

FINANCING ECONOMIC DEVELOPMENT IN LIBYA

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In his article we try to discover how economic development is being financed in Libyan economy following the traditional classification of finance into internal and external finance.

Using a newly constructed flow-of-funds account the Libyan economy in 1977 together with information about the magnitudes of national income saving and investment for the period 1962-1980 we have concluded that:

As a result of the non-existence of the financial instruments and institutions other than commercial banks together with the tendency of these banks to keep a high percentage of their assets in a liquid form and the persistence of the public of keeping a high percentage of their money holdings in terms of currency, the lending-borrowing activity through financial intermediation in the Libyan economy has become very limited and consequently the concept of external finance of economic development, which in turn has resulted in a high dependence of economic development on internal finance instead.

The dominance of internal finance techniques and the apparent reluctance of the government, financial institutions and the public in engaging in external finance practices has led in our view to an underutilization of funds available for economic development programmes in the Libyan economy as well as directing a substantial proportion of na-

tional savings to consumption commodities especially those of durable nature because of the lack of investment opportunities for small savers in particular who otherwise would have invested in the financial market (stocks and bonds).

This situation calls, in our opinion, for a certain steps of reform to be taken which can be summarized as follow:

1. The commercial banking sector must be reorganized to take a more positive role in financing economic development projects and attracting more funds especially from small savers.
2. The creation of a capital market instruments and institutions (stocks and bonds) which can provide a long term finance for investments which commercial banks can not finance.
3. More emphasis must be given to the financial aspects of economic development i.e. together with listing all the projects to be undertaken by an economic development plan a detailed study of financial resources for this plan should be introduced and clearly indicating the role of alternative sources of finance.

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to exercise any powers regarding the property which has been expropriated by Israel in "Greater Jerusalem" during the past eleven years". 34

Concluding Remarks:

After this brief discussion of Israeli policies in the occupied territories before and after the Camp David Agreements, one can conclude that the basic ingredients for peace in the Middle East are not there yet. The Camp David Agreements, one can conclude that the basic ingredients for peace in the Middle East are not there yet. The Camp David Agreements are in accord with Begin's perceptions and they reflect the Israeli demands for settling in "Eretz Israel". This can be illustrated by the following remarks:

First, it contains no mention or guarantee of the withdrawal of the Israeli army from the West Bank, Gaza or Jerusalem. On the contrary, Begin affirms that the Israeli army will remain in these places indefinitely; all that will happen is that the Israeli forces in these areas will be redeployed. Second, there is no recognition of the Palestinian Arabs' right to self-determination; what is mentioned is the reaching of a stage of self-rule under Israeli military occupation.

Third, there is no mention of halting the establishment of Israeli settlements in the occupied territories. Thus, the operation to change the demographic character of these areas in Israel's favor can continue and it continuing. Finally, and most crucial, there is no statement on Jerusalem in the agreement; what is said is that it shall be the subject of an exchange of letters, while Begin stresses in repeated statements that Jerusalem will remain a unified city and the eternal capital of Israel.

It is evident that the Camp David Agreements do not provide the basis for a permanent and just solution to the Palestinian problem as investigated by this paper. The main reason behind this is Israel's intransigent position and policies concerning Jerusalem, the occupied territories, and the legitimate rights of Palestinians for self-determination. It is more fitting to conclude this paper by the following statement by one of the early and eldest Zionists:

In the long run, Israel can not keep the center of world attention and will, by its attitude, provoke indifference and even increasing hostility. American Jews who support Israel in its present intransigent policy and who feel they must prevent America from taking a position are harming Israel more than many of its adversaries. 35

(34) Ibid., p. 11.

(35) N.G. Goldman, "Zionist Ideology and the Reality of Israel", *Foreign Affairs*, Vol. 57, No. 1, Fall 1978. p. 81.