PEACE IN LIBYA THE BENEFITS

Benefits of Peace in Libya:
Neighbouring Countries and Beyond

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Economic and Social Commission for Western Asia

Benefits of Peace in Libya: Neighbouring Countries and Beyond

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Content

Acknowledgements 9

Acronyms 9

1. Introduction and Objectives 11

2. Libya and Regional Economic Cooperation 15

A. The performance of Libya's external economic linkages 15

B. Importance of Libya to the economies of Egypt, the Sudan and Tunisia during the pre-conflict period 23

3. Peace in Libya and the Regional Cooperation Agenda: The Methodology 27

A. Methodology 27

B. Scenarios 29

4. Peace in Libya and the Regional Cooperation Agenda: The Results 31

A. The growth effects 31

B. The effect on employment 32

C. The effect on investment 33

D. The sectoral effect 34

5. Conclusion and Policy Options 41

A. Libya's external exchanges and regional cooperation 42

B. The effects of the conflict on regional cooperation 42

C. The effects of peace on regional cooperation 42

References 43

Sectoral and Regional Dimensions of the Arab Trade Simulation Model 44

List of Libya Project Publications 46

List of Tables

Table 1. Real GDP levels 31

Table 2. Unemployment rate 32

Table 3. Total investment 33

Table 4. Exports to Libya 33

Table 5. Total exports 34

Table 6. Total imports 34

Table 7. Value added by sector in Egypt 35

Table 8. Value added by sector in Tunisia 35

Table 9. Value added by sector in the Sudan 36

Table 10. Value added by sector in Algeria 37

Table 11. Tunisia exports to Libya 38

Table 12. Egypt exports to Libya 38

Table 13. The Sudan exports to Libya 39

Table 14. Algeria exports to Libya 39

List of Figures

Figure 1. Evolution of Libya's exports of goods, including oil, 2000-2010 **15**

Figure 2. Evolution of Libya's imports of goods, including oil, 2000-2010 **15**

Figure 3. Trends in total exports and fuel exports, 2000-2010 **16**

Figure 4. Sectoral composition of Libya's imports, 2000-2010 **16**

Figure 5. Distribution of Libya's exports per major destinations, 2000-2010 **16**

Figure 6. Distribution of Libya's imports per major origins, 2000-2010 **17**

Figure 7. Destination of Libyan exports to selected countries during the period 2000-2010 **17**

Figure 8. Source of Libyan imports by selected countries during the period 2000-2010 **17**

Figure 9. Trends in Libyan trade with Turkey during the period 2001-2010 **18**

Figure 10. FDI inflows, outflows, and inward stock, 2000-2010 **18**

Figure 11. Libya: Remittance outflows, 2000-2010 **19**

Figure 12. Evolution of Libya's exports of goods, including oil, 2011-2019 **19**

Figure 13. Evolution of Libya's imports of goods, including oil, 2011-2019 **19**

Figure 14. Distribution of Libya's exports per major destinations, 2011-2019 **19**

Figure 15. Distribution of Libya's imports per major origins, 2011-2019 **20**

Figure 16. Source of Libyan imports by selected countries during the period 2011-2019 **20**

Figure 17. Destination of Libyan exports to selected countries during the period 2011-2019 **21**

Figure 18. Trends in Libyan trade with Turkey during the crisis, 2011-2018 **21**

Figure 19. FDI inflows, outflows, and inward stock, 2000-2019 **21**

Figure 20. Greenfield outward FDI, 2003-2016, CAPEX **22**

Figure 21. Libya's FDI composition by country of origin, 2003-2016 **22**

Figure 22. Libya: Remittance outflows, 2011-2018 **23**

Figure 23. Remittances sent from Libya by destination country in most of the Arab region, 2010-2017 **23**

Figure 24. Contribution of exports to Libya to total Tunisian exports of goods, 2000-2010 **24**

Figure 25. Contribution of exports to Libya to total Egyptian exports of goods, 2000-2010 **24**

Figure 26. Ratios of exports to Libya versus total exports 2019-2010: cases of Tunisia and Egypt **25**

Figure 27. Trends in remittance inflows originating from Libya to total inflows 2010-2017 **25**

Figure 28. Evolution of Libya's GDP if the crisis continues **29**

Figure 29. Libya's GDP recovery path **29**

Figure 30. Real GDP evolution in Libya's neighbouring countries **32**

KEY MESSAGES

Peace in Libya will contribute to **strengthening regional cooperation**, and will ensure significant gains in

GROWTH **EMPLOYMENT** **INVESTMENT** for neighbouring countries, namely

Algeria

Egypt

the Sudan

Tunisia

$161.9 billion

TOTAL GAINS

over the period 2025-2021

The total gains for the region from peace in Libya will be **$161.9 billion** over the period 2021-2025. The Libyan peace process could generate **$99.7 billion** in gain for **Egypt**, **$29.8 billion** for **Algeria**, **$22.7 billion** for the **Sudan**, and **$9.7 billion** for **Tunisia**.

The reconstruction in Libya will generate **numerous job opportunities** that could benefit workers in the region.

The Sudan will experience a significant drop in unemployment, estimated at 13.93 per cent over the period 2021-2025.

the Sudan

13.93%

UNEMPLOYMENT DROP
over the period 2021-2025

Unemployment will also decrease by 8.84 per cent in Egypt, 6.07 per cent in Tunisia, and 2.18 per cent in Algeria.

8.84%

Egypt

Once peace is established in Libya, investment will increase in various Arab countries. This increase is projected at 5.98 per cent for Egypt, 5.49 per cent for Tunisia, and 2.01 per cent for Algeria over the period 2021-2025.

6.07%

Tunisia

2.18%

Algeria

Acknowledgement

This study was prepared by the United Nations Economic and Social Commission for Western Asia (ESCWA) secretariat, drawing on a study prepared for ESCWA by Dr Hakim Ben Hammouda, former Minister of Economy and Finance of Tunisia and Managing Partner of Strategia Consulting Group. The study has been elaborated in the frame of the Libya Socio-Economic Dialogue (Libya SED) project, funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and jointly implemented by ESCWA and GIZ. This project is intended to provide a multi-layered platform for Libyan citizens at the national and sub-national levels to debate and discuss their desired socioeconomic vision of Libya and the related policy options and trade-offs they will need to adopt. The platform also addresses the structural challenges of forging a new social contract and State institutionalization and advancing a sustainable development framework for the country.

This report will focus on the consequences of ending the conflict and having peace in Libya on regional cooperation and, in particular, on trade with Tunisia, Egypt and the Sudan. This report provides a quantitative assessment of the economic impacts of peace in Libya on regional cooperation. This work is more relevant as negotiations between the Libyan parties, under the leadership of the United Nations, are bearing fruit. The end of this conflict will mark the beginning of reconstruction in Libya. It will also give new impetus to regional cooperation between countries in the region.

Acronyms

AfCFTA	African Continental Free Trade Area
AMU	Arab Maghreb Union
ASEAN	The Association of Southeast Asian Nations
CAPEX	Capital expenditure
COMESA	Common Market for Eastern and Southern Africa
EU	European Union
FDI	Foreign direct investment
NAFTA	North American Free Trade Agreement
PAFTA	Pan Arab Free Trade Area
SAM	Social Accounting Matrix

1

1. Introduction and Objectives

The outbreak of devastating conflicts around the Arab world in the aftermath of the Arab Spring has been a great concern for all political actors and international organizations in the region. These conflicts have caused great trepidation and fear. They have first led to serious political instability, and, secondly, to the emergence of violence that has escaped the monopoly of legitimate State-led violence. This period was marked by the development of armed groups and terrorism that were a great source of instability and fragility for State institutions in many Arab countries.

This instability has had an immediate economic impact, with the onset of severe economic crises in conflict countries. The destruction of economic potential, the cessation of investment and the departure of the immigrant labour force have had a negative effect on the gross domestic product (GDP) of most countries. The fall in GDP was accompanied by a decline in macroeconomic sizes, such as government revenues, public investment and foreign trade.

The effects of conflict have not only been limited to macroeconomic aspects, but have also affected major economic sectors such as agriculture, industry and infrastructure, among others. The destruction of these sectors will have a major impact on post-conflict economic reconstruction.

Alongside their macroeconomic and sectoral consequences, conflicts have had devastating effects on regional cooperation in the Arab region. Thus, trade flows, investments in the region and remittances have all been affected by wars and have reduced regional cooperation among countries.

Conflicts have also led to significant political and economic instability, resulting in setbacks in the commitments of countries in the region to achieve their sustainable development goals (SDGs).

Since the outbreak of the conflicts, the United Nations Economic and Social Commission for Western Asia (ESCWA) has been focusing on their political and economic effects, carrying out important studies and research to show their impact on countries in the region and on regional cooperation. It has also undertaken important advocacy work with governments, political and social actors and civil society in the region to raise awareness of the destructive effects of these conflicts and the dire need to restore peace and development.

This study is part of the Libya Socio-Economic Dialogue (Libya SED) project carried out by ESCWA. The project is intended to provide a multi-layered platform for Libyan citizens at the national and sub-national levels to debate and discuss their desired socioeconomic vision of Libya and the related policy options and trade-offs they will need to adopt. The platform also addresses the structural challenges of forging a new social contract and State institutionalization and advancing a sustainable development framework for the country. In this regard, and in order to inform the Libya socioeconomic dialogue participants when discussing the recovery process and the required alternative socioeconomic frameworks for sustainable development in Libya, ESCWA has initiated two studies: one that seeks to study the economic cost of the conflict (ESCWA, 2020), and another that measures the impact of peace in Libya on regional cooperation, which is the topic of this study.

ESCWA (2020) showed that the war caused a significant loss of Libya's economic potential, which we estimated at 783 billion Libyan dinars ($580 billion)[1] in the period from 2011 to the present day. These losses will be even greater if the conflict continues beyond the year 2020 and could reach 628.2 billion Libyan dinars ($465 billion) between 2021 and 2025. The conflict would cost the Libyan economy a total of 1,411.6 billion Libyan dinars ($1,046 billion) between 2011 and 2025.[2]

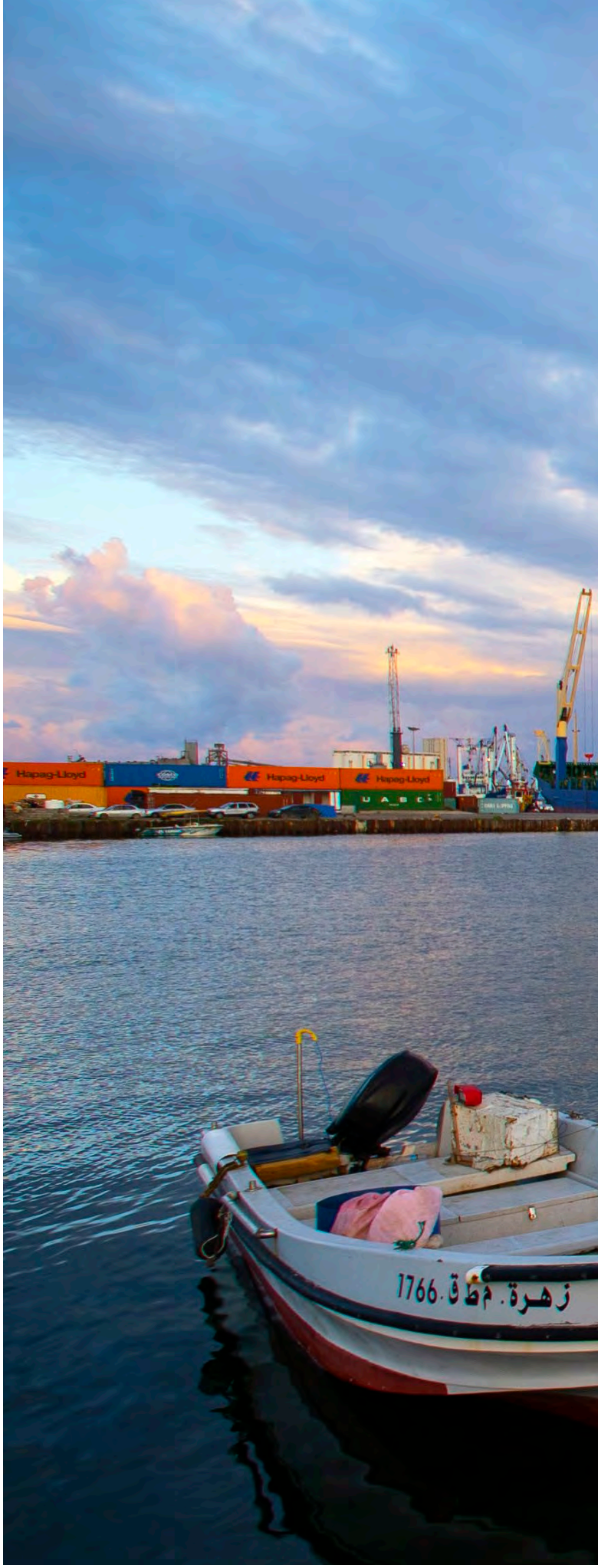
[1] When the report was published in Dec 2020, the exchange rate was 1.35 Libyan Dinar to $1 (02 Dec 2020).

[2] According to the Central Bank of Libya, the exchange rate is 4.46 Libyan Dinar to $1, as of 03 June 2021.

The losses of the Libyan economy are not limited to GDP but have also affected all other macroeconomic sizes. Thus, the cumulative loss of private consumption will average -37.76 per cent between 2016 and 2025 (table 6). Total investment could decrease by -68.15 per cent over the same period. Private investment will also be affected by the conflict and has decreased by an average of -45.84 per cent (table 6).

This second report will focus on the consequences of ending the conflict and establishing peace in Libya on regional cooperation, and in particular on trade with Egypt, the Sudan and Tunisia. This work is all the more relevant as the United Nations-led negotiations between the Libyan parties are bearing fruit. The end of this conflict will mark the beginning of Libya's reconstruction. It will also give new impetus to cooperation among countries in the region.

This report provides a quantitative assessment of the economic impacts of peace in Libya on regional cooperation. It is structured around four main parts. After this introduction, the report takes stock of Libya's external exchanges and the state of regional cooperation with its neighbours. In the third part, the report presents the major features of the quantitative model used to measure the impact of peace in Libya on regional cooperation. The fourth part discusses and analyses the results of the adopted simulations. Finally, in the fifth part, and after recalling the study's main conclusions, the report provides some policy options to strengthen regional cooperation between Libya and its neighbouring countries.



"The end of this conflict will mark the beginning of Libya's reconstruction. It will also give new impetus to cooperation among countries in the region."

2

2. Libya and Regional Economic Cooperation

This section presents and analysis the economic relationships between Libya and its major neighbouring Arab partners before and during the conflict. The focus is made on the three transmission channels of the conflict to external partners, namely, trade, foreign direct investment (FDI) flows and remittances.

Libya is a member of the Pan Arab Free Trade Area (PAFTA), the Arab region's largest trade agreement. Moreover, Libya is a member of the Arab Maghreb Union (AMU) and the Common Market for Eastern and Southern Africa (COMESA), and has bilateral trade agreements with Jordan and Morocco as well. In addition, Libya is the only Southern Mediterranean country – except for the Syrian Arab Republic – that has not yet concluded a Free Trade Agreement with the European Union. More recently, Libya has signed, but has not yet ratified, the African Continental Free Trade Area (AfCFTA) agreement that will create the largest free trade area in the world starting in 2021.

A. The performance of Libya's external economic linkages

1. Before the conflict

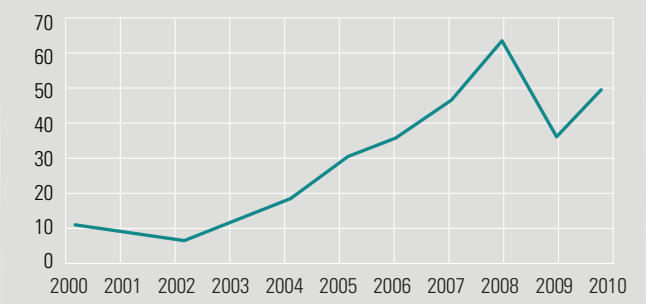
(a) Trade

Figure 1 shows that Libya's total exports before the crisis displayed unstable performance, noting an increase from $13 billion in 2000 to $62 billion in 2008. After a sustained rise in the value of exports to the world since 2002 and achieving the highest record in the country's history in 2008, these exports declined dramatically at the beginning of 2009 because of the global financial crisis, which slowed demand and triggered a fall in global oil prices. Libya's exports experienced a minor recovery in 2010, but that was halted by the political change that took place in the country beginning in 2011.

We estimate the total cost of the conflict from its outbreak in 2011 to the present day at 783.4 billion Libyan dinars.

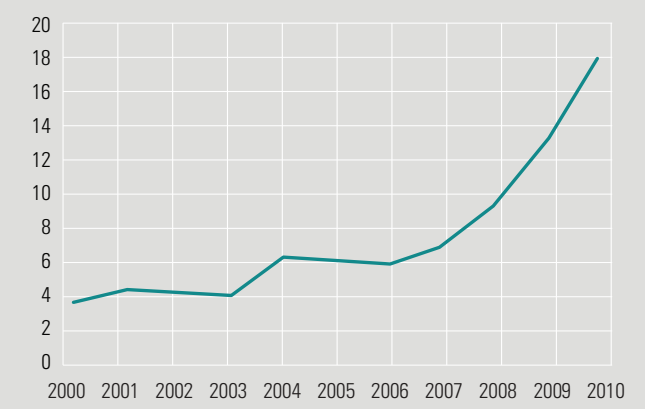
During the same period, imports followed an upward tendency, passing from around $4 billion to $18 billion between 2000 and 2020. This growth shows that contrary to exports, imports are less correlated to export earnings. Rather, they reflect the limited capacity of the Libyan economy to diversify and adjust to the global economic crisis that severely affected the country's export earnings starting in 2009 (figure 2).

Figure 1 **Evolution of Libya's exports of goods, including oil, 2000-2010 ($ billion)**



Source: Author's calculations using the COMTRADE database.

Figure 2 **Evolution of Libya's imports of goods, including oil, 2000-2010 ($ billion)**



Source: Author's calculations using the COMTRADE database.

In general, the oil industry is known for its boom and bust cycles, which place Libya's economy at a high risk of revenue volatility due to external shocks. As shown in figure 3, Libyan oil exports dropped significantly in 2009, which severely impacted the country's total export earnings. During the pre-crisis period, oil's contribution to total exports varied from 91 per cent in 2002 to 96 per cent in 2009 and 2010.

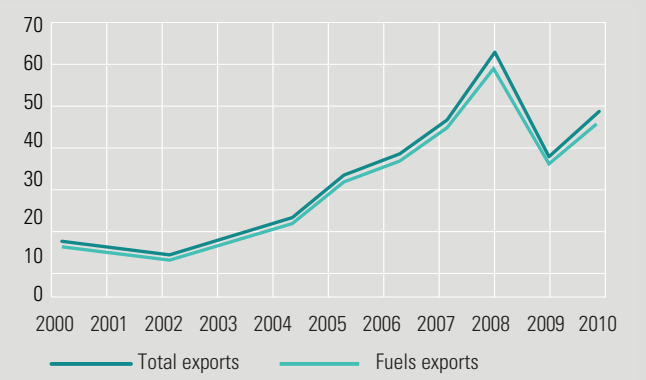
Contrary to exports, imports are much more diversified, which is normal since Libya is highly dependent on food and machinery and transport equipment imports to meet the needs of its population. These two categories accounted for between 50 per cent and 60 per cent of total Libyan imports of goods during the period 2000-2010 (figure 4).

Libya's key trading partner is the European Union. Even without any bilateral trade agreement, that trade accounted for almost 78 per cent of the country's exports and 49 per cent of its imports on average during the period 2000-2010. However, the importance of the European Union for Libyan trade experienced a significant decline over the same period, mainly due to the emergence of other trade partners. In 2000, the European Union absorbed 85 per cent of total Libyan exports of goods, against 78 per cent in 2010. On the other hand, the share of the European Union in total Libyan imports passed from 62 per cent in 2000 to only 42 per cent in 2010. Despite this decline, however, Libya continues to be a key energy exporter to the European Union, and the European Union continues to be Libya's largest export market.

On the other hand, Libya has relatively weaker trade ties with other partners, such as members of the Pan Arab Free Trade Agreement (PAFTA) and the former North American Free Trade Agreement (NAFTA). During the same period, Libyan trade ties with members of the Association of Southeast Asian Nations plus China, Japan and Korea (ASEAN+++) experienced a significant increase, which has been mainly the result of a major shift from the European Union to the benefit of ASEAN+++ countries (figures 5 and 6).

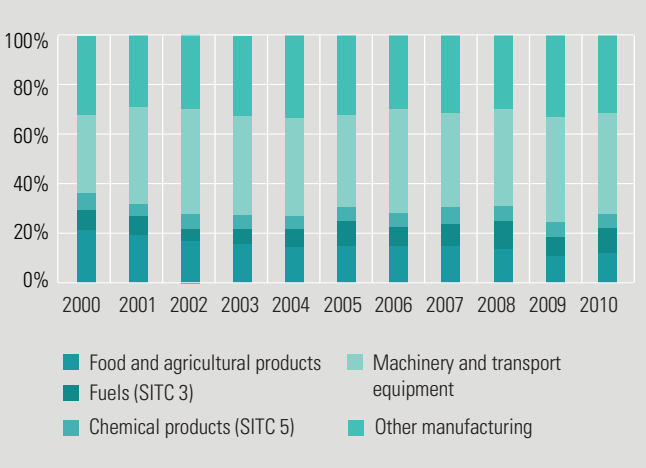
If we look at exports and imports at the country level, Italy and France have been among Libya's major trade partners. Indeed, approximately 24 per cent of total Libyan imports were supplied by these two countries during the period 2000-2010, against 12 per cent of Libyan exports being

Figure 3 Trends in total exports and fuel exports, 2000-2010 ($ billion)



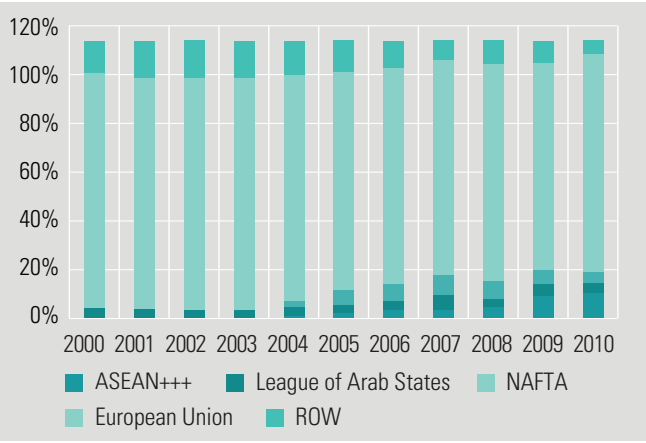
Source: Author's calculations using the COMTRADE database.

Figure 4 Evolution of Libya's imports of goods, including oil, 2000-2010 ($ billion)



Source: Author's calculations using the COMTRADE database.

Figure 5 Distribution of Libya's exports per major destinations, 2000-2010 (percentage of total exports)



Source: Author's calculations using the COMTRADE database.

absorbed by the two countries. However, the importance of these two countries for Libya's trade flows experienced significant changes between 2000 and 2010, passing from 30 per cent to 21 per cent of total Libyan imports, and from 5 per cent to 22 per cent of total Libyan exports.

As far as the Arab countries are concerned, Tunisia represented a major trade partner to Libya in the region. While only around 2 per cent of Libyan exports during the period 2000-2010 were destinated to the Tunisian market, 4.4 per cent of Libyan imports originated from Tunisia over the same period. Egypt was Libya's second major Arab trade partner, with 3.2 per cent of Libyan imports having originated from Egypt over the period 2000-2010, against only 0.5 per cent of Libyan exports being absorbed by Egypt (figures 7 and 8).

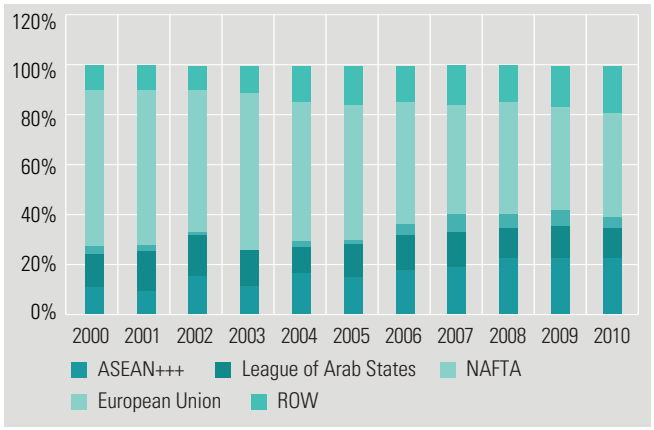
Libya is also an important partner for Turkey, with a bilateral trade volume that amounted to around $2.4 billion in 2010, compared to $0.9 billion in 2000. Figure 9 shows the trend in Libyan trade with Turkey over the period 2001-2010 in billions of dollars. Between 2001 and 2010, Libyan imports of goods from Turkey increased by an average yearly growth rate of 45 per cent, compared to a decrease in its exports by -7 per cent. Until 2006, the trade balance with Turkey had been positive for Libya, before the situation changed dramatically starting in 2007.

To sum up, the pattern of Libya's imports and exports before the crisis reflected the major following facts: On one hand, exports were weakly diversified in terms of both products and destination markets, which made the economy more prone to suffer from external and internal shocks. Imports, on the other hand, were more diversified in terms of markets and products. This shows the degree to which Libya's economy lacks diversification, as it relies heavily on foreign markets to meet the food, industrial and consumer needs of its people.

(b) Foreign direct investment

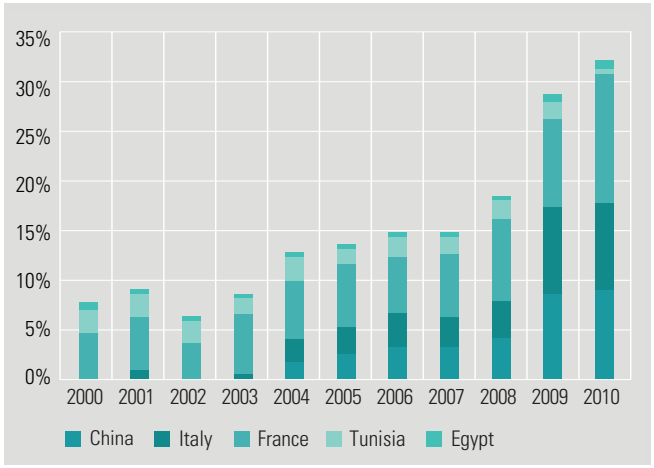
Foreign direct investment (FDI) inflows into Libya have been constantly increasing since the lifting of the United Nations sanctions in 2004, but showed a significant decline in 2009 due to the global financial crisis. However, the drop in FDI inflows into Libya continued its downstream trend following the violent demonstrations and civil conflicts that started in 2011 (figure 10).

Figure 6 Distribution of Libya's imports per major origins, 2000-2010 (percentage of total imports)



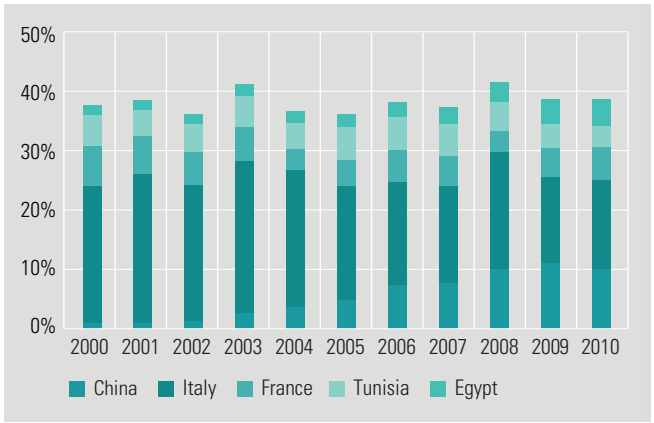
Source: Author's calculations using the COMTRADE database.

Figure 7 Destination of Libyan exports to selected countries during the period 2000-2010 (percentage of total exports)



Source: Author's calculations using the COMTRADE database.

Figure 8 Source of Libyan imports by selected countries during the period 2000-2010 (percentage of total imports)



Source: Author's calculations using the COMTRADE database.

(c) Remittances

The free movement of people in a world that has become interconnected not only benefits the migrant workers who leave their countries in search of a better future, but also their families in their countries of origin in the form of cash transfers, or remittances. Millions of households have escaped poverty thanks to remittances, and many countries are heavily dependent on them.

Libya has for decades been a key destination for foreign workers from all over the world, particularly from sub-Saharan Africa, the Arab region and Asia, as its economy has been heavily dependent on foreign labour. According to a publication by the International Organization for Migration on labour migration dynamics in Libya (IOM, 2020), before the 2011 revolution, an estimated 1.35 million to 2.5 million migrant workers were based in Libya, employed mainly in the health and construction services and, to a lesser extent, in the agriculture and oil industries. Generally, almost two-thirds (64 per cent of migrants in Libya come from Libya's neighbouring countries, particularly Chad, Egypt, Niger, the Sudan and Tunisia).

Libya has been a net source of remittance outflows since at least 2000. Remittance outflows have reached their highest value – $1.6 billion – before the crisis in 2010, before falling to $650 million in 2011. They then grew sensitively starting in 2012 to reach a historical level of $3.2 billion in 2013, before falling again progressively to $1.1 billion in 2014, to reach just $744 million in 2018 (figure 11).

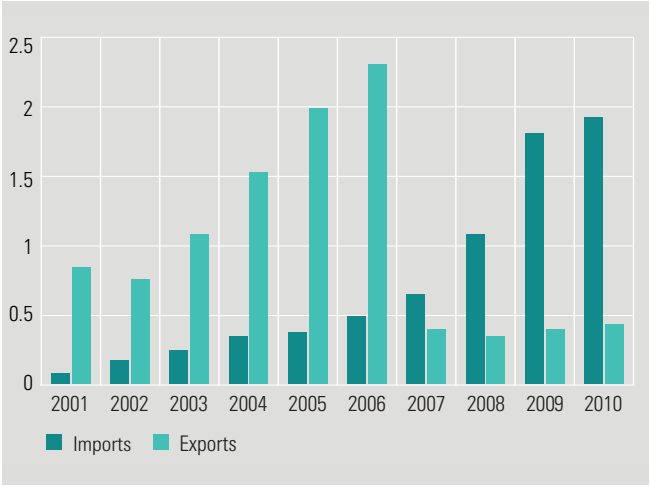
2. During the conflict

(a) Trade

The volatility of world oil prices and the armed conflict have greatly disrupted Libya's oil production and its capacity to export during the period 2011-2019. Figure 12 shows that Libya's total exports displayed unstable periods, fluctuating significantly between 2011 and 2019. After a sustained rise in the value of exports to the world in 2002 and achieving the highest record in the country's history in 2008, Libya's exports were halted by the political change that took place in the country beginning in 2011. That political change and the civil war hit hard on Libya's economy, and Libyan oil production and exports were again disrupted for most of 2011.

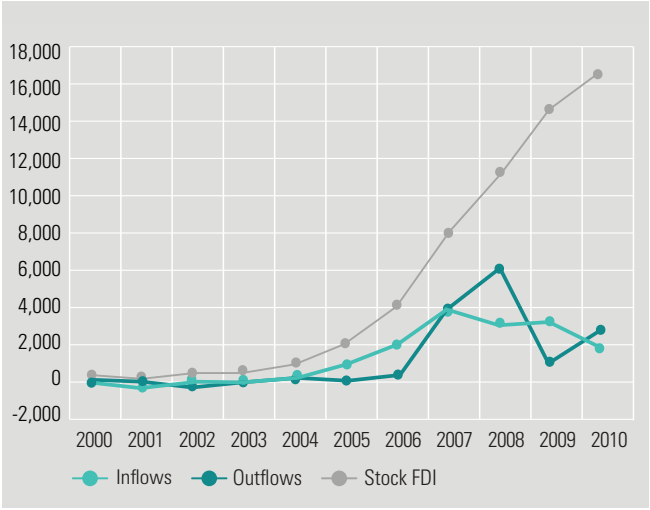
Exports decreased dramatically by 60 per cent in value during 2011. While external shocks were

Figure 9 Trends in Libyan trade with Turkey during the period 2001- 2010 ($ billion)



Source: Author's calculations using the COMTRADE database.

Figure 10 FDI inflows, outflows, and inward stock, 2000-2010 ($ million)



Source: Author's calculations using the UNCTAD database.

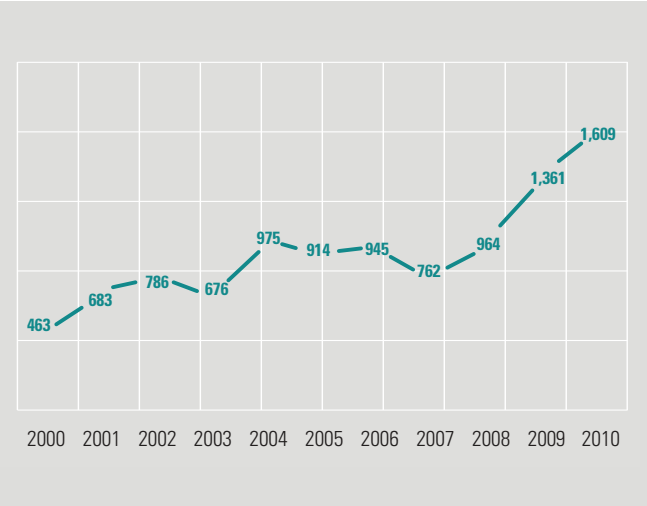
behind the first decline in exports observed in 2009, the impact was further aggravated by internal conflicts that dramatically reduced oil production, ultimately leading to a sharp shift in energy export revenues, which represent the bulk of the State's budget.

However, Libyan oil exports regained their pre-2011 levels in 2012 with the restoration of production, coupled with the rise in oil prices. As a result, exports moved the overall Libyan balance from a budget deficit of 18.7 per cent of GDP in 2011 to a surplus of 24 per cent of GDP in 2012 (IMF, 2013). In fact, exports rapidly grew from $19 billion in 2011 to $61 billion in 2012. This was viewed as a promising

comeback, resulting in the country recording the fastest-growing economy in 2012, with a GDP growth of 122 per cent. In 2016, Libya once again experienced political instability that led to exports falling sharply to their lowest value since 2002, amounting $9.4 billion. Compared to the pre-crisis period, imports were affected in a similar way as exports (figure 13).

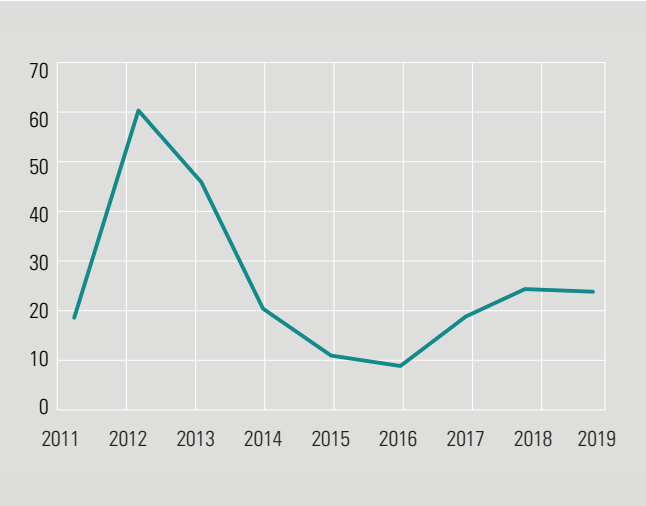
The European Union remained Libya's key trading partner during the crisis, despite a significant decrease of its importance in Libya's foreign trade. During the period 2011-2019, 70 per cent of Libyan exports were absorbed by the European Union, while 40 per cent of Libyan imports originated from the European Union, against 78 per cent and 49 per cent, respectively, during the period 2000-2010. At the same time, trade flows with ASEAN+++ increased significantly. In 2019, 24 per cent of Libyan imports originated from ASEAN+++, against only 10 per cent in 2020. However, trade with members of the League of Arab States (LAS) kept its initial share as before the crisis (figures 14 and 15).

Figure 11 Libya: Remittance outflows, 2000-2010 ($ million)



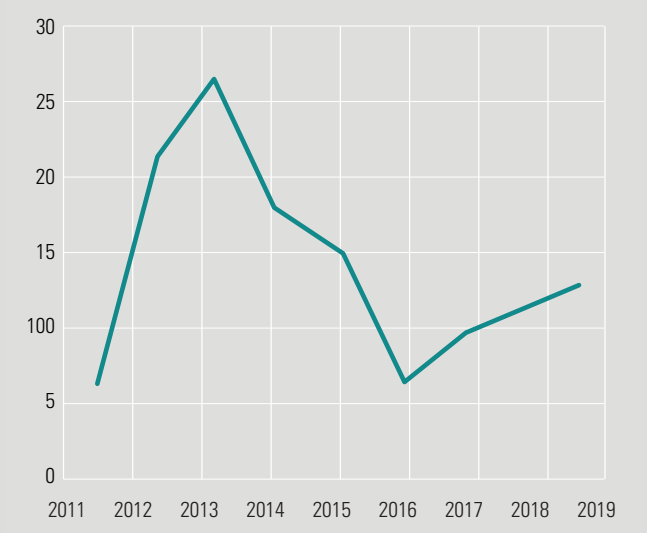
Source: Author's calculations using the World Bank database.

Figure 12 **Evolution of Libya's exports of goods, including oil, 2011-2019 ($ billion)**



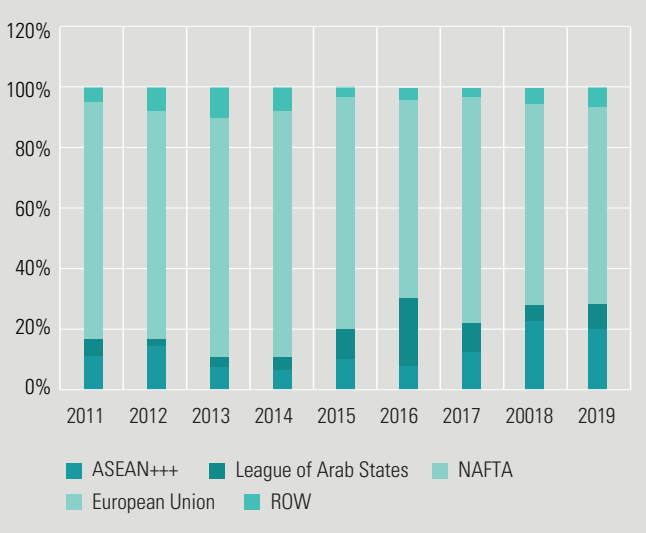
Source: Author's calculations using the COMTRADE database.

Figure 13 **Evolution of Libya's imports of goods, including oil, 2011-2019 ($ billion)**



Source: Author's calculations using the COMTRADE database.

Figure 14 **Distribution of Libya's exports per major destinations, 2011-2019 (percentage of total exports)**



Source: Author's calculations using the COMTRADE database.

A closer look at the Libyan trade with key partners reveals that significant changes occurred during the conflict period (2011-2019) compared to the pre-crisis period (2000-2010). First, Italy and France were still important partners, but within a completely different context. Indeed, only 16 per cent of total Libyan imports were supplied by the two countries during the period 2011-2019, compared to 24 per cent during the period 2000-2010. However, 20 per cent of total Libyan exports were oriented towards these two countries during the period 2011-2019, against only 12 per cent in the period 2000-2010 (figure 16). As for the Arab countries, Egypt and Tunisia were still major trade partners of Libya during the crisis, as their shares in total Libyan trade did not experience any significant change. Their respective shares in total Libyan imports varied between 3 per cent and 4 per cent, both before and during the crisis (figure 17).

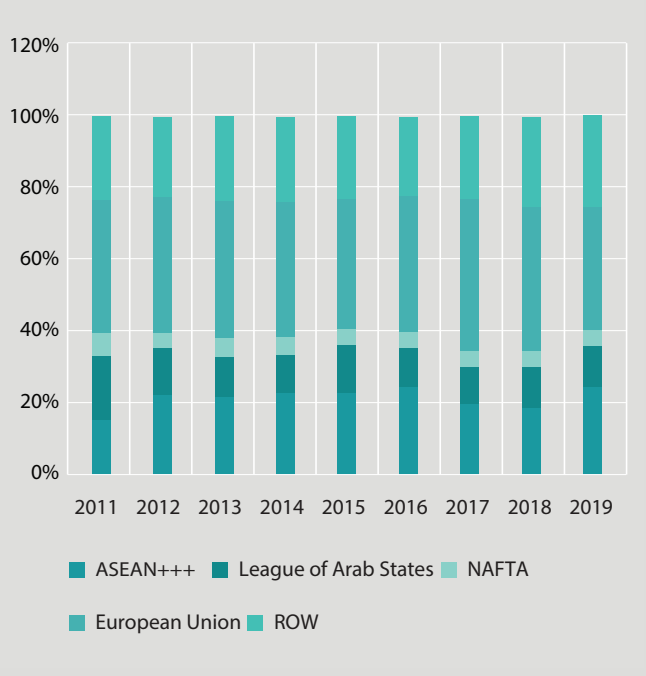
In comparison to the pre-conflict years, the period 2011-2018 saw a significant increase of imports from Turkey starting in 2012 (figure 18). In 2013, imports from Turkey reached their highest value, at $2.7 billion. In fact, after 2012, the source of Libyan imports began to shift in favour of Turkey, away from Tunisia and Egypt. Moreover, Libyan exports to Turkey passed from $0.426 billion in 2010 to only $0.367 billion in 2018, due mainly to the Turkish decision in 2017 to opt for a policy of diversification in its energy imports by increasing the share of oil imports from other sources, mainly Russia, which significantly reduced its oil imports from Libya.

(b) Foreign direct investment

FDI inflows into Libya dropped significantly following the violent demonstrations and civil conflicts starting in 2011. While the country was successful in attracting $1.2 billion worth of FDI in 2012, that amount fell again in the following year and stalled in 2014. As a result, the stock of FDI in the country has remained "artificially" unchanged since 2013 at $18.5 billion despite significant destruction that partially or even totally impacted several projects (figure 19).

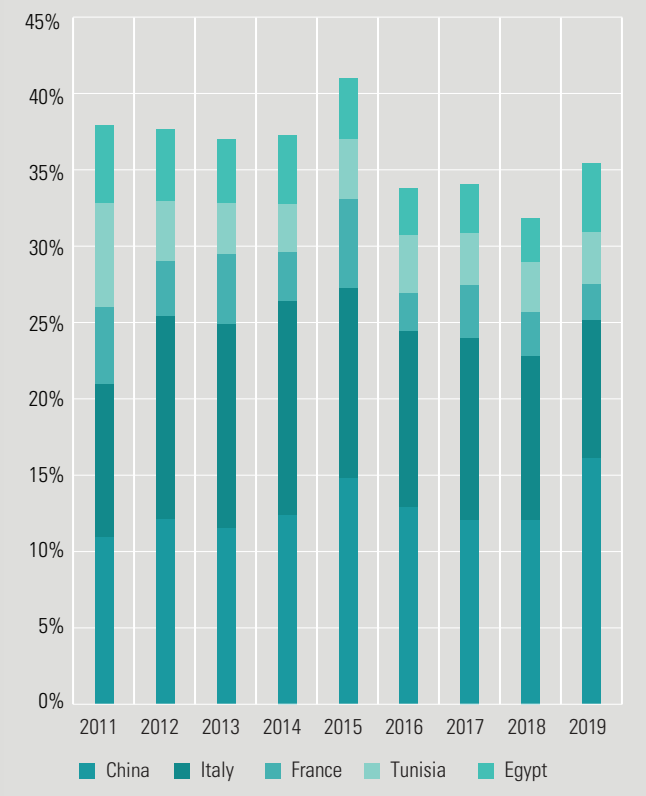
To identify the regional dimension of FDI outflows for Libya, we used the available data on Libya's greenfield FDI. Regarding outflows, the data shows that little contribution has been made by Libya in terms of capital expenditures (CAPEX) inflows and job creation in the world since 2009. A total of 12 projects were recorded between 2003 and 2019, four of which were based in the Arab region (Algeria, Egypt and the United Arab Emirates) and another four were in financial services (figure 20). Of total foreign capital expenditures, hotels and tourism, as well as food and tobacco, captured the highest value of $345 million.

Figure 15 **Distribution of Libya's imports per major origins, 2011-2019 (percentage of total imports)**



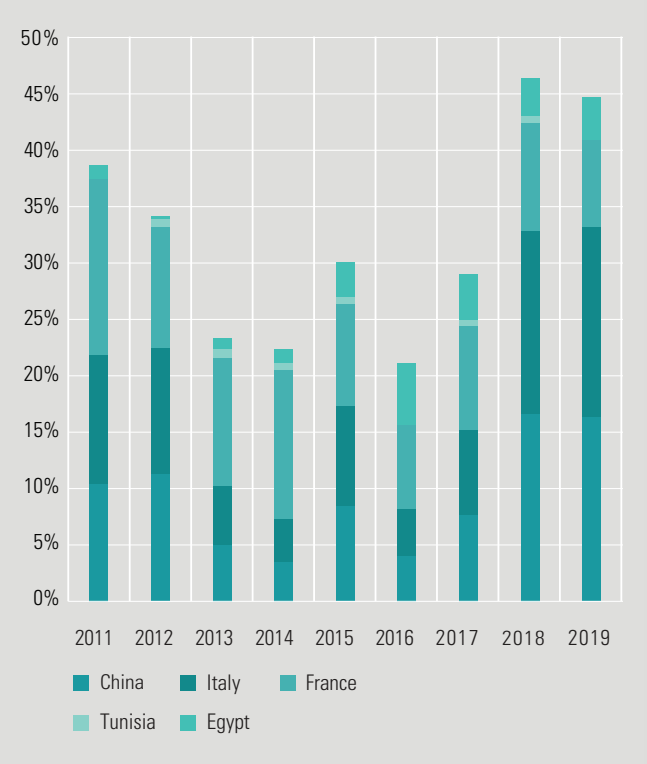
Source: Author's calculations using the COMTRADE database.

Figure 16 **Source of Libyan imports by selected countries during the period 2011-2019 (percentage of total imports)**



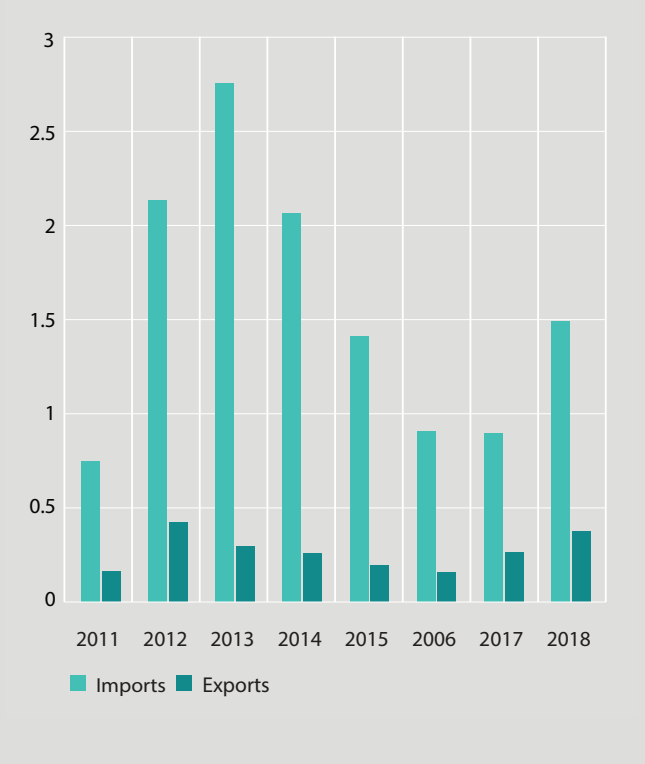
Source: Author's calculations using the COMTRADE database.

Figure 17 Destination of Libyan exports to selected countries during the period 2011-2019 (percentage of total exports)



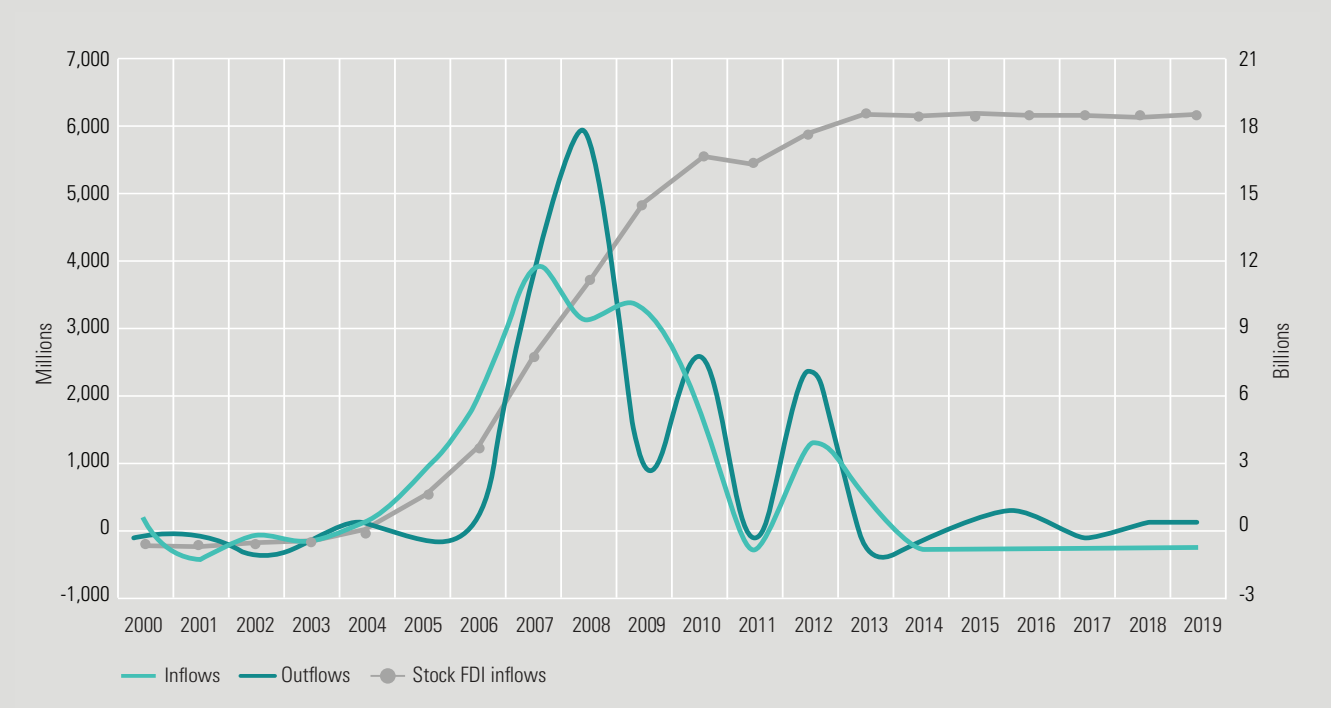
Source: Author's calculations using the COMTRADE database.

Figure 18 Trends in Libyan trade with Turkey during the crisis, 2011-2018 ($ billion)



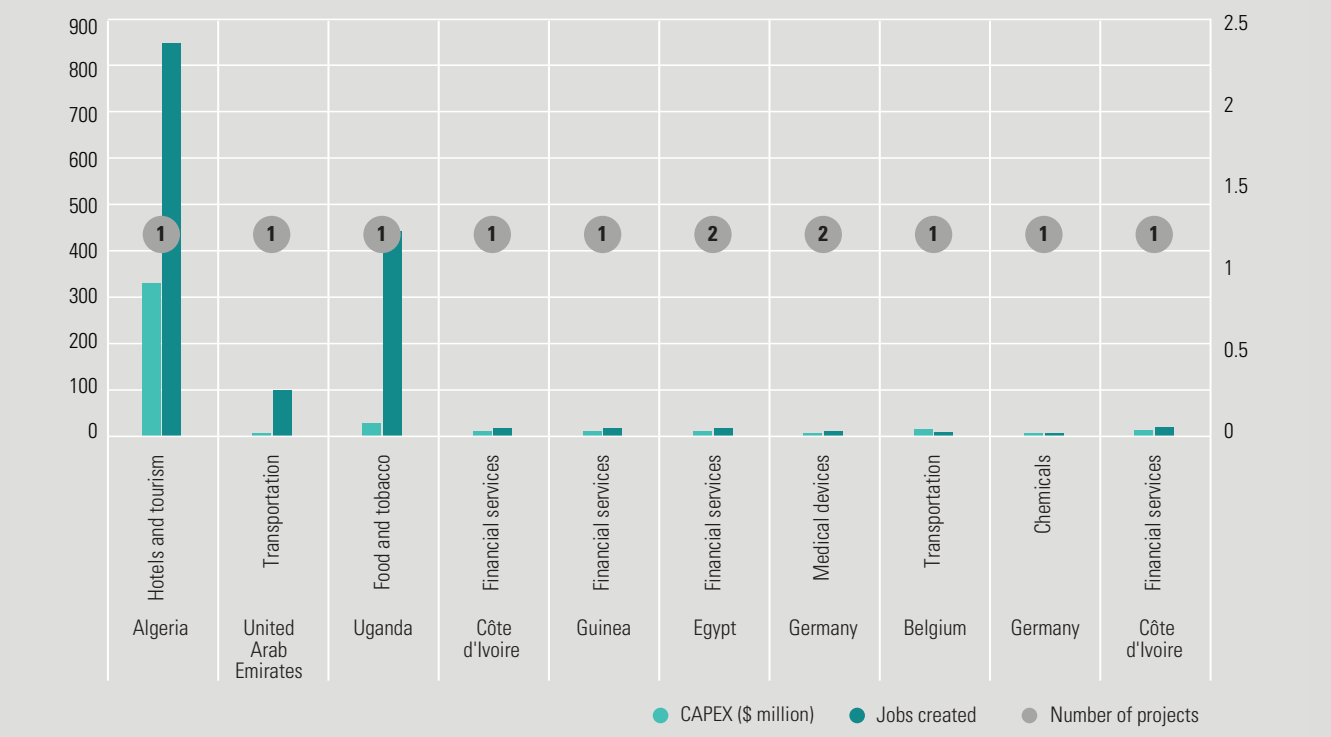
Source: Author's calculations using the COMTRADE database.

Figure 19 FDI inflows, outflows, and inward stock, 2000-2019



Source: Author's calculations using the UNCTAD database.

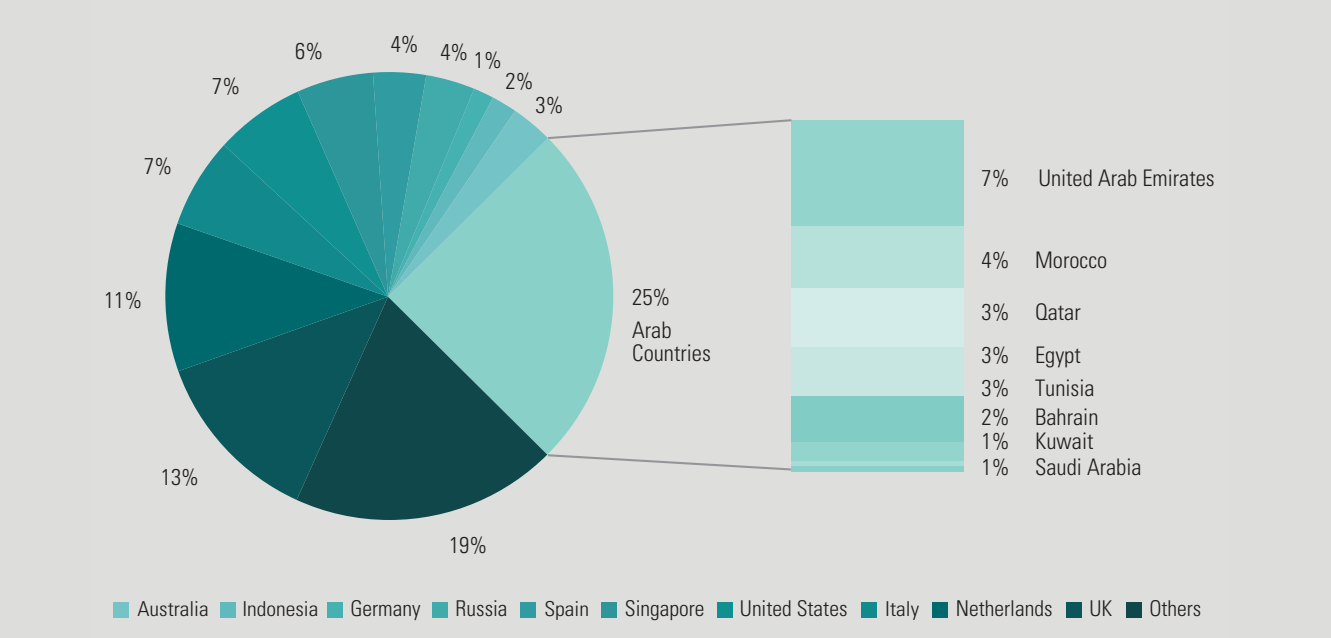
Figure 20 Greenfield outward FDI, 2003-2016, CAPEX ($ million)



Source: Author's calculations using the Financial Times database.

Figure 21 shows the origin of CAPEX investment into Libya. Arab countries had one quarter of overall investments in Libya in the period 2003-2019, accounting for 25 per cent of all CAPEX. But the Arab countries did not participate in FDI between 2010 and 2016, except for the Gulf Cooperation Council (GCC) countries, and that was mainly attributable to the uncertainty of the entire North African region during that time. In addition, six European Union countries contributed around 36 per cent of CAPEX investment in Libya.

Figure 21 Libya's FDI composition by country of origin, 2003-2016



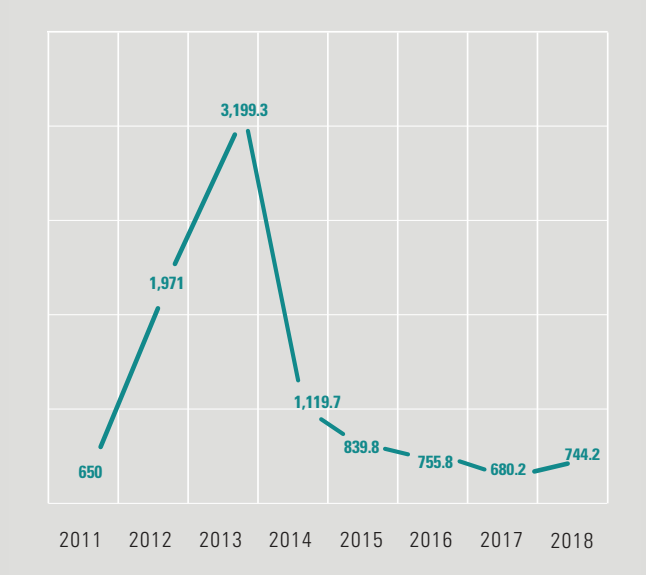
Source: The Financial Times database on CAPEX FDIs.

(c) Remittances

Remittance outflows have reached their highest value, $3.2 billion, during the crisis in 2013, before falling to $680 million in 2017, and then growing slightly in 2018 (figure 22).

Figure 23 shows that Egypt was the most important Arab recipient of remittances from Libya, followed by Tunisia, with both countries absorbing around 96 per cent of total remittances sent to Arab countries during the three years 2010-2012. A total of $4.631 billion was sent by migrant workers in Libya to Egypt during this period, compared to $0.720 billion sent to Tunisia. However, since 2013, the situation changed dramatically, and remittances received by Egypt and Tunisia declined to just $0.109 billion in 2017. In addition, the World Bank data shows that remittances received by both Algeria and the Sudan were too low, never exceeding $1 million. However, it is worth noting that the World Bank's estimates may not be relevant for neighbouring countries, as most of trade and transfers are made through informal channels.

Figure 22 **Libya: Remittance outflows, 2011-2018 ($ million)**



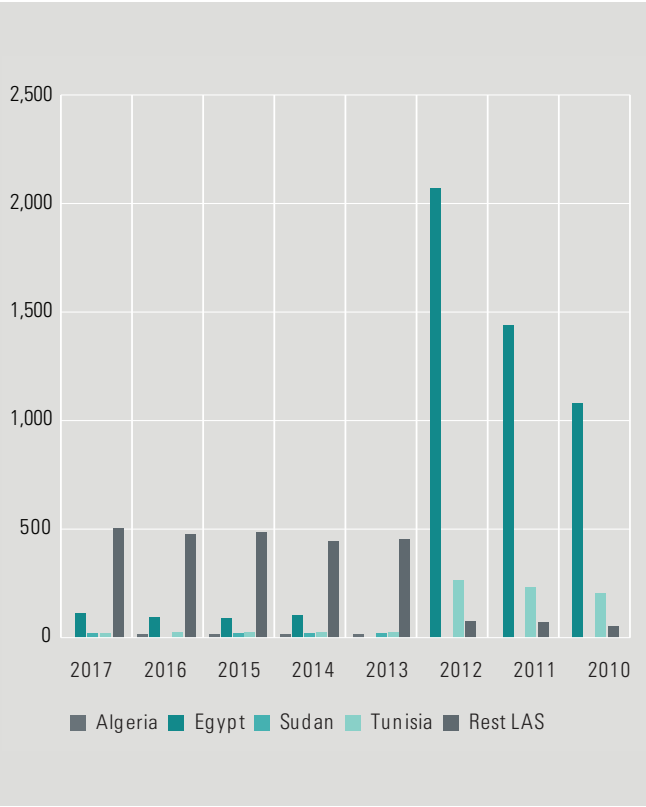
Source: Author's calculations using the World Bank database.

B. Importance of Libya to the economies of Egypt, the Sudan and Tunisia during the pre-conflict period

Libya is an important economic partner for Egypt, the Sudan and Tunisia. Indeed, a significant share of the three countries' manufacturing and agricultural production is geared towards the Libyan market. Over the years, trade between Libya and the three countries has experienced tremendous progress, reaching a historical high level prior to the conflict.

While Tunisia's total trade has increased more rapidly than its trade with Libya during the pre-conflict period 2000-2010, its exports to the latter exceeded the average annual growth rate of its exports to the rest of the world. The annual average growth rate of trade in goods (exports and imports) between the two countries reached 7 per cent during this period, which is 3 percentage points lower than that of Tunisia's total trade with the world. However, when considering exports alone, Tunisian exports to Libya averaged an annual growth rate of 13.3 per cent over the same period, compared to an average of 10.8 per cent of Tunisia's total exports to the world. Figure 24 shows the trend of the share of Tunisian exports to Libya to total Tunisian exports of goods to the world during the period 2000-2010. The share increased from about 3.6 per cent in 2000 to 4.5 per cent in 2010. The highest performance was observed in 2009, when Libya absorbed around 6 per cent of total Tunisian exports of goods, valued at $1.4 billion, making Libya the second largest export market for Tunisia after the European Union.

Figure 23 **Remittances sent from Libya by destination country in most of the Arab region, 2010-2017 ($ million)**



Source: Author's calculations using the World Bank database.

For Egypt, the picture is slightly different. The country's trade with Libya increased at an average annual growth rate of around 30 per cent over the period 2000-2010, far beyond its average annual growth of 16 per cent in its total exports to the world. However, and contrary to Tunisia, the Libyan contribution to total Egyptian foreign trade of goods during the whole period 2000-2010 reached 1.2 per cent, against 3.9 per cent for Tunisia.

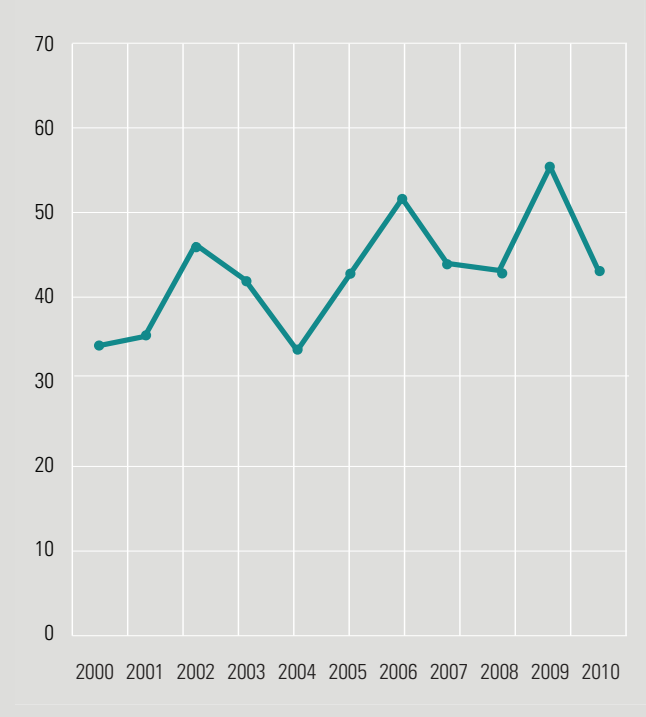
However, Egyptian exports of goods to Libya increased at an average rate of 34 per cent between 2000 and 2010, against only 19 per cent for the total Egyptian exports to the world. Yet, despite this significant performance, Libya absorbed only around 1.3 per cent of total Egyptian exports of goods during the whole pre-crisis period. As seen in figure 25, which shows the trend in the share of Egyptian exports destined to the Libyan market during the pre-crisis period 2000-2010, the best performance was achieved in 2010 when Libya's share of total Egyptian exports reached 4.6 per cent, valued at $1.6 billion.

In addition to trade in goods, Libya is a significant market for both Tunisian and Egyptian service exports, including mainly tourism services, and more specifically medical tourism. The separation of South Sudan in 2011 makes it difficult to evaluate the Sudan's trade relations with Libya during the pre-conflict period. Moreover, for the three countries, Libya has been an important source of capital flow, particularly remittances. According to the World Bank, inward remittance flows from Libya accounted for 9 per cent of total inflows to Egypt and 11 per cent to Tunisia in 2010.

On the other hand, official data shows inexistent flows to the Sudan, and this is a direct result of international sanctions on transfers of funds to that country, coupled with a significant gap between formal and informal exchange rates. Conversely, remittances are likely to be significantly higher than those officially reported, mainly due to their informal nature and the fact that they are mostly made in cash. That being said, total remittances from Libya to Tunisia may well be 2.5 times higher than those reported, according to the African Development Bank (2011).

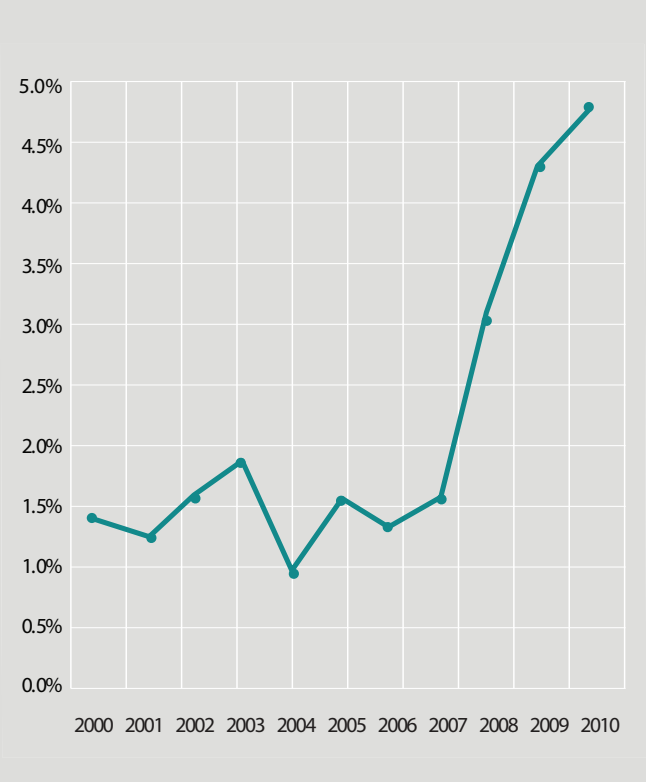
Finally, as far as FDI is concerned, the inflows from Libya to these three Arab countries are very volatile and limited to a few specific projects, carried out mainly by Libyan public enterprises. The highest level of contribution of Libya to FDI inflows into Egypt was observed in 2010, totaling around 5 per cent. In the case of Tunisia, official reporting shows a minor contribution of around 1 per cent to the total Tunisian

Figure 24 Contribution of exports to Libya to total Tunisian exports of goods, 2000-2010



Source: Author's calculations using the COMTRADE database.

Figure 25 Contribution of exports to Libya to total Egyptian exports of goods, 2000-2010



Source: Author's calculations using the COMTRADE database.

FDI inflows, limited to the implementation of a few enterprises, mainly in the tourism and oil distribution sectors during the pre-conflict period.

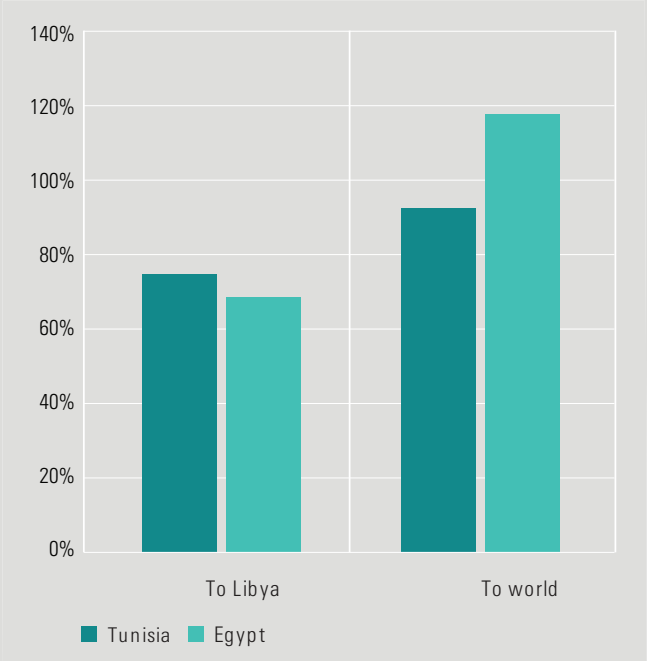
During the crisis

The conflict in Libya has greatly disrupted foreign trade and paralyzed the country's economy since 2011. This has had a significant impact on the three neighbouring countries considered in the present assessment. These countries suffered from a sudden interruption of trade in some products and FDI, as well as the return of their workers to their home countries without resources, which intensified pressures on public social assistance. However, the impact of the conflict has been positive in terms of exports of some products and expenditures of workers who returned from Libya to Egypt and Tunisia during the initial period of conflict.

For Tunisia, exports have been severely impacted. During the period 2011-2019, Libya absorbed around 4 per cent of total Tunisian exports, compared to 3 per cent for Egypt. For the Sudan, Libya absorbed only 0.03 per cent of its exports during the period 2012-2018. The low level of exports from the Sudan to Libya was largely due to the international sanctions that made all trade operations exclusively informal. These negative impacts accentuated the economic crisis observed in the three countries starting in 2011 due to the political changes and instability. Compared to 2010, exports from Tunisia to Libya decreased by an annual rate of 3.4 per cent, against a drop in total exports of goods with the rest of the world by about 1 per cent. Moreover, exports to Libya in 2019 represented only 74 per cent of the value achieved in 2010, against 91 per cent for total exports (figure 24). For Egypt, the picture is almost similar with Libya, but different with the world. In 2019, Egyptian exports of goods to Libya represented 68 per cent of the value achieved in 2019, against an increase of 16 per cent in total exports of goods to the world (figure 23). Moreover, between 2019 and 2010, exports to Libya decreased by an annual average rate of 4.2 per cent, compared to an increase of total export to the world by 1.7 per cent (figure 26).

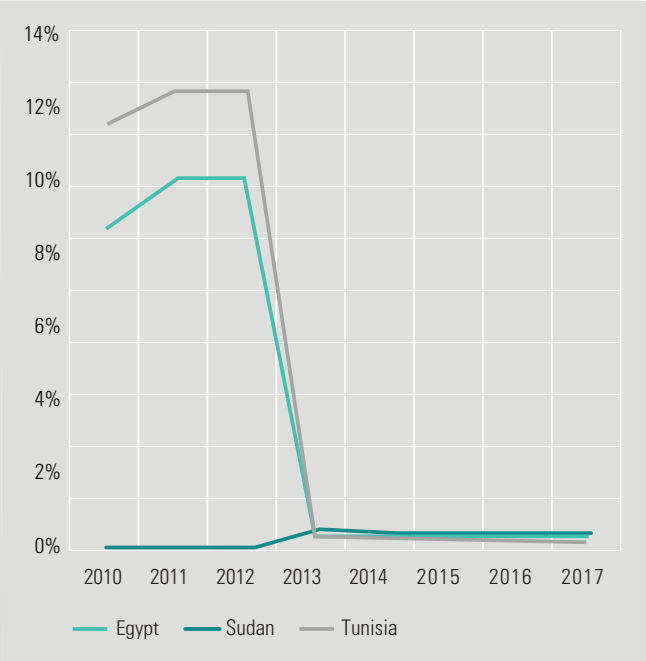
Regarding remittances, figure 27 shows that Egyptian and Tunisian shares of transfers received from Libya passed from around 9 per cent and 11 per cent, respectively, in 2010 to less than 0.5 per cent in 2017, reaching the same initial level achieved by the Sudan in 2010. However, as stated earlier, the case of the Sudan is very particular since international sanctions, coupled with significant gaps between formal and informal exchange rates, have forced all remittance payments to be made in cash, and not via bank transfers. In 2019, total remittance inflows to Egypt represented 161 per cent of the amount received in 2010, compared to only 16.1 per cent for the Sudan and 92.2 per cent for Tunisia.

Figure 26 Ratios of exports to Libya versus total exports, 2019-2010: cases of Tunisia and Egypt



Source: Author's calculations using the COMTRADE database.

Figure 27 Trends in remittance inflows originating from Libya to total inflows, 2010-2017



Source: Author's calculations using the World Bank database on remittances.


TRIPOLI-
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3

3. Peace in Libya and the Regional Cooperation Agenda: The Methodology

A. Methodology

For the specific purpose of this study, a modified version of the Arab Trade Simulation Model, rather than a country or bi-national model, has been used. There are multiple reasons behind the selection of this tool. First, Libya is an important oil exporter in the world and, consequently, the assumption of world price taken is not appropriate. Second, changes in bilateral trade regulations between Libya and its major trade partners in the Arab region cannot be considered in isolation from the relationship of the Libyan economy with the rest of the world, primarily with key European partners, namely, France and Italy, as well as the United Arab Emirates and Turkey. Third, when talking about economic ties between Libya and its partners in the Arab region, it is important to consider its ties with countries from the rest of the world and their potential substitutions with Arab economies. Moreover, the high openness rate of the Libyan economy, due to the dominance of its oil exports and its status as a net importer of most categories of products, requires the use of a tailored global model to capture the effects on that economy of recent and potential changes in the global economic context that affected, and continues to affect, the performance of the Libyan economy and its relationships with its partners. The COVID-19 pandemic and its effects on the global demand of energy represent a new major constraint under which the Libyan economy is operating.

The Arab Trade Simulation Model, developed by ESCWA, is based on the multi-sector, multi-country computable general equilibrium (CGE) model of international trade (MIRAGE) developed at the Centre d'Études Prospectives et d'Informations Internationales (Bchir and others, 2002).

1. The database

The model has been first calibrated using the latest global dataset, GTAP version 10. The original database included only 10 Arab countries, namely, Egypt, Jordan, Morocco, Tunisia and the six GCC counties (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates). In a second stage, the database was extended to include eight additional Arab countries, using a complicated technical process of developing new national social accounting matrices (SAMs) and integrating them into the original GTAP 10. The new countries included Algeria, Iraq, Lebanon, Libya, Mauritania, the State of Palestine, the Syrian Arab Republic and Yemen.

To do so, three of the original sub-regions considered in the model have been split to integrate the new eight Arab countries. The three concerned sub-regions individually included in the original global database were the rest of North Africa, the rest of the Middle East and the rest of West Africa. The splits involved production shares, trade shares, input cost shares, output disposition shares and different types of taxes. Wherever data is available, the national new SAMs specially built for the version of the Arab Trade Simulation Model have been used, while the missing datasets are assumed to be the same as those of the aggregated composite regions.

For the concerned eight new Arab countries, the missing datasets include capital and revenue transfers by origin and destination, sectoral cost of transport on international trade by origin and destination, as well as trade in services by origin and destination. However, given the initial disparities in the sectoral disaggregation of the eight new SAMs, a decision was made to adopt the most plausible final sectoral disaggregation that will be adopted for the eight countries as well as the rest of the countries and regions considered in the new global database.

The new generated global database includes 20 sectors and 32 countries and regions. The list of countries and regions includes the following: Algeria, Bahrain, China, Egypt, India, Iran, Iraq, Japan, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, the State of Palestine, Qatar, Saudi Arabia, South Korea, the Syrian Arab Republic, Tunisia, Turkey, the United Arab Emirates, the United Kingdom, the United States and Yemen, in addition to the rest of

Asia, the rest of NAFTA (Canada+Mexico), the rest of America, the 27 European Union countries, the rest of sub-Saharan Africa and the rest of the world.

The 20 sectors are cereals, other crops, animal productions, forestry and fishing, crude oil, natural gas, other extractive activities, food processing industries, textile and clothing industries, chemical industries, mechanical industries, electrical and electronic industries, other manufacturing industries, transport services, tourism services, public administration, construction, health services, recreational and other services.

Finally, and given the importance of the economic linkages between Libya and the Sudan, and the perspectives for deeper integration, we decided to make a special effort to integrate the Sudan in the model's database, using the latest available SAM developed by the International Food Policy Research Institute (IFPRI).

2. The Arab Trade Simulation Model

The Arab Trade Simulation Model is especially devoted to trade policy analysis. It is a relatively standard neo-classical model of economic activity, particularly designed for analyzing dynamic scenarios that are solved as a sequence of static equilibrium, with the periods being linked by dynamic variables (population and labour growth, capital accumulation and productivity). Policy scenarios are compared to a baseline, or business-as-usual, scenario. The main features of the model are described below, while its full technical specifications are available in a technical paper prepared by ESCWA (ESCWA, 2020).

Demand side is modelled in each region through a representative agent, whose utility function is intra-temporal, with a fixed share of regional income allocated to savings and the rest being used to purchase final consumption. Below this first-tier Cobb-Douglas function, consumption tradeoff across sectors is represented through a Linear Expenditure System-Constant Elasticity of Substitution (LES-CES) function. Each sectoral sub-utility function is a nesting of CES functions, comparable to the standard nested Armington – Dixit-Stiglitz function (see Harrison and others, 1997), with two exceptions, namely, domestic products are assumed to benefit from a specific status for consumers, making them less substitutable to foreign products than foreign products between each other; and products originating from different regions are assumed to belong to different quality ranges.

Supply. Production makes use of five factors: capital; skilled labour; unskilled labour; land and natural resources. The first three are generic factors, while the last two are specific factors. The production function assumes perfect complementarity between value added and intermediate consumption. The sectoral composition of the intermediate consumption aggregate stems from a CES function. For each sector of origin, the nesting is the same as for final consumption, meaning that the sector bundle has the same structure for final and intermediate consumption. The structure of value-added is intended to take into account the well-documented skill-capital relative complementarity. These two factors are thus bundled separately with a lower elasticity of substitution (0.6), while a higher substitutability (elasticity 1.1) is assumed between this bundle and other factors. Constant returns to scale and perfect competition are assumed to hold in agricultural sectors.

Capital, markets clearing and macroeconomic closure. The capital good is the same whatever the use sector, and capital is assumed to be perfectly mobile across sectors within each region. At the regional level, capital stock is assumed to be constant in the core simulations of this paper. Natural resources are also perfectly immobile and specific to the mining sector that includes oil and natural gas extraction and may not be accumulated. Both types of labour (skilled and unskilled) are assumed to be perfectly mobile across sectors. As for macroeconomic closure, the current balance is assumed to be exogenous (and equal to its initial value in real terms), while real exchange rates are endogenous.

Unemployment, migration and remittances. For the specific purpose of this study, the standard first version of the Arab Trade Simulation Model has been extended and changed. The modified version supposes that the labour market is imperfect and that unemployment results from a minimum wage level that is beyond the equilibrium wage. For both skilled and unskilled labour, the minimum wage is dynamically calibrated in order to reproduce the levels of unemployment observed over the past years (2014-2019) and projected for the coming years (2020-2025) for all countries and regions included in the model.

The introduction of migration in the model induces a change in the domestic supply of workers, both in the supplier and receiver countries. In country (r) and the period (t), the level of workers is given by the following equations:

For unskilled labour L(r,t):

$$L(r,t)=L(r,t-1)\left(1+g^{L}(r,t)\right)+\sum_{s}\left[FMIG^{L}(s,r,t)-FMIG^{L}(r,s,t)\right]$$

For skilled labour H(r,t):

$$H(r,t)=L(r,t-1)\left(1+g^{H}(r,t)\right)+\sum_{s}\left[FMIG^{H}(s,r,t)-FMIG^{H}(r,s,t)\right]$$

Where g^{L} (r,t) and g^{H} (r,t) represent the rates of natural growth of unskilled and skilled labour at time t for country r. $FMIG^{L}$(s,r,t) and $FMIG^{H}$ (s,r,t) are the flows of skilled and unskilled migrants from county (s) to country (r). The stock of unskilled (resp. skilled) migrants from county (s) in country (r) MIG^{L} (s,r,t) (resp. MIG^{H}(s,r,t) is given by:

$$MIG^{L}(s,r,t)=MIG^{L}(s,r,t-1)+FMIG^{L}(s,r,t)$$
$$MIG^{H}(s,r,t)=MIG^{H}(s,r,t-1)+FMIG^{H}(s,r,t)$$

Finally, the model assumes a constant remittance by migrant S_REM(r,s) and modelled as transfer from households in country r to households in country s. The level of remittances from county (r) to country (s) is then given by:

$$REM(r,s,t)=S\_REM\left(MIG^{L}(s,r,t)+MIG^{H}(s,r,t)\right)$$

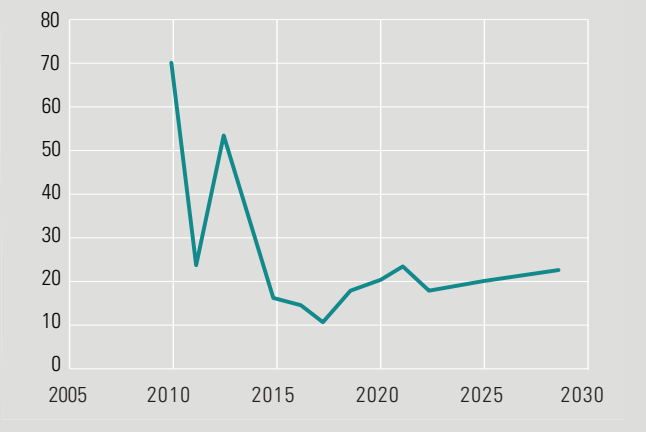
Dynamics. In a typical recursive dynamic framework, the time path of the model is solved as a sequence of static equilibrium in each year. In other words, the solution in any given year is not a function of forward-looking variables, though it may be an explicit function of past variables that are known and, therefore, exogenous. While there are drawbacks in the recursive dynamic framework, particularly in the modelling of savings and investment behaviour, its one key advantage is that it is much easier to set up and solve (Van der Mensbrugghe, 1998). There are several backward linkages between one period and another, covering population growth, productivity increases and capital accumulation. Most of these linkages can be resolved outside of the modelling framework, or, in other words, in between solution periods. One exception is the capital accumulation function.

B. Scenarios

If the crisis continues (the reference scenario), Libya's GDP growth is supposed to evolve in accordance with the assessment undertaken in Ben Hammoud (2020) and displayed in figure 28. In addition, we suppose that during the crisis, the trade cost between Libya and its neighbouring countries has doubled.

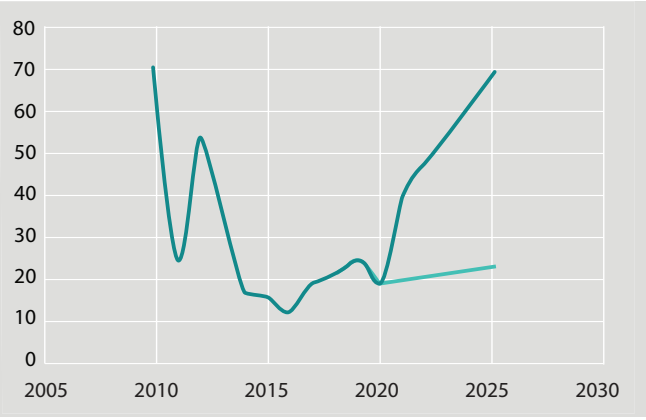
- Trade cost with Algeria, Egypt, the Sudan and Tunisia will resume its pre-crisis level;
- The peace will affect business climate in the neighbouring countries. Algeria, Egypt, the Sudan and Tunisia will see their productivity increase by 1 per cent in 2021 and 0.5 per cent between 2022 and 2025;
- Libya will absorb 1 per cent of the annual labour force from Egypt, the Sudan and Tunisia.

Figure 28 **Evolution of Libya's GDP if the crisis continues**



Source: ESCWA, 2020.

Figure 29 **Libya's GDP recovery path**



Source:ESCWA, 2020.

4

4. Peace in Libya and the Regional Cooperation Agenda: The Results

In this part, we will examine the economic effects of peace in Libya on the rest of the world. In our study we examined the effects of peace on Libya's main trading partners at both the international and regional levels. All the results show that peace in Libya will have positive economic effects on Libya's main trading partners, notably Italy, France and Turkey. In this study, we will focus on the effects of peace on regional cooperation. At this level, our results show that peace in Libya will affect different levels, including growth, investment, employment and trade.

A. The growth effects

Our simulations show that the four countries in the region, Algeria, Egypt, the Sudan and Tunisia, will experience a gain in growth relative to the baseline scenario of the continuation of the Libyan conflict, while peace in Libya will have much greater cumulative effects. Thus, the gains in the Sudan over the period 2021 to 2025 will be equivalent to 6.72 per cent of GDP per year, compared to the baseline scenario. This average could reach 4.46 per cent in Egypt, 3.80 per cent in Tunisia and 2.67 per cent in Algeria over the same period (table 1).

We were also able to estimate the gain in the value of peace in Libya for all economies. Our estimates show that Egypt's gain over the period 2021 to 2025 will be $99.7 billion. The Sudan's gain over the same period will be $22.7 billion, Algeria's $29.8 billion and Tunisia's $9.7 billion (table 1).

The total gain of peace in Libya for the region will be $161.9 billion over the period 2021 to 2025, or an annual average of $32.38 billion in gain in regional GDP.

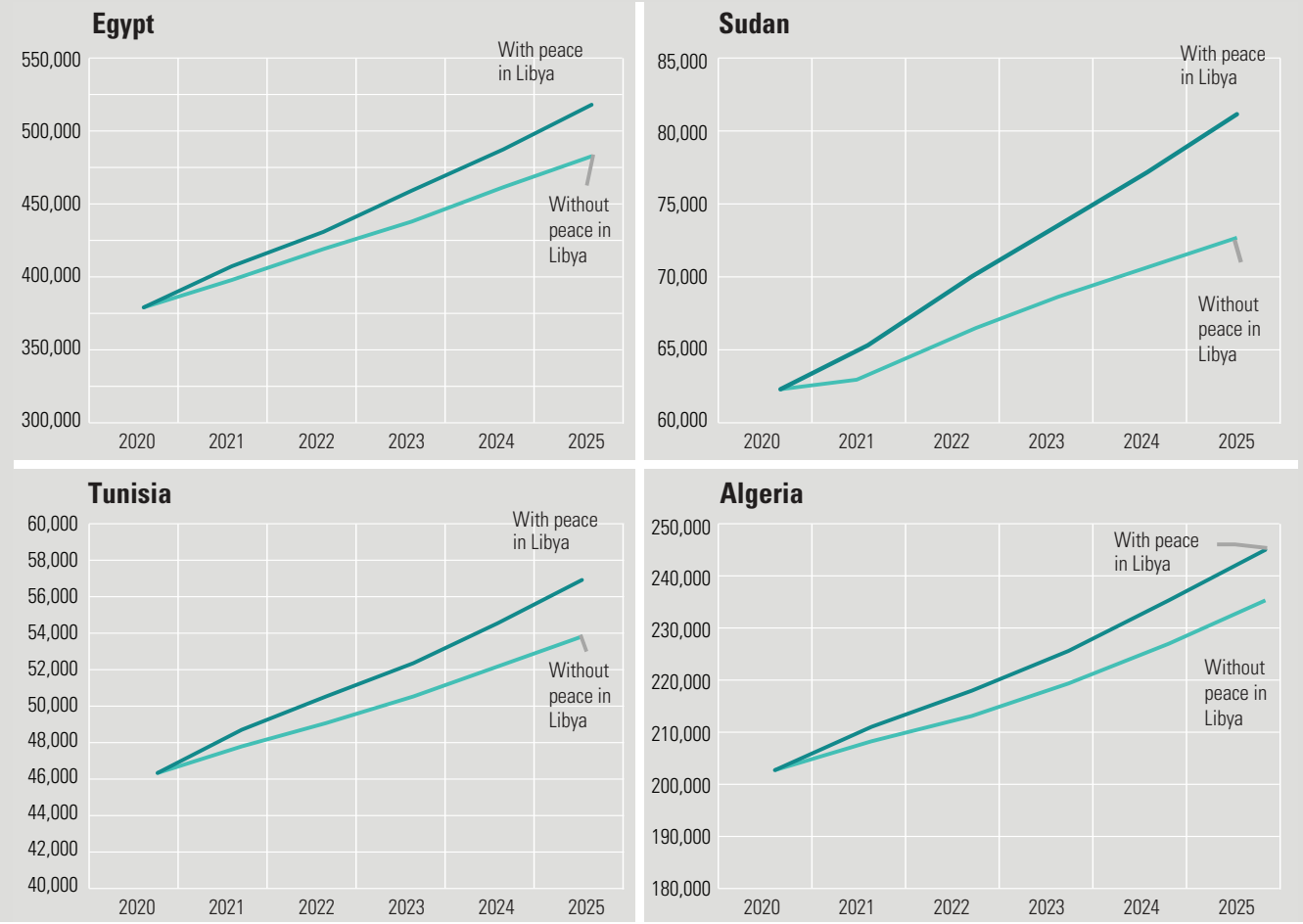
Table 1 **Real GDP levels (variation vis-à-vis the reference scenario in per cent)**

	2021	2022	2023	2024	2025	Average	$ billion
Egypt	1.89	3.05	4.29	5.58	6.91	4.46	99.7
Sudan	2.44	4.34	6.43	8.67	11.02	6.72	22.7
Tunisia	1.84	2.77	3.72	4.70	5.70	3.80	9.7
Algeria	1.27	1.94	2.62	3.31	4	2.67	29.8
Turkey	0.07	0.10	0.12	0.14	0.16	0.12	5.5
France	0.06	0.08	0.09	0.11	0.13	0.09	13.1
Germany	0.02	0.03	0.04	0.04	0.05	0.04	7.5
Italy	0.04	0.05	0.06	0.07	0.08	0.06	6
Rest of Europe	0.03	0.04	0.05	0.06	0.07	0.05	14.8
Sub-Saharan Africa	-0.04	-0.05	-0.06	-0.07	-0.07	4.46	-6.1

Source: Author's estimations using the amended ATSM.

Ultimately, the return of peace will have an important macroeconomic impact on the countries of the region that we have called the growth effect. It will result in faster growth, lower unemployment and a rapid increase in investment in the four neighbouring countries. Thus, peace in Libya will result in enhanced regional cooperation and a great economic benefit for the region (figure 30).

Figure 30 **Real GDP evolution in Libya's neighbouring countries**



Source: Author's estimations using the amended ATSM.

B. The effect on employment

Our estimates show a significant drop in unemployment in the countries of the region resulting from the growth gain that will take shape in neighbouring countries, as well Libya's opening up to the region's labour force following peace. The Sudan will experience a significant drop in unemployment, estimated at -13.93 per cent over the period 2021 to 2025. The decrease will also be -8.84 per cent in Egypt, -6.07 per cent in Tunisia and 2.18 per cent in Algeria (table 2).

Table 2 **Real GDP levels (variation vis-à-vis the reference scenario in per cent)**

	2021	2022	2023	2024	2025
Egypt	-2.76	-4.10	-5.60	-7.19	-8.84
Sudan	-3.25	-5.56	-8.17	-10.97	-13.93
Tunisia	-2.61	-3.43	-4.28	-5.16	-6.07
Algeria	-0.59	-0.97	-1.37	-1.77	-2.18
Turkey	-0.20	-0.26	-0.30	-0.37	-0.41
France	-0.11	-0.14	-0.18	-0.21	-0.23
Germany	-0.05	-0.06	-0.08	-0.08	-0.09
Rest of Europe	-0.08	-0.11	-0.13	-0.14	-0.17
Sub-Saharan Africa	0.10	0.11	0.13	0.14	0.15

Source: Author's estimations using the amended ATSM.

C. The effect on investment

Similarly, investment will increase in the various countries of the region once peace is established in Libya. This increase is the result of both the gain in growth in the various countries and the resumption of export growth to the Libyan market. Compared to the baseline scenario, the Libyan peace could generate an annual increase in investment averaging 5.98 per cent for Egypt, 5.49 per cent for Tunisia and 2.01 per cent for Algeria (table 3).

Table 3 **Total investment (variation vis-à-vis the reference scenario in per cent)**

	2021	2022	2023	2024	2025	Average
Egypt	2.21	3.88	5.69	7.62	9.62	5.98
Sudan	2.91	5.55	8.52	11.76	15.17	8.98
Tunisia	2.29	3.73	5.29	6.95	8.69	5.49
Algeria	0.90	1.44	1.97	2.52	3.07	2.01
Turkey	0.17	0.21	0.26	0.31	0.35	0.26
France	0.09	0.12	0.14	0.16	0.18	0.14
Germany	0.02	0.02	0.03	0.03	0.03	0.03
Rest of Europe	0.05	0.07	0.08	0.10	0.11	0.10
Sub-Saharan Africa	-0.12	-0.14	-0.17	-0.19	-0.21	0.08

Source: Author's estimations using the amended ATSM.

The effect on trade

Another major effect that our study highlighted is the effect on trade. Our results show that peace in Libya will promote greater cooperation among the countries of the region. Our estimates have shown that the peace agreement in Libya will increase trade for the benefit of neighbouring countries, compared to other regions of the world.

The reduction of trade costs that will follow the opening of land borders, and the increase of tariffs imposed by the Libyan Government on non-PAFTA countries, will give a serious comparative advantage to Tunisian, Egyptian, Sudanese and Algerian products. Egyptian exports to Libya could increase by 413 per cent, while Tunisian, Sudanese and Algerian exports could increase by 308 per cent, 117 per cent and 443 per cent, respectively (table 4).

Table 4 **Exports to Libya (variation vis-à-vis the reference scenario)**

	2021	2022	2023	2024	2025	Average
Egypt	369.71	403.80	417.50	433.15	433.67	413.42
Sudan	110.13	119.05	119.10	121.28	117.17	117.53
Tunisia	252.25	286.22	307.67	334.55	349.90	308.60
Algeria	387.89	426.86	450.65	468.27	475.07	443.80
Turkey	183.57	206.66	222.32	231.09	234.85	216.86
France	129.66	149.84	164.40	174.05	179.89	160.43
Germany	133.70	150.97	162.49	169.14	172.54	158.56
Italy	99.21	116.17	128.21	135.71	139.80	124.41
Rest of Europe	128.58	146.83	159.67	168	172.84	156.14
Sub-Saharan Africa	223.06	248.98	231.19	279.56	286.84	255.95

Source: Author's estimations using the amended ATSM.

The increase of exports to Libya will boost the total exports in most of the neighbouring countries. Tunisia's exports will be on average 3.59 per cent higher annually than the scenario of the continuation of the conflict during the period 2021-2025. Algeria's annual average growth rate of total exports will be 1.7 per cent higher than the baseline over the same period (table 5). Only Egypt and the Sudan will experience a decline in their total exports. In fact, remittances by Egyptian and Sudanese workers in Libya will generate an appreciation of the real exchange rate that will affect the volume of exports and imports in these two countries through negative impacts on competitiveness. Egypt's total exports could decrease by -0.85 per cent in average, while the Sudanese exports could decrease by -4.1 per cent. For Tunisia and Algeria, total exports will increase at an average rate of 3.59 per cent and 1.7 per cent, respectively, during the period 2021-2025. This trend will be more pronounced when looking at imports (table 6). Thus, peace in Libya will have important effects and will result in an increase in Egypt's imports by 5.86 per cent on an annual average, compared to the baseline scenario. The increase in imports from the Sudan, Tunisia and Algeria will be 12.7 per cent, 6.31 per cent and 0.36 per cent, respectively.

Table 5 **Exports to Libya (variation vis-à-vis the reference scenario)**

	2021	2022	2023	2024	2025	Average
Egypt	0.61	0.03	-0.36	-1.60	-2.55	-0.85
Sudan	-0.66	-2.21	-3.28	-5.90	-7.84	-4.10
Tunisia	2.95	3.37	3.87	3.81	3.89	3.59
Algeria	0.70	1.20	1.64	2.20	2.71	1.70
Turkey	0.13	0.16	0.24	0.21	0.24	0.20
France	0.08	0.11	0.15	0.14	0.16	0.13
Germany	0.02	0.03	0.04	0.04	0.04	0.03
Rest of Europe	0.04	0.05	0.07	0.07	0.08	0.11
Sub-Saharan Africa	0.03	0.05	0.04	0.08	0.09	0.06

Source: Author's estimations using the amended ATSM.

Table 6 **Total imports (variation vis-à-vis the reference scenario in per cent)**

	2021	2022	2023	2024	2025	Average
Egypt	2.01	3.71	5.35	7.67	9.84	5.86
Sudan	3.49	7.41	11.24	17.12	22.69	12.70
Tunisia	3.32	4.72	6.09	7.72	9.29	6.31
Algeria	-0.01	0.16	0.44	0.50	0.67	0.36
Turkey	0.40	0.52	0.63	0.77	0.88	0.65
France	0.17	0.22	0.24	0.32	0.37	0.27
Germany	0.07	0.09	0.10	0.12	0.14	0.10
Rest of Europe	0.12	0.15	0.17	0.23	0.26	0.38
Sub-Saharan Africa	-0.16	-0.20	-0.19	-0.26	-0.29	0.19

Source: Author's estimations using the amended ATSM.

D. The sectoral effect

Our estimates show that the end of the conflict and the establishment of peace in Libya will lead to an important sectoral effect and the consolidation of the diversification efforts of the concerned countries. This trend can be seen through the study of the evolution of value added in the various neighbouring economies and the evolution of their sectoral exports to Libya.

In terms of value added changes, there has been a rapid increase in the value added of the cereal sector, considering Libya's food needs and deficit.

The average annual increase over the period 2021-2025 will be 1.19 per cent for Egypt, 1.36 per cent for Tunisia, and 2.65 per cent for Algeria (tables 7 to 11).

This increase is not limited to the cereal sector, but also affects other agricultural activities. Compared to the reference scenario, the value added in the agricultural sector will increase by 1.33 per cent for Egypt and 1.12 per cent per year for Tunisia on average during the simulation period 2021-2025.

Growth in neighbouring countries will not be limited to the agricultural sector but will also affect sectors that are at the heart of the economic diversification of these countries. In Egypt, for example, the machinery and equipment sector will gain almost 1 per cent per year over the period 2021 to 2025 (table 7).

Similarly, manufacturing industries will experience rapid development in Tunisia following the peace agreement in Libya. Thus, the agri-food industries will experience an average annual growth of 1 per cent, while other manufacturing activities will grow by 1.37 per cent and construction activities will grow by 1.07 per cent over the same period (table 8).

Algeria will experience the same trend during the same period, with an average annual growth of 1.38 per cent for the textile industry, 1.69 per cent for the chemical industries, 2.6 per cent for the electrical equipment industries, 2.02 per cent for machinery and equipment and 0.87 per cent for other manufactured products (table 10).

Table 7 **Value added by sector in Egypt (variation vis-à-vis the reference scenario in per cent)**

	2021	2022	2023	2024	2025	Average
Cereals	0.6	0.89	1.19	1.48	1.78	1.19
Animal products	-0.17	-0.51	-0.84	-1.01	-1.51	-0.81
Forestry and Fishing	0.17	0.68	1.02	1.36	1.87	1.02
Rest of agriculture	0	0	2.22	2.22	2.22	1.33
Oil and gas	0	0	0	0	-4.17	-0.83
Other extractions	0.63	0	-1.23	-1.83	-2.42	-0.98
Food products	0.27	0.53	0.8	1.06	1.32	0.8
Textile	1.12	0	1.14	1.15	1.15	0.91
Chemistry	-0.58	-0.58	-1.14	-1.68	-2.75	-1.36
Electrical equipment	-1.72	-2.77	-4.03	-5.05	-6.28	-3.98
Machinery and equipment	0.37	0.74	0.92	1.29	1.48	0.96
Other manufactured products	-0.52	-0.79	-1.33	-1.61	-1.63	-1.17
Tourism	0	0.79	0.79	1.59	2	1.03
Transport	-0.2	-0.31	-0.41	-0.71	-0.81	-0.49
Health and social work activities	0.12	0.37	0.61	0.82	1.06	0.6
Recreational and other services	0.5	1.01	2.02	2.54	3.06	1.82
Construction	-1.02	-1.38	-2.11	-2.49	-3.25	-2.03
Public administration and defence	-0.2	-0.41	-0.62	-0.83	-1.04	-0.62
Other services	0.27	0.13	-0.13	-0.52	-0.78	-0.21

Source: Author's estimations using the amended ATSM.

Table 8 **Value added by sector in Tunisia (variation vis-à-vis the reference scenario in per cent)**

	2021	2022	2023	2024	2025	Average
Cereals	0	1.37	1.35	1.35	2.7	1.36
Animal products	0	0	0.76	1.54	1.54	0.77
Forestry and Fishing	0	0	0	0	0	0
Rest of agriculture	0.56	0.84	1.12	1.4	1.68	1.12
Oil and gas	-2.78	-3.27	-3.77	-4.76	-5.31	-3.97
Other extractions	0	0	0.99	0.99	0.99	0.59
Food products	0.41	0.61	1.01	1.32	1.62	0.99
Textile	-0.77	-1.09	-1.56	-1.73	-2.2	-1.47
Chemistry	2.38	2.85	3	3.31	3.45	3
Electrical equipment	-1.02	-1.64	-2.26	-3.09	-3.93	-2.38
Machinery and equipment	0.81	0.4	0.81	0.41	0.82	0.65
Other manufactured products	1.41	1.56	1.4	1.4	1.08	1.37
Tourism	0	0	0.29	0.59	0.88	0.35
Transport	-0.71	-1.18	-1.64	-1.86	-2.32	-1.55
Health and social work activities	-0.67	-0.68	-0.69	-0.7	-0.71	-0.69
Recreational and other services	0	-0.78	0	0	-0.78	-0.31
Construction	0.16	0.49	0.97	1.45	2.26	1.07
Public administration and defence	-0.73	-1.22	-1.23	-1.48	-1.74	-1.28
Other services	-0.29	-0.33	-0.29	-0.32	-0.32	-0.31

Source: Author's estimations using the amended ATSM.

Table 9 **Value added by sector in the Sudan (variation vis-à-vis the reference scenario in per cent)**

	2021	2022	2023	2024	2025	Average
Cereals	0	0.88	0.88	0	-0.87	0.18
Animal products	-0.48	-1.44	-1.93	-2.9	-3.86	-2.12
Forestry and Fishing	0	0	-0.93	-0.93	0	-0.37
Rest of agriculture	0	-0.44	-0.44	-0.44	-0.87	-0.44
Oil and gas	-1.79	-3.75	-5.71	-7.53	-9.39	-5.63
Other extractions	-1.54	-4.48	-5.88	-7.35	-8.7	-5.64
Food products	0	-0.26	-0.39	-0.51	-0.64	-0.36
Textile	0	-0.65	-0.65	-1.96	-1.96	-1.04
Chemistry	-0.24	-0.95	-1.44	-2.16	-2.89	-1.53
Electrical equipment	0	-1.03	-3.09	-4.17	-5.21	-2.69
Machinery and equipment	0	-0.69	-1.39	-2.78	-3.47	-1.66
Other manufactured products	-0.82	-2.08	-3.56	-5.05	-6.74	-3.64
Tourism	0.44	1.1	1.54	2.43	3.09	1.72
Transport	0	0.24	0.24	0.24	0.24	0.19
Health and social work activities	2.48	4.98	7.86	10.71	13.52	7.91
Recreational and other services	0.36	1.08	1.81	2.53	3.25	1.81
Construction	0.29	0.88	1.46	2.24	2.92	1.56
Public administration and defence	2.58	5.18	8.29	11.4	14.43	8.38
Other services	0	0.1	0.15	0.25	0.3	0.16

Source: Author's estimations using the amended ATSM.

Table 10 **Value added by sector in Algeria (variation vis-à-vis the reference scenario in per cent)**

	2021	2022	2023	2024	2025	Average
Cereals	0	3.33	3.33	3.33	3.23	2.65
Animal products	0	0	0	1.16	1.16	0.46
Forestry and Fishing	0	0	0	0	0	0
Rest of agriculture	0.67	0.67	0.67	0.67	1.33	0.8
Oil and gas	-0.49	-0.56	-0.71	-0.87	-0.96	-0.71
Other extractions	0	0	0	0	0	0
Food products	0.2	0	0	0	0.2	0.08
Textile	0	1.16	1.15	2.3	2.27	1.38
Chemistry	1.14	1.43	1.72	1.87	2.31	1.69
Electrical equipment	1.9	1.89	1.85	3.67	3.6	2.6
Machinery and equipment	1.14	1.7	1.69	2.79	2.75	2.02
Other manufactured products	0.44	0.66	0.87	1.07	1.27	0.87
Tourism	0	0	-0.48	-0.48	-0.96	-0.38
Transport	0	0	0	-0.52	0	-0.1
Health and social work activities	-0.27	-0.54	-0.55	-0.56	-0.85	-0.55
Recreational and other services	0	0	0	0	0	0
Construction	-0.39	-0.5	-0.67	-0.84	-0.95	-0.67
Public administration and defence	-0.52	-0.27	-0.53	-0.81	-0.82	-0.59
Other services	-0.04	-0.08	-0.11	-0.15	-0.15	-0.11

Source: Author's estimations using the amended ATSM.

In parallel to the end of the conflict in Libya, the preferential access of exports from the four neighbouring countries to Libya could generate important economic gains for these countries. There are four major sources of gains from a deeper integration between the four countries and Libya. The first is directly linked to the positive impact of increasing exports on economic growth, which would boost productive capacities and job creation. Second, an increasing openness to foreign products and services usually generates additional dynamics in the business climate, which could in turn boost investments, both local and foreign. Third, deregulations in the context of free trade agreements (FTAs) and access to larger markets will encourage foreign investors to invest in member countries of an integrated region. Fourth, the inflows of FDI would facilitate the transfer of technology and know-how.

Accordingly, reinforcing integration between Libya and its four neighboring countries, either through the existing initiatives, PAFTA or AfCTFA, or through new integration plans could represent an important avenue for initiating important transformation processes in Algeria and the Sudan on one hand, and reinforcing the presence of Egypt and Tunisia in the Libyan market on another. However, regional economic integration between Libya and its four neighbouring Arab countries should not be limited to a simple opening of the markets for trade of existing products, but should also be accompanied by a battery of macroeconomic and sectoral reforms able to develop domestic productive capacities through a deep integration of the four main pillars: trade in goods, trade in services, movements of capital and movements of persons.

Peace in Libya will significantly boost exports of most Arab neighbouring countries (tables 11 to 14). However, due to the structural problems of the Sudan and Algeria in terms of low diversification and poor business climate, their gains are relatively small compared to those of Tunisia and Egypt. The poor diversification of the economies of Algeria and the Sudan show how important it is to redefine the development model of these two countries beyond the exploitation of natural resources. As shown in tables 12 to 15, the impacts of the peace process in Libya, with the reinforcement of its integration with the four Arab neighbouring countries, are positive in terms of exports for the four countries. The gains, however, are not shared by all neighbouring countries in a similar way. For instance, Tunisia and Egypt will gain the most, while Algeria and the Sudan will achieve relatively small gains. The best winners are those with the greatest capacity to export a large group of products to Libya, while the smaller winners are those with the lowest level of diversification in their export baskets that are usually dominated by mining and agricultural products. Changes in exports to Libya confirm the overall economic impacts of peace in Libya on GDP and investments in the weighbridge countries. Moreover, an important part of the increase in exports to Libya is due to the reduction in transport costs and to diversion effects.

On the sectoral level, our estimates show that the manufacturing sector will achieve the highest gains from the recovery in Libya. For Tunisia, the electrical equipment industries, capital goods and machinery industries and other manufacturing activities will achieve the highest gains in terms of exports to Libya (table 11). Similarly, in Egypt, exports of capital goods to Libya will significantly increase (table 12). Algeria will also benefit from the peace process in terms of exports. But the expected increase is much lower than those expected for Tunisia and Egypt. (table 13). Finally, changes in export from the Sudan to Libya will also increase, but at a low level compared to the three other neighbouring countries. In addition to the poor diversification level of its economy, the Sudan will experience a relative decline in its international competitiveness on the Libyan market, largely due to the real exchange effects of peace in Libya, which will limit the gains during the transition period.

Table 11 **Tunisia exports to Libya (variation vis-à-vis the reference scenario in per cent)**

	2021	2022	2023	2024	2025	Average
Cereals	600	674.3	750	794.7	825	734.1
Animal products	378.3	416.7	436	425.9	432.1	418.9
Forestry and Fishing	1 600	1 500	-100	1 000	927.3	910
Rest of agriculture	537.2	582.8	612.4	626.5	629.3	600.2
Oil and gas	133.3	133.3	133.3	100	100	117.6
Other extractions	374.5	433.3	477.6	500	515.1	462.1
Food products	370.9	396.1	412.9	421.2	425.1	407
Textile	275	299.1	309.6	315.8	315.9	304.2
Chemistry	244.1	277.8	305.2	327.1	344.1	301.9
Electrical equipment	264.2	296	317.2	328.9	333.5	309.5
Machinery and equipment	500.5	551.6	587.3	608.2	619.4	576.5
Other manufactured products	643.4	704.2	740	751.4	745.4	718.6
Tourism	200	211.1	100	240	270	206.5
Transport	170.3	201.3	93.9	244.8	259.8	196.6
Human health and social work activities	100	100	0.0	100	100	80
Recreational and other services	250	220	100	260	216.7	208
Construction	300	300	100	400	400	300
Other services	156.5	173.5	79.2	183.9	186.4	156.7

Source: Author's estimations using the amended ATSM.

Table 12 **Egypt exports to Libya (variation vis-à-vis the reference scenario in per cent)**

	2021	2022	2023	2024	2025	Average
Cereals	392.1	447.5	490.5	520.5	527.7	479.1
Animal products	335	366.7	381.8	387	383.3	371.8
Forestry and Fishing	1450	1 033.3	-100	775	775	743.8
Rest of agriculture	426	463	485.2	494.5	496.6	475.1
Oil and gas	85.7	83.3	81.1	74.4	72.5	79.1
Other extractions	358.6	411.1	448.5	477.6	492.9	440.4
Food products	382.8	407	421.8	427.7	428.7	415.3
Textile	289.5	307.2	314.5	311.9	304.8	306.2
Chemistry	242.5	272.8	296.3	313.9	326.4	292.6
Electrical equipment	301.9	335.4	356.4	366.5	368.3	347.7
Machinery and equipment	497.3	542.7	572.1	586.5	589.4	561.2
Other manufactured products	512.1	558.9	583.4	586.8	575.6	564.9
Tourism	218.2	233.3	116.7	261.5	284.6	224.6
Transport	171.7	200	93.3	242.3	257.6	195.1
Health and social work activities	71.4	85.7	28.6	100	114.3	80
Recreational and other services	220	233.3	96.4	251.7	250	210.8
Construction	467.4	435.6	169	373.4	354.8	351.6
Public administration and defence	100	66.7	16.7	83.3	83.3	69
Other services	163.8	177	83.3	190.2	192.5	162

Source: Author's estimations using the amended ATSM.

Table 13 **The Sudan exports to Libya (variation vis-à-vis the reference scenario in per cent)**

	2021	2022	2023	2024	2025	Average
Rest of agriculture	183.3	216.7	250	214.3	228.6	218.8
Oil and gas	-50	-50	-50	-50	-50	-50
Food products	214.3	242.9	225	250	222.2	230.8
Textile	100	100	100	100	100	100
Chemistry	75	100	80	80	100	87
Electrical equipment	100	100	100	100	100	100
Machinery and equipment	100	100	100	200	200	140
Other manufactured products	100	100	100	100	100	100
Tourism	150	200	100	100	133.3	130.8
Transport	90.5	109.1	117.4	129.2	126.9	115.5
Health and social work activities	0	0	0	0	0	0
Recreational and other services	100	150	150	150	150	140
Construction	300	225	250	180	180	219
Public administration and defence	0	0	0	0	0	0
Other services	73.1	75	75.9	67.7	65.6	71.2

Source: Author's estimations using the amended ATSM.

Table 14 **Algeria exports to Libya (variation vis-à-vis the reference scenario in per cent)**

Row Labels	2021	2022	2023	2024	2025	Average
Rest of agriculture	600	700	800	400	450	542.9
Oil and gas	125	150	150	150	150	145
Other extractions	200	200	300	300	300	260
Food products	382.4	405.3	434.4	447	453.5	427.5
Textile	200	300	300	400	400	320
Chemistry	223.2	256.7	284.9	307.8	326.5	282
Electrical equipment	216.7	283.3	271.4	314.3	357.1	290.9
Machinery and equipment	400	500	440	500	580	487
Other manufactured products	428.6	466.7	493.8	511.8	522.2	487.5
Tourism	100	200	100	300	300	200
Transport	200	250	80	260	280	213
Construction	500	480	183.3	414.3	387.5	383.3
Other services	164.3	193.3	188.2	205.6	221.1	196.4

Source: Author's estimations using the amended ATSM.

5

5. Conclusion and Policy Options

This study allowed us to measure the impact of a peace agreement and the end of conflict in Libya on regional cooperation.

But before proceeding with this assessment, we examined the nature of Libya's external trade and the state of its cooperation with neighbouring countries before and during the conflict.

A. Libya's external exchanges and regional cooperation

Libya's external trade grew rapidly from the turn of the century, as exports increased from $13 billion to $62 billion between 2000 and 2008. The great financial crisis of 2008 led to a significant decline in Libya's trade, which was further worsened by the outbreak of conflict.

The countries of the European Union, in particular France and Italy, are Libya's main trading partners. While Libya's exports are concentrated, with nearly 95 per cent of them based on oil, imports are much more diversified due to Libya's dependence on the outside world for its goods.

However, these exchanges have been marked in recent years by the rise of new trading partners, particularly Turkey and some Asian countries, notably China.

Despite the importance of the European Union countries and the rise of other countries, neighbouring countries have seen an increase in their participation in Libya's external trade. Despite their still low share in imports from Libya, Egypt and Tunisia have seen a steady increase in these trades.

Regional cooperation has not been limited to trade but has also seen significant participation in the labour movement. Egypt, Tunisia and the Sudan recorded the largest money transfers from Libya.

B. The effects of the conflict on regional cooperation

The outbreak of the conflict has had four important effects on Libya's external trade and regional cooperation.

The first effect concerned a high volatility of Libya's trade following the conflict and the halting of oil production during the most difficult periods of the war.

The second effect was related to a major change in Libya's trade structure. Indeed, while the countries of the European Union, and in particular France and Italy, still hold the top spots, they have seen their shares fall sharply to the benefit of the Asian countries and Turkey.

The third consequence concerned countries in the region that have seen their share of Libyan imports remain at their pre-conflict levels.

The fourth effect was the decrease in transfers of migrant workers, particularly to Egypt and Tunisia, as a result of a massive departure following the outbreak of the conflict.

C. The effects of peace on regional cooperation

Our assessment of the effects of peace in Libya has allowed us to highlight important factors that must strengthen regional cooperation.

Peace in Libya will have significant gains in growth, employment and investment for the other countries neighbouring Libya that we have examined, namely, Algeria, Egypt, the Sudan and Tunisia.

We also highlighted the effect of peace on trade flows. Our estimates have shown that countries in the region will benefit from a diversion of trade flows in their favour, at the expense of other regions.

We also indicated the sectoral effect of peace in Libya. Our results have shown that the return of peace will lead to a strengthening of manufacturing and industrial activities that are at the heart of the diversification efforts of neighbouring countries.

Our results clearly demonstrate that peace in Libya will benefit the region's economies and regional cooperation.

Ultimately, the end of the conflict and the return of peace to Libya will be major developments with vast and significant consequences. Peace will bring an end to this destructive conflict that has come at such a high cost for human life and progress and will subsequently promote the return of security and order throughout the country.

Peace will save the significant cost of this conflict on the Libyan economy and society. The resulting gains can once again be invested to meet the needs of the Libya's economy and allow the country to return to its path towards achieving the SDGs.

This study allowed us to focus on the regional dimension of peace, which will benefit neighbouring countries and strengthen regional cooperation.

From this point of view, it is important that countries in the region are increasingly and collaboratively involved in finding a solution to end this conflict, as they will also benefit from the dividends of peace.

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Sectoral and Regional Dimensions of the Arab Trade Simulation Model

Regional desegregation

Australia	ROW	**Azerbaijan**	RESTASIA
Oceania	ROW	**Georgia**	RESTASIA
China	CHN	**Bahrain**	BAHRAIN
Japan	Japan	**Iran**	Iran
Korea	Korea	**Israel**	Israel
EastAsia	RESTASIA	**Jordan**	Jordan
SEAsia	RESTASIA	**Kuwait**	Kuwait
Indonesia	RESTASIA	**Oman**	Oman
Thailand	RESTASIA	**Qatar**	Qatar
SouthAsia	RESTASIA	**SaudiArabia**	SaudiArabia
India	India	**Turkey**	TURKEY
Canada	NAFTA	**UAE**	UAE
USA	USA	**Yemen**	Yemen
Mexico	NAFTA	**Iraq**	Iraq
LatinAmer	RESTAMERIC	**Syria**	Syria
Argentina	RESTAMERIC	**Lebanon**	Lebanon
Brazil	RESTAMERIC	**Palestine**	Palestine
EU_28	EU27	**Egypt**	Egypt
France	France	**Morocco**	Morocco
Germany	Germany	**Tunisia**	Tunisia
Italy	Italy	**Algeria**	Algeria
Spain	Spain	**Libya**	Libya
UK	UK	**SSA**	SSA
Rest of Europe	RESTEUROPE	**Mauritania**	Mauritania
Kazakhstan	RESTASIA	**Comoros**	SSA
Kyrgyzstan	RESTASIA	**Djibouti**	SSA
Tajikistan	RESTASIA	**Somalia**	SSA
ROW	ROW	**Sudan**	Sudan
Armenia	RESTASIA	**SAfrica**	SSA

Sectorial desegregation

Paddy rice	Cereals	**Chemical products**	Chemistry
Wheat	Cereals	**Basic pharmaceutical products**	Chemistry
Cereal grains nec	Cereals	**Rubber and plastic products**	Chemistry
Vegetables, fruit, nuts	oth_cro	**Mineral products nec**	OthManuf
Oil seeds	oth_cro	**Metals nec**	OthManuf
Sugar cane, sugar beet	oth_cro	**Metal products**	OthManuf
Plant-based fibers	oth_cro	**Computer, electronic and optical products**	ele
Crops nec	oth_cro	**Electrical equipment**	ele
Bovine cattle, sheep and goats, horses	Animprod	**Machinery and equipment nec**	Meca
Animal products nec	Animprod	**Motor vehicles and parts**	Meca
Raw milk	Animprod	**Transport equipment nec**	Meca
Wool, silk-worm cocoons	Animprod	**Manufactures nec**	OthManuf
Forestry	forFisf	**Electricity**	Serv
Fishing	forFisf	**Gas manufacture, distribution**	Serv
Coal	Extac	**Water**	Serv
Oil	Oil_Gas	**Construction**	cons
Gas	Oil_Gas	**Trade**	Serv
Other Extraction (formerly omn Minerals nec)	Extac	**Accommodation, Food and service activities**	Tourism
Bovine meat products	food	**Transport nec**	Transport
Meat products nec	food	**Water transport**	Transport
Vegetable oils and fats	food	**Air transport**	Transport
Dairy products	food	**Warehousing and support activities**	Serv
Processed rice	food	**Communication**	Serv
Sugar	food	**Financial services nec**	Serv
Food products nec	food	**Insurance (formerly isr)**	Serv
Beverages and tobacco products	food	**Real estate activities**	Serv
Textiles	Textile	**Business services nec**	Serv
Wearing apparel	Textile	**Recreational and other services**	ros
Leather products	Textile	**Public Administration and defense**	Pub
Wood products	OthManuf	**Education**	Serv
Paper products, publishing	OthManuf	**Human health and social work activities**	health
Petroleum, coal products	Chemistry	**Dwellings**	Serv

List of Libya Project Publications

Document number	Title	العنوان
E/ESCWA/CL6.GCP/2020/TP.3	An Introductory Study on the Status, Challenges and Prospects of the Libyan Economy Part I of a Baseline Study for the Libya Socioeconomic Dialogue Project	دراسة تمهيدية عن الاقتصاد في ليبيا: الواقع والتحديات والآفاق الجزء الأول من دراسة أولية لمشروع الحوار الاجتماعي والاقتصادي الليبي
E/ESCWA/CL6.GCP/2020/TP.2	An Introductory Study on the Status, Challenges and Prospects of the Libyan Society Part II of a Baseline Study for the Libya Socioeconomic Dialogue Project	دراسة تمهيدية عن المجتمع في ليبيا: الواقع والتحديات والآفاق الجزء الثاني من دراسة أولية لمشروع الحوار الاجتماعي والاقتصادي الليبي
E/ESCWA/CL6.GCP/2020/TP.1	An Introductory Study on the Status, Challenges and Prospects of Governance and Institutions in Libya Part III of a Baseline Study for the Libya Socioeconomic Dialogue Project	دراسة تمهيدية عن الحوكمة والمؤسسات في ليبيا: الواقع والتحديات والآفاق الجزء الثالث من دراسة أولية لمشروع الحوار الاجتماعي والاقتصادي الليبي
E/ESCWA/CL6.GCP/2020/TP.8	The Economic Cost of the Libyan Conflict	الكلفة الاقتصادية للصراع في ليبيا
E/ESCWA/CL6.GCP/2020/TP.5	Economic cost of the Libyan conflict Executive Summary	الكلفة الاقتصادية للصراع في ليبيا موجز تنفيذي
E/ESCWA/CL6.GCP/2020/2	Benefits of Peace in Libya: Neighbouring Countries and Beyond	السلام في ليبيا: فوائد للبلدان المجاورة والعالم
E/ESCWA/CL6.GCP/2020/2/ SUMMARY	Benefits of Peace in Libya: Neighbouring Countries and Beyond Executive Summary	السلام في ليبيا: فوائد للبلدان المجاورة والعالم موجز تنفيذي
E/ESCWA/CL6.GCP/2021/TP.1	The Socioeconomic Vision for Libya and the Roadmap for a Constitutional Development	الرؤية الحقوقية والاجتماعية والاقتصادية لليبيا وخارطة طريق للتنمية التأسيسية
E/ESCWA/CL6.GCP/2021/ POLICY BRIEF.1	Towards an Inclusive National Identity in Light of a Just Citizenship State	نحو هوية وطنية جامعة في ظل دولة العدالة المواطنية
E/ESCWA/CL6.GCP/2021/ POLICY BRIEF.2	Social Protection System	منظومة الحماية الاجتماعية
E/ESCWA/CL6.GCP/2021/ POLICY BRIEF.3	Human Capital, Youth and Women Empowerment, and the Integration of Militant Forces	رأس المال البشري وتمكين الشباب والمرأة ودمج المسلحين
E/ESCWA/CL6.GCP/2021/ POLICY BRIEF.1	The role of the State in Sustainable Economic Development and the Strategic Positioning of Libya in the Global Economy	دور الدولة في التنمية الاقتصادية المستدامة والتموضع الاستراتيجي لليبيا في الاقتصاد العالمي
E/ESCWA/CL6.GCP/2021/ POLICY BRIEF.5	Strengthening the State Authority and the Rule of Law through a Fair and Independent Justice System, and Human Security Based on Human Rights and the Principles of Comprehensive Justice	تعزيز سلطة الدولة وسيادة القانون من خلال منظومة عادلة وقضاء مستقل، والأمن الإنساني المرتكز على أسس من احترام حقوق الانسان ومبادئ العدالة الشاملة
E/ESCWA/CL6.GCP/2021/ POLICY BRIEF.6	Restoring Trust and Reconciliations to Establish a National Charter	ترميم الثقة والمصالحات لتأسيس ميثاق وطني
E/ESCWA/CL6.GCP/2021/ POLICY BRIEF.7	Building a State of Institutions, Regional Integration and International Cooperation	بناء دولة المؤسسات والتكامل الإقليمي والتعاون الدولي

The present report focuses on the consequences of ending the conflict in Libya and securing agreement on regional cooperation, in particular regarding trade with Egypt, the Sudan and Tunisia. The report provides a quantitative assessment of the economic impact of a peace agreement in Libya on regional cooperation. Peace in Libya will also result in significant gains in growth, employment and investment for countries neighbouring Libya, namely, Algeria, Egypt, the Sudan and Tunisia.

Peace in Libya will end a destructive conflict that has come at such a high cost for human life and progress, and will subsequently promote the return of security and order throughout the country. Peace will limit the significant cost of the conflict for the Libyan economy and society. The resulting gains can be invested in meeting the needs of the Libyan economy, thus allowing the country to strive towards achieving the SDGs.

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