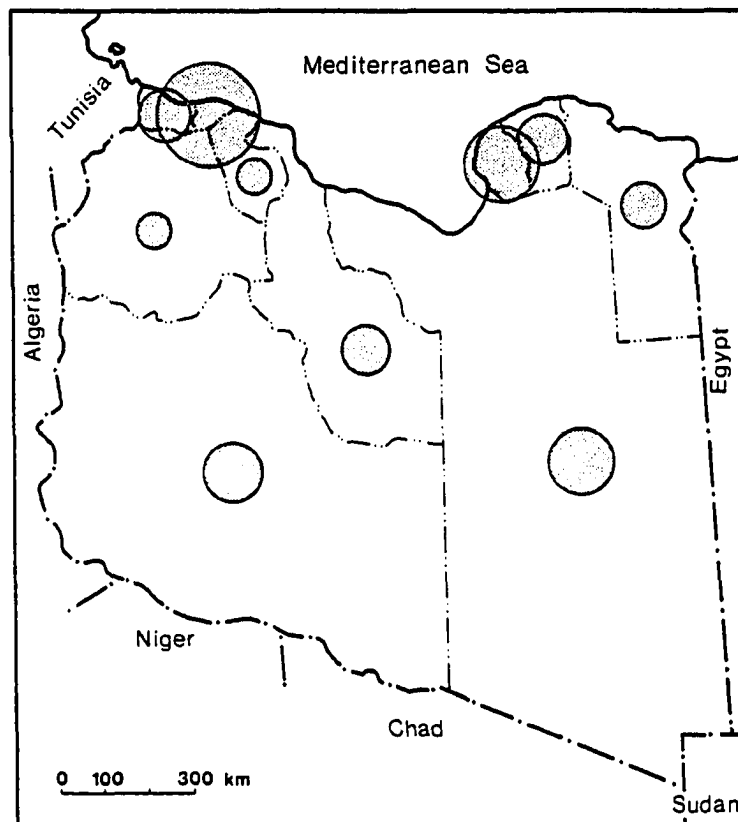
(1) Amount in Million LD.

(2) According to the 1973 Census.

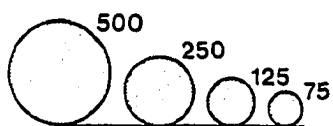
\* Percentages do not add to exact total due to rounding errors.

Source: (Auditing Department, 1978, p. 77, Table 22).

MAP 6  
GOVERNMENT DEVELOPMENT ALLOCATIONS  
1973-75



Libyan Dinars - millions



the Three-Year Plan (Table 31 and Map 7).

The state has embarked on two different types of agricultural schemes. The most spectacular are the remote desert capital-intensive reclamation projects at Kufra and Serir<sup>1</sup> which have involved enormous costs,<sup>2</sup> provided local people with few employment opportunities and depended heavily on expensive foreign advice and expertise. Moreover, there are a number of strong negative factors affecting these desert irrigation schemes, namely those regarding the quality of soil and uncertainty of long-term groundwater availability, as well as the difficult landscape and remoteness which has inflated transport costs. These high technology projects have, on many occasions, been an unnecessary waste of time and resources. Therefore, Allan concluded that:

. . . The economic performance of all these projects has been dismal; the only contribution they might have made to Libya's development has been as experience-gaining exercises. . . Libyan administrative institutions have proved to be predictably unequal to the demands of managing technologically complex projects in circumstances of great environmental uncertainty (Allan, 1981, p. 197).

In the northern part of the country agricultural development projects were highly concentrated in the Gefara plain (which covers most of the

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<sup>1</sup>Since the two agro-business projects are located in El-Khalij administrative unit, it accounted for more than nineteen percent of the total state's actual spending in agriculture, which is by far the highest in the country (more than 95 million LD, see Table 31 and Map 7).

<sup>2</sup>Official published information regarding project economies is not available. It has been estimated (during the early 1970s) that the Kufra project has cost up to 30 million LD and since 1975 its annual budget was mentioned to be 10 million LD (Allan and McLahlan, 1976, p. 333).

TABLE 31: DISTRIBUTION OF ACTUAL GOVERNMENT EXPENDITURES AND PERCENT SHARE OF EACH ADMINISTRATIVE UNIT BY ECONOMIC SECTOR 1973-1975\*

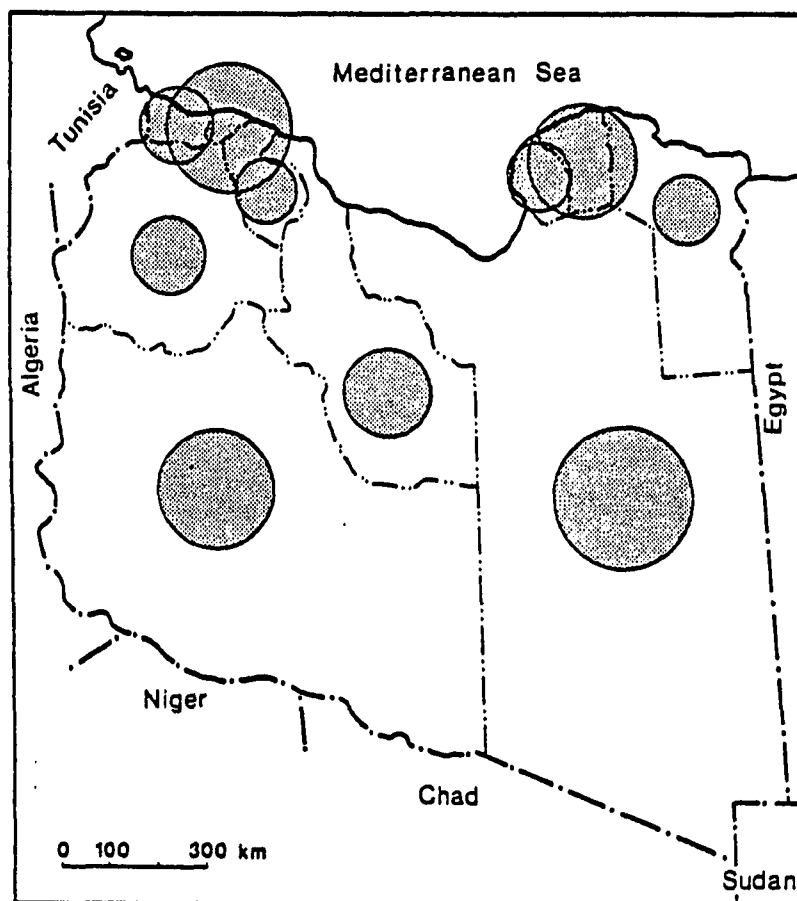
	Tripoli		Benghazi		El-Khalij		Sebha		Zawia		Misurata		J. Akhdar		Derna		Gherian		Khoms		Total	
	A.E.	%	A.E.	%	A.E.	%	A.E.	%	A.E.	%	A.E.	%	A.E.	%	A.E.	%	A.E.	%	A.E.	%	A.E.	%
Agriculture	83.7	16.9	26.1	5.3	95.5	19.3	74.3	15.0	31.4	6.4	45.1	9.1	62.6	12.6	20.3	4.1	33.5	6.7	20.9	4.2	493.4	100
Industry	101.1	38.4	74.3	28.3	3.8	1.4	11.5	4.4	11.0	4.2	12.6	4.0	15.9	6.1	11.4	4.3	8.2	3.1	13.2	5.0	263.0	100
Petroleum	9.2	0.5	--	--	54.7	50.5	--	--	34.8	32.1	.1	.1	--	--	9.0	8.3	.5	.5	--	--	108.3	100
Electricity	45.0	28.0	29.9	18.6	12.7	7.9	8.9	5.5	10.6	6.6	12.3	7.6	7.1	4.4	26.3	16.4	6.1	3.8	1.9	1.2	160.8	100
Transportation and communication	47.8	39.2	11.1	18.8	12.3	9.8	15.6	12.5	3.0	2.4	17.1	13.7	.5	.4	6.8	5.4	5.3	4.2	5.4	4.3	124.9	100
Food and marine wealth	.9	56.2	--	--	--	--	--	--	--	--	--	--	.3	18.8	.3	18.8	--	--	.1	6.1	1.6	100
Education	57.4	36.4	30.8	19.5	2.9	2.0	8.0	5.0	14.6	9.3	12.9	8.2	6.6	4.2	7.3	4.6	8.7	5.5	8.3	5.3	157.5	100
Health	15.4	35.3	11.7	26.8	1.9	4.4	2.0	4.6	2.4	5.5	2.0	4.6	.2	.5	2.1	4.8	3.4	7.8	2.5	5.7	43.6	100
Labor and social affairs	5.9	25.2	2.6	11.1	1.8	7.7	2.8	12.0	1.6	6.8	2.3	10.0	1.2	5.1	2.0	8.5	1.9	8.1	1.3	5.5	23.4	100
Housing	81.8	25.6	56.8	17.8	21.0	6.6	51.7	16.2	19.2	6.0	22.3	7.0	24.4	7.7	22.0	6.9	12.4	3.9	7.3	2.3	318.9	100
Economy and tourism	1.6	48.4	.5	15.2	--	--	.1	3.0	.2	6.1	--	--	.7	21.2	--	--	.2	6.1	--	--	3.3	100
Information and culture	8.2	64.1	.9	7.0	.4	3.1	2.1	16.4	.1	.8	.3	2.3	.4	3.1	.2	1.6	.1	.8	.1	.8	12.8	100
Local administration	49.1	27.4	42.5	23.8	7.8	4.4	9.0	5.0	16.7	9.3	8.6	4.8	11.3	6.3	8.5	4.8	15.8	8.8	9.6	5.4	178.9	100
Public administration and planning	1.9	100	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1.9	100
Total	509	--	287.2	--	214.8	--	186	--	145.6	--	135.6	--	131.2	--	116.2	--	96.1	--	70.6	--	1892.3	---

\* A.E. = Actual expenditure in LD million

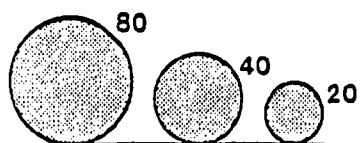
Note: Percentages do not add to exact total due to rounding errors

Source: (Auditing Department, 1978, pp. 80 and 84, Tables 23 and 24).

MAP 7  
GOVERNMENT EXPENDITURES ON AGRICULTURE  
1973-75



Libyan Dinars - millions



Tripoli and Zawia administrative units) and in Jabal Akhdar (which includes a small part of Derna and all of the Jabal Akhdar administrative unit). Here the stated government intention was to expand and improve cultivated areas as well as to improve and provide a reasonable amount of income capable of sustaining farmers on the land. Once again, enormous investments are being made to improve rural infrastructure and most of the projects have been planned and executed by foreign firms and labor.

Apart from the slow rise in production (mentioned earlier) and large state expenditures, agriculture suffered both from rural to urban migration and from government policies. The most devastating was (and still is) the dramatic decline in the Libyan agricultural workforce which would have seriously affected agricultural output without the importation of foreign farm labor. Continued rapid urban growth during the 1970s contrasted sharply with government claims of reversed population movement from urban to rural areas. Furthermore, the great majority of the agricultural projects are under the direction of state companies and public corporations through which sub-contracting to international firms occurs. In addition, although actual public spending on agriculture amounted to more than 2.7 billion LD between 1970 and 1981 (Table 32), Libya remains far from becoming self-sufficient in food production.

The state's attempt to diversify the economy through agricultural development (which relies heavily on imported technology and expertise) to break the country's reliance on food imports only reinforced a new but costly dependence, this time on the import of capital goods and skilled manpower. Libyan planning (especially in agriculture and industry) is

TABLE 32: ACTUAL DEVELOPMENT EXPENDITURES BETWEEN 1970-1981 (In Million LD)

Category	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	Total	Percent share of category
(1) Agriculture	23.4	47.8	63.7	88.9	223.9	241.2	288.1	263.7	281.8	379.7	430.0	330.0	2,663.2	19.6
(2) Industry	15.0	29.0	65.1	62.5	107.0	100.0	165.5	160.7	157.1	210.2	530.0	670.0	2,272.1	16.7
(3) Petroleum	1.5	15.3	27.8	28.5	56.8	52.9	67.3	67.6	80.0	93.4	40.0	60.0	591.1	4.4
(4) Electricity	14.9	27.1	38.3	42.3	86.5	83.4	129.2	146.8	159.9	288.8	205.0	220.0	1,442.2	10.6
(5) Transportation and communication	12.3	25.2	40.3	33.8	89.8	102.6	135.4	165.3	198.2	236.6	275.0	400.0	1,714.5	12.6
(6) Education	6.6	16.1	31.6	36.8	56.5	81.5	80.9	79.9	72.0	112.0	120.0	150.0	843.9	6.2
(7) Health	4.9	3.7	15.4	9.8	15.9	20.9	28.3	36.3	53.5	69.8	80.0	90.0	428.0	3.2
(8) Labor, social affairs and sports	1.0	1.8	3.5	7.1	16.3	8.6	9.8	17.9	19.7	29.2	29.0	60.0	203.9	1.5
(9) Housing	37.5	39.4	72.2	60.9	146.9	128.3	138.3	175.1	152.7	167.8	200.0	250.0	1,569.1	11.6
(10) Economy and planning	0.7	9.6	2.9	3.6	7.4	8.0	7.3	4.5	9.6	9.4	68.0	187.0	313.3	2.3
(11) Public works (Municipalities)	26.5	31.4	34.0	34.3	55.7	87.2	109.9	126.3	149.7	231.6	165.0	250.0	1,301.6	9.6
(12) Information and culture	1.5	1.0	2.0	4.2	5.4	4.5	13.0	16.0	24.2	28.5	25.0	33.0	158.3	1.2
(13) Law and justice	--	--	--	--	--	--	5.6	6.3	6.6	5.6	8.0	--	32.1	0.2
(14) Nutrition and sea wealth	0.2	0.2	0.5	1.1	1.0	3.7	8.6	13.9	7.3	6.2	--	--	42.7	0.3
Total	146.0	247.0	397.3	413.8	866.0	923.2	1,187.2	1,280.3	1,371.3	1,868.8	2,175.0	2,700.0	13,576.5	100.0*

Source: (Ministry of Planning, 1981, pp. 23-24, Table 7).

\* Percentages do not add to exact total due to rounding errors.

characterized by a pattern of giantism in relation to project size and the low absorption capacity of the economy for the huge investments injected into it. In addition to these problems, the government spatial allocation policies were highly influenced by the existing unequal socio-economic system. Consequently they tended to aggravate and strengthen the spatial polarization of the development process rather than the opposite.

### Government Policies and Industry

As mentioned previously, Libyan industry was limited to the production of simple consumer goods for local consumption before the Italian conquest in the early twentieth century. The Italian occupation led to the initial development of large-scale manufacturing activities which were centered on the processing of domestic agricultural output and livestock products. About two-thirds of these activities were located in Tripoli and another twenty-five percent in Benghazi. By 1956, Tripoli city alone accounted for fifty-seven percent of the total industrial establishments which employed about seventy percent of the total Libyan industrial labor (Harrison, 1967, p. 402). This industrial concentration in Tripoli was due to easy access to imported raw materials, availability of necessary infrastructure such as public utilities and roads, as well as to the availability of labor and market demand because of the high population concentration. In other words, Italian industrial policies had asserted the dominance of Tripoli as an administrative and industrial node on the top of the Libyan hierarchy.

During the British and French administration and the early years of independence, attention was not focused on industrial development. Instead, it



was paid to building needed infrastructure. However, although the fast development and growth of the oil sector (during the late 1950s and early 1960s) provided financial means to upgrade and improve the country's industrial base, most development allocations of the First Five-Year Plan (1963-68) were devoted to physical and social infrastructure rather than to the productive sectors of agriculture and industry. Therefore, following the fast deterioration of agricultural production, the Libyan food industry—established by the Italians--was left to stagnate. It was unable to both satisfy local demand and compete with imported products due to a complete lack of government protective measures. Naturally, because existing industry was highly linked to agriculture, it suffered from the same ills and tendencies affecting agricultural output. Therefore, the percent share of industry in the total GDP declined from 5.6 during 1962 to its lowest share of 2.2 percent in 1976. The decline of both agriculture and industry was met by fast growth in the petroleum sector (see Table 15).<sup>1</sup> Like its agricultural loan policy, the monarchy government designated two-thirds of its First Five-Year Plan: 1963-68 allocations for industrial credits. Again, these industrial loans were distributed unequally among administrative units. And, as had been the

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<sup>1</sup> Although the percentage contribution of all non-petroleum sectors to total GDP has in relative terms declined (attesting to the predominant weight of the oil sector), many activities achieved modest growth rates. However, it is evident from available data that both agricultural and industrial contributions to total GDP increased slightly. In fact, if inflation is taken into consideration, they increased by only a very small amount.

case before, both Tripoli and Benghazi accounted for more than fifty-eight percent of all industrial credits provided by the state between 1968 and 1977 (Table 33 and Figure 5). These subsidies were accessible to the urban population and, consequently, tended to increase industrial spatial polarization in the two major cities.

The number of manufacturing units producing for the construction industry multiplied and expanded due to high urban demand for building materials such as stone, brick, ceramic, and cement. By 1969, the industrial sector included approximately 2,000 establishments employing about 15,000 workers. To judge from the existing data, the Libyan industrial sector is dominated by small establishments. Large establishments (defined as those employing twenty or more workers) were limited in number and show a highly concentrated pattern. By 1973, the two administrative units of Tripoli and Benghazi accounted for more than ninety-five percent of the total number of large industrial establishments (or 136 large establishments out of the total of 158) (Table 34). It is rather evident that small establishments are more or less spread all over the country, whereas large ones tend to be concentrated in both Tripoli and Benghazi. After 1970 the Libyan state increased dramatically the industry's share of planned investments.<sup>1</sup> For example, the 1973-75 plan allocated more than twelve percent of total development funds for food processing, textiles, glass, and construction materials. However, these allocations

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<sup>1</sup>Actual investment in industry totalled more than 2.3 billion LD between 1970 and 1981 (see Table 32)

TABLE 33

VALUE OF GRANTED INDUSTRIAL LOANS BY ADMINISTRATIVE UNITS  
1968/69 - 1977 (In LD .000)

Admin Unit	Fiscal Years										Percent Share of each administra- tive unit 1968 - 1977
	68/69 <sup>1</sup>	69/70 <sup>1</sup>	71/72 <sup>2</sup>	72/73 <sup>2</sup>	1973 <sup>3*</sup>	1974 <sup>4</sup>	1975 <sup>4</sup>	1976 <sup>5</sup>	1977 <sup>6</sup>	Total	
Derna	--	3	17	31	64	5	11	169	97	397	4.40
J. Akhdar	21	--	--	76	145	63	7	137	56	505	5.60
Benghazi	381	119	109	108	50	624	75	132	23	1621	17.98
El-Khalij	3	--	2	10	10	17	--	15	--	57	0.63
Misurata	16	--	11	10	72	21	8	31	14	183	2.03
Khoms	72	17	18	50	12	65	9	22	42	307	3.40
Tripoli	806	365	642	303	282	308	43	397	914	4060	45.03
Zawia	40	284	262	278	72	70	53	23	123	1205	13.36
Gherian	6	16	223	8	103	25	1	83	46	551	6.11
Sebha	22	20	11	3	9	2	14	33	17	131	1.45
Total	1367	824	1295	877	819	1200	261	1042	1332	9017	100.00**

Sources: (Census and Statistics Department, Statistical Abstract)

1-April 1972, p. 322.

2-July 1974, p. 309.

3-April 1975, p. 330.

4-April 1977, o. 301.

5-February, 1979, p. 324.

6-August 1979, p. 308.

\* For the period from April 1, to December 31, 1973.

\*\* Percentages do not add to exact total due to rounding errors.

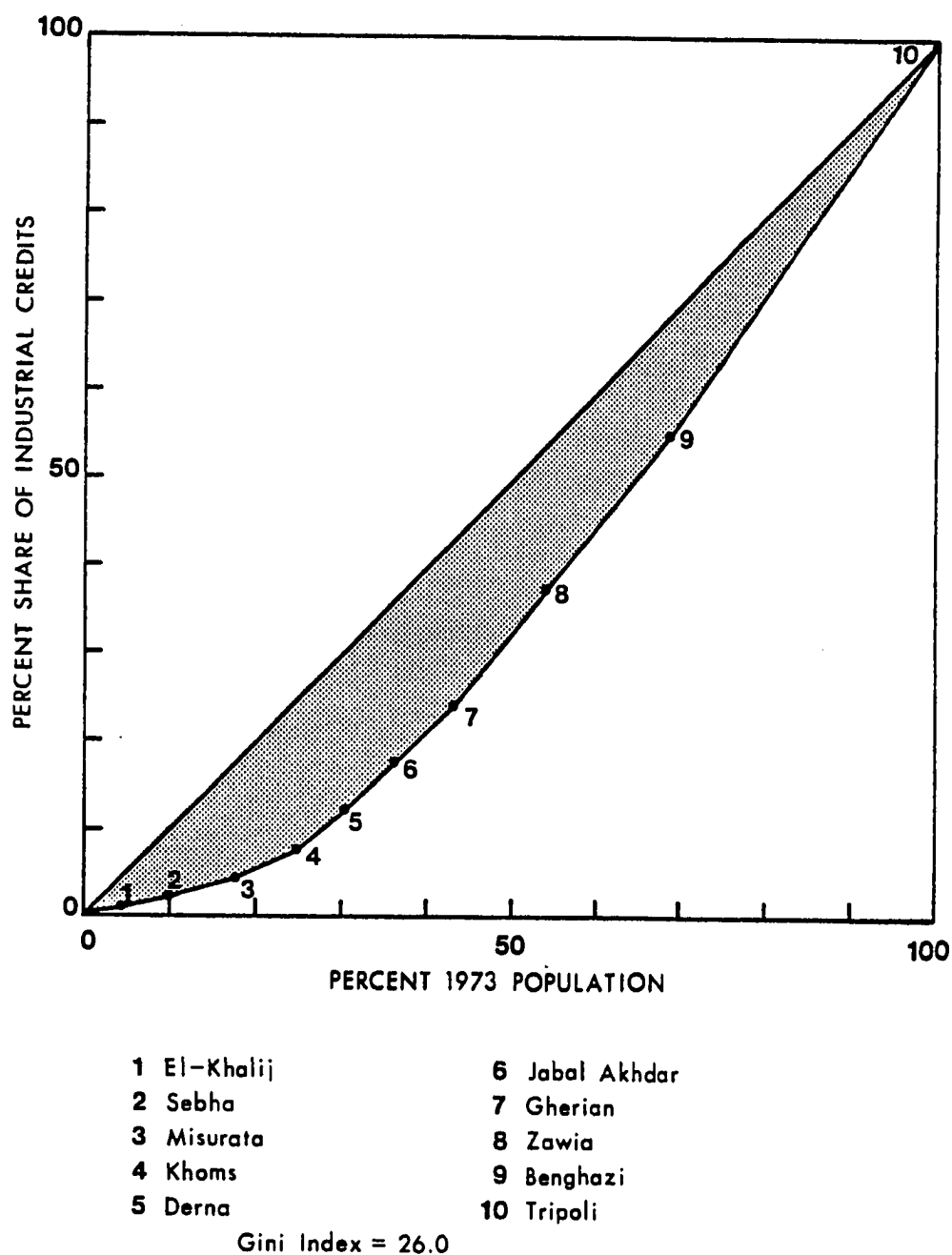


Figure 5. Lorenz Curve of Industrial Credits, 1968-77.

TABLE 34

## DISTRIBUTION OF INDUSTRIAL ESTABLISHMENTS: 1973

Administrative Unit	Number of workers	Number of establishments	20 Workers or more	
			Number of workers	Number of establishments
(1) Derna	1,555	268	44	2
(2) Jabal Akhdar	613	148	34	1
(3) Benghazi	5,418	879	2,076	41
(4) El-Khaliij	312	102	---	--
(5) Misurata	1,209	399	176	5
(6) Khoms	851	321	25	1
(7) Tripoli	11,804	2,105	4,951	95
(8) Zawia	3,242	666	613	10
(9) Gherian	614	370	27	1
(10) Sebha	459	163	40	2
Total	25,677	5,421	7,986	158

Source: (Census and Statistics Department, 1975, p. 92).

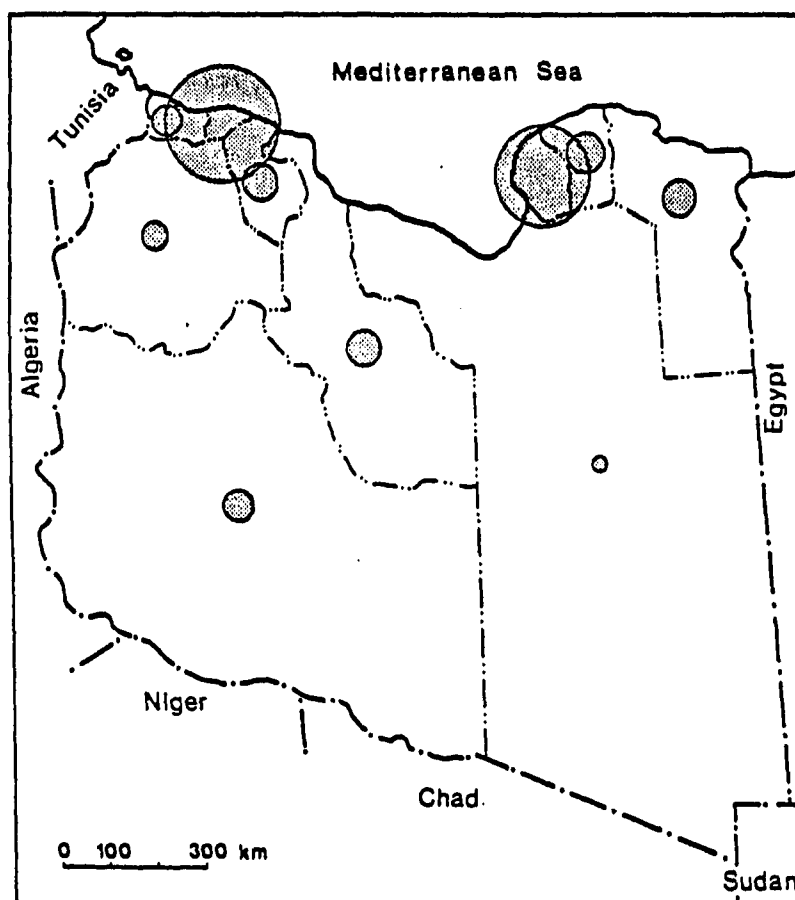
were highly concentrated spatially (Maps 8, 9, and 10). The construction materials sector was built up in response to the building boom sponsored by the government and the private sector. By 1976, these industrial activities mentioned above accounted for more than seventy percent of the total labor force and value added respectively (Allan, 1981, p. 219).

Despite government efforts to expand the petroleum industries, the oil industry in general remained a small employer because it is relatively capital intensive.<sup>1</sup> However, the government's large industrial investments included a new oil refinery to be built in Zawia, two petrochemical plants and a fertilizer factory to be constructed at the Brega oil terminal at El-Khalij. A greater portion of industrial development allocations was planned to be invested in construction and petrochemicals between 1976 and 1980. However, the most serious problem facing Libyan development in general and industrial expansion in particular remains the acute shortage of skilled labor and administrative staff. For example, the construction industry relies more heavily upon foreign skills and labor than does any other industry. More than a third of Libya's workforce was imported during the late 1970s and about sixty percent of skilled labor and managerial personnel were expensive foreign labor (Table 35). Only about 15,000 Libyan workers were engaged in construction out of a total employment of 47,000 people in the sector. Heavy reliance on foreign manpower made development efforts costly and extremely sensitive to erratic political shifts. A case in point is the massive delay in construction and

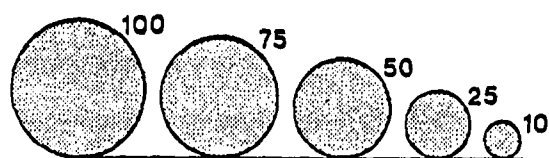
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<sup>1</sup>By 1980, mining activities employed only 1.15 percent of the total economically active population (10 years and older) (see Table 29).

MAP 8  
GOVERNMENT EXPENDITURES ON INDUSTRY 1973-75

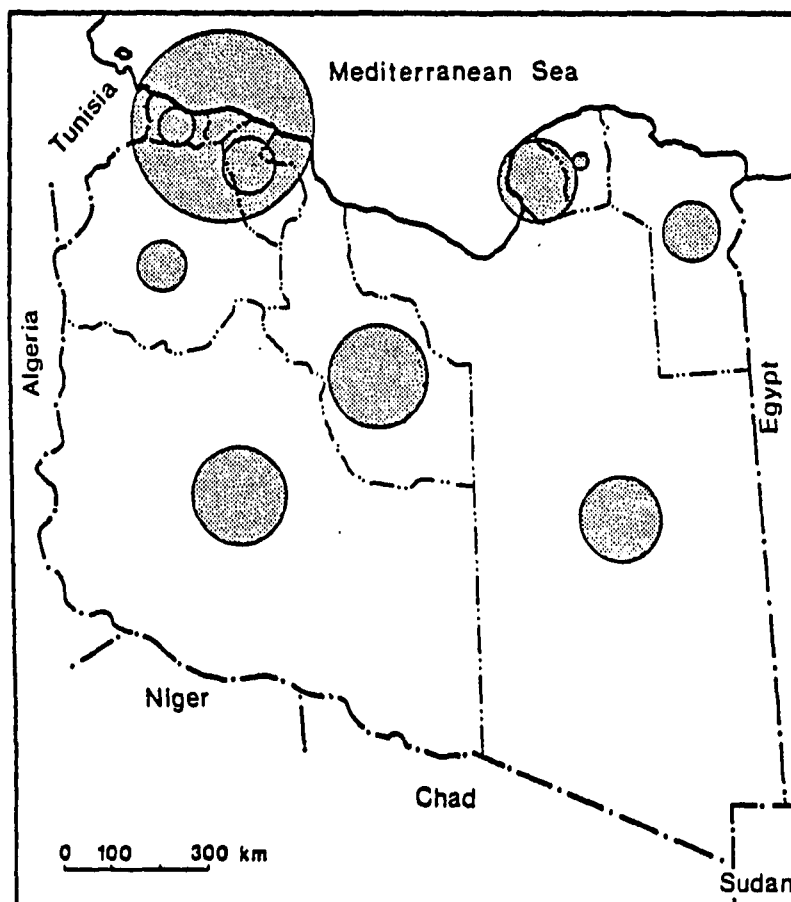


Libyan Dinars - millions

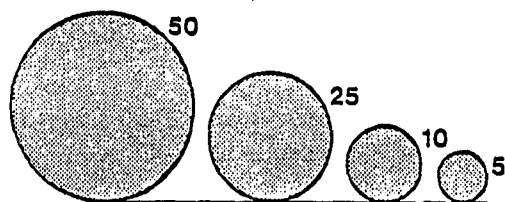


MAP 9

GOVERNMENT EXPENDITURES ON TRANSPORTATION  
AND COMMUNICATION 1973-75



Libyan Dinars - millions





MAP 10  
GOVERNMENT EXPENDITURES ON HOUSING  
1973-75

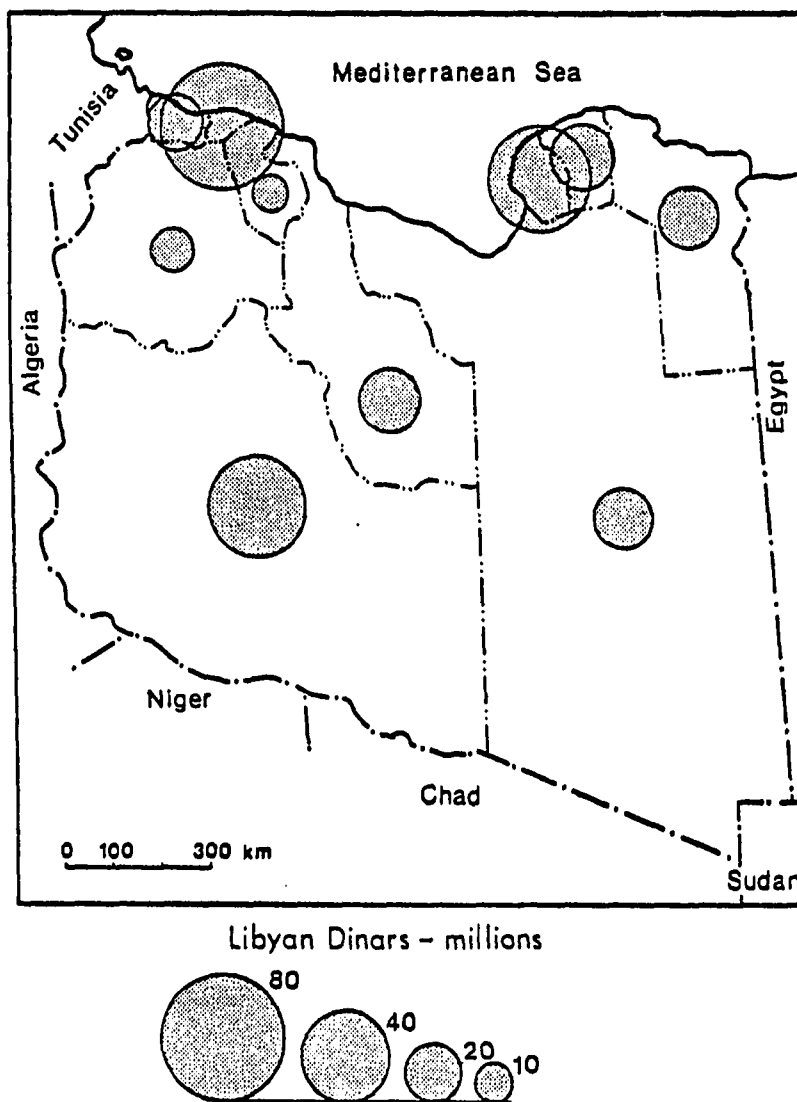


TABLE 35: LIBYAN AND FOREIGN LABOR BY OCCUPATIONAL CATEGORIES 1975, 1976 AND 1977

Principal occupational categories	1975			Non-Libyan percent of total	1976			Non-Libyan percent of total	1977			Non-Libyan percent of total
	Libyans	Non-Libyans	Total		Libyans	Non-Libyans	Total		Libyans	Non-Libyans	Total	
(1) Professionals	11,620	16,050	27,670	58.0	12,700	18,000	30,700	58.6	14,030	19,870	33,900	58.6
(2) Technicians	37,650	20,470	58,120	35.2	41,700	23,300	65,000	35.8	46,060	26,040	72,100	36.1
(3) Clerical	31,410	6,150	37,650	16.4	33,200	6,500	39,700	16.4	35,230	6,770	42,000	16.1
(4) Skilled and semi-skilled	251,365	95,225	346,590	27.5	260,500	114,600	375,100	30.6	266,800	135,000	401,800	33.6
(5) Unskilled	122,055	85,105	207,160	42.2	122,000	100,200	222,200	45.1	125,080	109,920	235,000	46.8
Total	454,100	233,000	677,100	32.9	470,100	262,600	732,700	35.8	487,200	297,600	784,800	37.9

Source: (Sankari, 1981, pp. 64-65, Tables 7 and 8).

development projects as a result of an Egyptian manpower withdrawal because of political disputes between the two regimes during 1977 and 1978. In addition, not only were directly productive economic activities highly dependent on foreign labor during the late 1970s and early 1980s, but this dependency is characteristic of social services as well. Thousands of doctors, nurses, teachers, and administrators are imported, mainly from Arab countries, Pakistan, India, and European countries.

Because of vast government investments, a considerable part of the import bill goes to capital goods. Machinery and transport equipment imports top the list, accounting for 34.2 percent of all imported commodities in 1975. The second biggest import was manufactured goods, whose percentage share of total imports accounted for nineteen percent during the same year. Therefore, the state, in its attempt to diversify the economy and reduce its reliance on the oil sector by promoting large-scale and high-technology industrial projects, served to create more dependency upon the import of capital goods and skilled labor. These projects, by virtue of their reliance on imported technology and high capital intensity, are actually perpetuating the very dependence they try to eliminate. Furthermore, many projects have fallen behind schedule and most operate at low levels of capacity. As Nelson reported:

. . . The textile industry operated at only two-thirds of capacity in 1977, and the cement industry—a key element in development—operated at only 36 percent of capacity in the same year. Among the many reasons for idle capacity have been the small size of the domestic market, shortages of skilled manpower, and shortages of inputs (Nelson, 1979, p. 153).

To the above cited problems the impact of government policies must be added.

These policies tended to maintain and preserve the existing polarized development pattern which was created and shaped by strong outside forces and by the peculiar evolution of the Libyan socio-economic system.

In spite of certain improvements, the Libyan government continued its efforts to cope with the rapidly changing socio-economic situation with all its opportunities and challenges. It has been demonstrated, thus far, that the spatial patterns of economic developments in Libya were the result of external factors together with market forces which continued to maintain and reinforce past trends of greater spatial polarization and concentration of population and economic activities in the already favored areas of Tripoli and Benghazi. At least by 1976 this spatially polarized development appeared to be recognized when the state took over all economic and social functions. It was argued by planning authorities that:

. . . Geographical distribution of investment and the location of projects were made in accordance with the principles of "spatial planning." It is hoped that this will help in population redistribution so as to relieve the congestion in the coastal belt, and particularly ease the pressure on Tripoli and Benghazi" (Ministry of Information and Culture, 1977, p. 12).

Unfortunately, no empirical evidence is yet available to support such hopes.

## CHAPTER VI

### SUMMARY AND CONCLUSIONS

#### Summary

This study has attempted to trace the successive evolution of economic development in Libya since 1900. It has also stressed that only an historical approach can lead to recognition and understanding of development's spatial patterns and structures. It has been argued throughout this research that during this period a number of events, both international and national in origin, have altered and, consequently, transformed the Libyan economy. Two important characteristics have emerged from the analysis of the Libyan development experience. First, during its modern history, the Libyan economy has been largely influenced by major external forces which include Italian colonization, foreign administration (by both the French and the British), foreign aid, and multinational corporations.

Second, the impacts of these outside factors and their penetration of the country's social and physical landscape were typically uneven. That is to say, parts of the geographic space became dominant over the rest of the economy, especially in terms of urban activities and links with the rest of the world. There were small improvements in both agriculture and industry during

the Italian occupation. However, most of these economic activities were virtually controlled by the colonists and the colonial economy in Libya was highly monopolistic. Therefore, native participation was limited in the form of wage labor. This period was also significant in terms of improvements in infrastructure, introduction of new technologies and techniques, and urban growth and expansion which produced a location shift with regard to economic activities and population distribution.

Following independence in 1951, the pattern of economic development continued to perpetuate the colonial focus upon improving physical infrastructure. During this period a series of agencies were established in cooperation with the United Nations, Britain, and the United States to deal with problems of economic development in the country. All activities of these agencies were financed primarily by grants from western governments.

Post-independence planning was uncoordinated and limited to urban improvements, thus increasing regional disparities. In the absence of new orientations for national economic policy, the Libyan government was seriously struggling to take over the economy. The affluence created by multinational oil firms enabled the government to finance a massive development program. Oil revenues were preceded by five years of receipts from activities related to oil exploration, the sale of concessions, the taxation of the oil companies, and the limited but significant multiplier effect of such enterprise on local urban service sectors. Due to the attractions of existing agglomeration economies, these activities tended to be located in the already developed areas and they reinforced existing patterns of polarization within the national space.

Government spending programs did not solve the problem of spatial polarization, but rather were biased toward the fast growing urban sector as the limited data have suggested. The result was that urbanization occurred at a rapid pace without any significant increase in either agricultural or industrial productivity. In fact, available evidence pertaining up to the late seventies shows that the oil sector was growing at the cost of both the industrial and agricultural sectors. In addition, it has triggered fast growth in the service sector as well as the expansion of government functions. In short, Libya is a capital-surplus economy with serious labor shortages. The problem of capital absorption is further compounded by the narrowness of the domestic market. The population is small and unevenly distributed which means that transportation costs are high and the problems of distribution are formidable. After the flow of oil revenues, the Libyan government attempted to cope with the structural changes in the economy by trying to chart a sound course of development. However, as has been pointed out earlier, government policies increased dislocation of resources and reinforced the polarized development pattern initiated a long time ago.

#### A Perspective on Regional Inequality and Uneven Economic Development

In effect, polarized development has persisted throughout the study period. This pattern of polarized development is, in fact, observable in most LDCs, particularly in the ex-colonial countries where urban enclaves are surrounded by areas of poverty and underdevelopment. Development tends to be concentrated overwhelmingly in capital cities, as is observed in Tripoli.

The spatial structure of any region at any time and scale (local, regional, or international) reflects the interactions between people and their

environment. Spatial inequality reflects socio-economic inequality and the nature and evolution of the structures and factors which cause and perpetuate social, economic, and political polarization in relation to a particular geographic location. Therefore, in analyzing spatial inequality, one should take into account the specific physical, demographic, socio-political, and cultural variables that influence the nature of locational concentration as well as the underlying historical evolution of these structures. This is the case because the spatial patterns and structures which people create do not exist independently of the societies which they reflect

In the case of Libya, decisions by different institutions and different governments were shown to lack considerations for equity and social justice. Continued emphasis on the economic efficiency of investments (private or public) through optimum location decisions created and perpetuated a polarized spatial pattern of socio-economic activities. It has resulted in the dichotomy between the prosperous large urban enclaves on the one hand, and the vast rural periphery, characterized by poverty and out-migration, on the other hand. The root causes of these inequalities cannot be tackled by spatial policies alone, but they require changes in the structure of society at large. These changes have to be directed toward the promotion of equal access to material and non-material resources and the development of these resources for the society as a whole. The specific elaboration of these changes in the form of concrete policy measures is strongly determined by the historically developed production structure as has been shown by this case study.



## Conclusions

### Policy Implications

The persistence of the present polarized pattern of development should not be allowed, especially in the face of the declared policy option of the Libyan government in favor of even development. Libya is in a much better position than many other underdeveloped countries because of its enormous financial resources. Therefore, the effort to transform the Libyan economy is the responsibility of the government which is becoming increasingly dominant in almost every economic and social function.

Clearly, what is needed in the country is the creation of an internally integrated economy by forging new sectoral and spatial relationships both within and between regions. This could be done by careful planning of sectoral interrelationships, particularly between agriculture and industry, to minimize the dependence of the economy on the oil sector and to ensure the development of mutually beneficial linkages between directly productive activities. Agriculture has a vital role to play in supplying domestic industry with raw materials and the urban population with foodstuffs. On the other hand, the Libyan industry must avoid large-scale projects under the severe scarcity of skilled labor supplies and the small extent of the national market. Instead, Libyan industrialization should be linked to local raw materials and geared toward using technologies appropriate to local levels of skills and demand size. An equally important consideration is to reduce spatial inequalities and regional disparities of income and wages. Thus, a strategy has to be devised to diffuse development into the hinterlands in a meaningful way which would transform and benefit their populations. Such a strategy should

imply a greater degree of social and spatial equity in the distribution of economic benefits and opportunities. This short-term policy alternative requires the necessary restructuring of the economy in order to move toward more equitable development. In addition, this strategy has to have a strong educational policy, especially in the area of vocational training, to prepare and to provide the needed skilled labor to minimize technological dependence.

A long term strategy would suggest that a closer economic cooperation with neighboring Arab countries, such as Tunisia and Egypt, appears to be beneficial to Libya and the cooperating partner(s). Any form of economic cooperation, like a customs union or regional integration, should be able to reduce economic barriers between these countries allowing for a better allocation of resources in North Africa. The persistence of a capital-surplus position in Libya, for example, would increase its ability to initiate investment in capital-deficient countries as well as to provide employment for their labor surpluses. However, such strategic economic integration requires political stability, harmony, and mutual understanding which, unfortunately, do not exist at the present between the political regimes of the region.

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