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Research Article

EXPLORING BUSINESS ENVIRONMENT IN THE POST GADDAFI ERA-DOCUMENTARY ANALYSIS

Hafez E.L. MANSOUR (Correspondence)
Department of Management, University of Tobruk, Tobruk, Libya
ORCID ID: 0000-0003-4533-1770

Hosam M. OMAR
Department of Management, University of Tobruk, Tobruk, Libya
ORCID ID: 0000-0002-1662-9095

Taher Farag Lamin MOHAMED
Department of Management, University of Tobruk, Tobruk, Libya
ORCID ID: 0000-0002-0435-918X

ABSTRACT

The importance of understanding whether post-Gaddafi business environment's characteristics limit or enhance the abilities of firms is indisputable. Yet little is known about how these characteristics may represent challenges or opportunities. This paper uses a documentary analysis to understand the post-Gaddafi business environment. The findings have shown that there are two characteristics of Libyan post-Gaddafi business environment, which are environmental munificence and complexity. These characteristics are crucial to local and international firms' survival and growth to the new environment. Some managerial implications have been suggested for Libyan government, officials, investors and entrepreneurs to enhance their understandings the trends in the future.

Keywords: Libya, Post-Civil War, Business Environment, Post-Gaddafi Era

1. INTRODUCTION

On 17th February 2011, civil unrest in Libya began with a series of peaceful protests, like others of the Arab Spring countries: Tunisia and Egypt. Later, the civil unrest became a full-scale civil war between the rebels of the National Transitional Council (NTC), with air support from the North Atlantic Treaty Organisation (NATO) forces and the forces loyal to Gaddafi's regime. Seven months later, at the end of August, the armed conflict reached its climax, with the fall of the Gaddafi regime and having Gaddafi ousted out of Tripoli city. On 20 October 2011, the NTC announced that it had captured Gaddafi and also, that Gaddafi had subsequently died of wounds sustained during his capture. On 23 October 2011, in Benghazi city, the declaration of liberation by the NTC signalled the end of armed hostilities in Libya (IOM, 2011; Mansour, Holmes, Butler, & Ananthram, 2019).

In July 2012, the NTC presided over Libya's first democratic elections and the smooth subsequent handover of power to the General National Congress (GNC). However, the period from 2012 to 2014 was turbulent, with many political assassinations, bombings, a series of kidnappings, clashes between rival militias and political conflicts between the Justice and Construction Party (which represents Muslim Brotherhood (MB) groups) and the National Forces Alliance (NFA) (which represent most of the rebels and groups that had struggled during 2011 against Gadhafi) (Kuperman, 2015; Mikail, 2013), as well as siege of ministries, closing oil-fields and ports and attacks on foreign embassies. For example, an organised terrorist attack by extremists on the U.S. Consulate in Benghazi resulted in the death of Ambassador John Christopher Stevens and three other Americans. Muslim brotherhood groups and rival militias have hampered (for political and ideological purposes) the government's efforts to recover the security and restore order (Mikail, 2013).

In 2014, elections for a new Council of Deputies were held. However, the Libya Dawn coalition and Misratan militias carried out a coup d'etat in Tripoli, on behalf of the Muslim Brotherhood's Libyan parties that performed poorly in the election. Thus, the second Libyan civil war is an ongoing conflict between the Libyan Dawn forces and the Libyan National Army loyal to the Council of Deputies (BBC, 2015b; CNN, 2015). Consequently, in 2015, Libya is led by two separate governments; one controlled by the *coalition* of the

Muslim Brotherhood and Misratan militias in Tripoli, while the other is the internationally recognised government and its parliament in Tobruck city.

In 2014, United Nations Secretary-General Ban Ki-moon appointed Mr. Bernardino León as envoy for Libya. Since August 2014, Mr. León has been facilitating a series of talks among the Libyan parties in Morocco. On 29 April 2015, the UN says that negotiations are a work-in-progress and that the Libyan parties in Morocco are “very close to a final agreement”. Mr. León even stated the agreement in Libya will be before July 2015 (UNSMIL, 2015a). On Friday 9 October 2015, the UN envoy for Libya, Mr. León, announced that Libyan parties have agreed to form a new National Unity government in the Moroccan city of Skhirat (IBTimes, 2015). However, Libyan parties have not agreed upon a proposed list of Cabinet members for a National Unity government proposed by Mr. León (Reuters, 2015). Then, on 16 November 2015, it was announced that Martin Kobler is appointed as Special Representative of the UN Secretary-General for Libya and Head of the United Nations Support Mission in Libya (UNSMIL), succeeding Bernardino León. Kobler is committed to ensuring the continuity of the Libyan dialogue process, building on what the Libyan parties have achieved to date (UNSMIL, 2015b).

Therefore, the Libyan business environment continues to suffer from domestic insecurity, political uncertainty and a weak legal framework. The political conflicts, violence between rival armed militias and high crime rates in 2011-2019 have resulted in an uncertain security situation becoming a serious constraint for doing business in the country. Thus, in 2019, Libya is ranked as one of the worst country in the world for doing business as revealed by a survey by Forbes Business Magazine (Badenhausen, 2019), it came 152an out of 161 in its survey. Indeed, 2018-2019 event create a state of chaos and it is difficult to predict what direction Libya will take in the future. Thus, a question has been raised about what are the possible opportunities and challenges for international and local firms active in Libya or targeting the Libyan market? Thus, the main aim of the current study is to reveal whether post-civil war characteristics of the current business environment limit or enhance the business development and the abilities of international and local firms to take advantage of available opportunities to expand their activities.

2. THEORETİCAL BACKGROUND

2.1. Doing Business in Emerging Economies

The literature review of this study will focus on understanding business environments in emerging economies, especially in the middle east and north Africa (MENA) region, because characteristics of MENA countries are quite similar to Libya. Emerging economies can be classified into two categories: (1) matured emerging economies (such as Singapore and Korea) that have decades of development evolving, and (2) newly emerging economies (such as Nigeria and Libya) that have only recently structured their process of transition of the market economy (Pham & Shusa, 2006).

There are different definitions of emerging economies, however, Keen and Wu (2011) suggested that the definition of emerging economies should consider economic, institutional and socio-cultural features. Because emerging economies are in transition from a centrally planned system to a free market economy (Kohers, Kohers, & Kohers, 2006; Samoilenko & Osei-Bryson, 2011), they are characterised by frequent changes in the institutional, economic and political environments, as well as the cultural and social fabric.

Doing business in emerging economies is not an easy task because of distinctive characteristics of these economies. In the relevant literature (Bruton, Ahlstrom, & Obloj, 2008; Roztocki & Weistroffer, 2008), it has been argued that there has been a noticeable absence of a full recognition of the distinctive characteristics of emerging economies and the impact they may have on doing business. However, Salehizadeh and Taylor (1999) argue that emerging economies, despite each being unique, do tend to share and exhibit certain common characteristics. Therefore, in the literature of emerging economies (e.g., Keen & Wu, 2011), various characteristics of emerging economies, which have impacts on the ways of doing business or entrepreneurial activity, can be combined to produce common characteristics. The next sections have tried to regroup the characteristics of emerging economies into four characteristics and showed their impact on doing business. The four characteristics are:

2.1.1. Economic Characteristics

Many emerging economies enjoy rapid growth rates with high-income inequality and low per capita income as compared to their developed counterparts (Enderwick, 2012). However, such rapid growths are accompanied by a high level of inflation that is in turn, (Enderwick, 2012; Kaynak & Nasirova, 2005; Roztocki & Weistroffer, 2008) accompanied by “significant variations in currency values and the introduction of new currency units" (Salehizadeh & Taylor, 1999, p. 188). For example, the increase in the inflation ratio or the Consumer Price Index (CPI) would decrease international tourist arrivals in emerging economies (Hanafiah & Harun, 2010). Nonetheless, in doing business in tourism industry, some emerging economies, such as Turkey, use the CPI as the pulling factor in attracting international tourist arrivals to visit them through devaluing their currencies (Dwyer, Forsyth, & Rao, 2002). Thus, outbound tourism from developed countries increase in response to a fall in the value of many emerging economies' currencies relative to the developed countries' currencies (Hanafiah, Jamaluddin, Zulkifly, Ismail, & Mohd Zahari, 2009).

Emerging economies are also economically characterised by the transition of governmental policies to a market-based system. Therefore, economic instability tends to be higher as a result of the frequent changes of government policies and regulations (Jianfeng, Li, & Li, 2012). Because many emerging economies, especially in the MENA Region, are heavily reliant on oil revenues with little economic diversification, they are often very susceptible to the volatility of international oil prices and crises (Ibrahim, 2008). In the tourism context however, some oil-rich countries of the MENA region do not show a strong commitment to tourism as a development strategy to diversify their economies, as such countries have viewed international leisure tourism as economically unnecessary (Mansfeld & Winckler, 2008; Sharpley, 2002, 2008) or culturally undesirable (Aziz, 2001).

2.1.2. Political Characteristics

It is a well-known fact that one of the most common political features of many emerging economies is political risk (Enderwick, 2012). Indeed, the major source of political risk is political instability, including riots, strikes, civil war, uncertainty surrounding the duration of regime and changes in the executive (Aron, 2000). This is an extremely significant concern and commonplace among majority of the MENA emerging economies. Thus, recent reports indicated that the complexity and uncertainty of doing business in many emerging economies has been multiplied by internal tensions and disturbances in these economies (EBRD, 2013; WEF, 2014a).

For example, the socio-political unrest, known as the "Arab Spring", accompanied by safety and security threats have negatively influenced the development of tourism in the MENA Tourism Market (MTM) (Mansfeld & Winckler, 2015; Tang & Abosedra, 2014). Thus, the number of international tourist arrivals from developed economies has decreased significantly. This in turn has led to a considerable decline in the overall tourism receipts (Mansfeld & Winckler, 2015; Weigert, 2012). In addition, the vulnerability regarding shocks caused by the recent conflicts and political instability in the MENA region has led to the lowest intra-regional tourist visitor dependencies (Morakabati, 2013; Steiner, 2007). The main reason for the somewhat low levels of investment in the MENA region is the lack of confidence in the MENA region as a stable area for achieving high economic returns, especially in the light of the Arab Spring (Morakabati, 2013).

The second political feature is protectionism and government intervention. Governments of emerging economies shield domestic industries from foreign competition by imposing a tax on imported goods or restricting foreign goods, as well as adopting ideological perspectives that support government ownership and control of major strategic industries (Enderwick, 2012). Thus, government intervention and ownership ideology create significant complexity and risks for multinational corporations in emerging economies (Enderwick, 2012). For example, in the MENA region, in particular, in Tunisia, Egypt, and the United Arab Emirates, at both local and regional levels, not only do the Arabian tourist companies dominate the ownership structures of the tourism industry's hardware, they are also the main shareholders of the hotel properties. As a result, majority of the tourism investment in the MENA tourist sector is of local or regional origin (Steiner, 2007). The MENA governments still impose some restrictions for non-Arabian foreign direct investment (FDI), as these foreign ownership restrictions hinder the mobility of capital (Steiner, 2007).

Economic reform is a third type of political characteristic in emerging economies. Economic reform leads to the economic liberalisation, privatisation and capital movement. The economic reform however, creates the demand for legal reform and causes challenges to the existing legal and political framework (Enderwick, 2012; Zhang & Jing, 2007). Thus, legal and economic changes make the business environment in emerging economies less predictable (Roztocki, Weistroer, Morar, & Nasirin, 2007). For example, in Egypt, even though there is a climate of uncertainty of economic reform outcomes, one of the most important economic sectors that benefited from the economic reforms in Egypt in 1990s, was the tourism sector. Furthermore, taxation reforms and changes including a simplified tax system and indirect taxes on the tourism sector had impacts on tourists' willingness to visit (Gray, 1998). In addition, the 1995 reforms in import taxation and policy made it easier for Egyptian tourism-sector firms to import luxury goods and products that feature prominently in the tourism sector, such as electrical appliances and luxury vehicles (Gray, 1998).

2.1.3. Institutional Characteristics

The institutional factor is another crucial dimension that should be considered in the analysis of emerging economies (Hoskisson, Wright, Filatotchev, & Peng, 2013). Many emerging economies have higher levels of investment and operational risks because of inefficient and corrupt legal infrastructures, dysfunctional financial systems, trade barriers, restrictive and volatile regulatory regimes, as well as insufficient property rights protection (Aybar & Ficici, 2009; Brouthers, 2002). In fact, the lack of strong legal frameworks has allowed widespread opportunistic behaviours, bribery and corruption (Hoskisson, Eden, Lau, & Wright, 2000). These have affected the ability to enforce property rights even where legislation has been enacted (Haiyang & Zhang, 2007; Hoskisson et al., 2000) and have led to less political and economic freedom (Aybar & Ficici, 2009; WEF, 2014a).

Some reports (WEF, 2013b, 2015) have revealed that regulatory frameworks in many emerging economies, in particular in the MENA region, have negative impacts on the attractiveness of doing business in several sectors. The regulatory framework does not facilitate foreign ownership, foreign direct investment and property rights and instead, imposes more stringent visa requirements for investors and visitors/ tourists (WEF, 2013b, 2015). Because of the lack of reliable institutions and inefficiency of legal frameworks, the institutional structures are greatly dependent on relationship-based personalised exchanges, rather than rule-based, impersonal third party enforcement (Narayanan & Fahey, 2005). This means that the business relationships have a very personal content — kinship and friendship based — leading to difficulties for outsiders or foreign investors to break into the market. Moreover, the relationship based-economies are most vulnerable to the problem of favouritism, bribery and corruption (Enderwick, 2012).

2.1.4. Infrastructure Characteristics

Many emerging economies are characterised by seriously inadequate infrastructure. Inadequate infrastructure includes not only physical roads, logistics and storage, but also market transaction enablers, for example point-of-sale terminals, basic banking functions and credit cards. Inadequate infrastructure also includes the lack of modern transaction technologies, information and communication, such as telephones and electricity (Sheth, 2011). There are also thin capital markets, shortages of skilled labour (Hoskisson et al., 2000), poor education and health and postal services (Muyinda, Lubega, Lynch, & van der Weide, 2010; te Velde, Cali, Hewitt, & Page, 2006; WEF, 2014a).

Business and entrepreneurship in developed economies are supported and enabled by a number of vital elements of the infrastructure. These include a sophisticated logistical system for the distribution of goods, financial services to expedite monetary exchange, ubiquitous telecommunication services, the availability of well-targeted broadcast and print media, a transportation system that enables customers to reach stores easily, and so forth. Even though such vital infrastructural elements are now prevalent throughout much of the developed economies of the world, they are still absent in many emerging economies (Sheth, 2011). This results in the presence of constraints to firms' growth (Acs & Virgill, 2010).

In addition, travel and tourism competitiveness reports (WEF, 2013b, 2015) and the global competitiveness report (WEF, 2014a) have revealed that there are serious infrastructural obstacles that continue to hinder the development of tourism sectors in many emerging economies. These infrastructural obstacles include the low quality and quantity of accommodation infrastructure, such as hotel rooms, automatic teller machines (ATMs), car rental services, ICT infrastructure and the educational system.

Overall, in the light of highly significant political, economic and constitutional changes in some MENA counties after the Arab-Spring Revolutions, there is an urgent need to understand the effects of post-Arab Spring characteristics of MENA economies on the business activities and the potential for future economic development. In other words, it is still not known whether post-Arab Spring characteristics of emerging economies limit or enhance the business development and the abilities of MENA firms to take advantage of available opportunities to expand their activities. Therefore, there is a need for a more in-depth study of different characteristics of individual countries, like Libya, and their impacts on business and entrepreneurial activity (Bruton et al., 2008). Finally, this section is useful in developing an understanding of the impacts of post-civil war changes in the political, economic and legal environments on the business activity in Libya.

3. METHODOLOGY

3.1. Research Context

This section provides an overview of Libya, which presents the structure of the economy, business environment and constitutional development in both the pre and post-civil war periods.

3.1.1. Economic View of the Country

The Libyan economy is one of the most oil-dependent in the world. In the period before 2011, Libya produced 1.5 to about 1.7 million barrels per day, had a refining capacity of 380 thousand barrels per day and crude oil exports of around 1.3 million barrels per day (Allurentis & UKTI, 2014; IMF, 2013; KPMG, 2014b). Libyan oil is mainly exported to the European Union: Italy, France, Spain, Germany, Greece and United Kingdom received 72% of the Libyan oil (European Commission, 2013). A recent annual bulletin prepared by the Organization of the Petroleum Exporting Countries (OPEC) revealed that Libyan crude oil reserves have risen from 46 billion barrels in 2009 to 48 billion barrels in 2013. Thus, Libya has the largest oil reserve in Africa and among the ten largest globally (OPEC, 2014).

Reports revealed that the oil industry accounted for 70% of the country's GDP, 95% of exports and between 95 and 96% of government revenues. Consequently, Libya has one of the highest levels of GDP per capita in the region: US$11,046 (ADB, 2014b; IMF, 2012, 2013). Indeed, the civil war period demonstrated how oil revenues affected the Libyan economy. The Libyan civil war in 2011 triggered a 70% decrease in oil production capacity, along with an estimated contraction of 53% in non-hydrocarbon output. This resulted in a contraction of Libya's economy by approximately 62% in 2011 (European Commission, 2013).

By contrast, in 2012, during the post-civil war period, crude oil production has recovered by nearly 90% of the level before the civil war, which significantly led to an increase in the oil GDP by 211%, as compared to 2011 (European Commission, 2013). This is also demonstrated by World Bank WB (2015b), as the crude oil production rapidly recovered in the year after the revolution, fuelling rapid GDP growth and swelling government budget revenues. On the other hand, in 2014, Libya's oil production was decreased by a series of strikes and security breaches at oil sites to 0.5 million barrels per day. This led to a subsequent decrease in the 2014 GDP by about 55%, as compared to 2012 (OPEC, 2014; WB, 2015b).

In addition, the agricultural sector's contribution is negligible. Before 1958, the contribution of the agricultural sector was 30%, but with the discovery of oil in 1958, the contribution of the agriculture sector dropped significantly to 0.8% of the GDP by 2012 (Allurentis & UKTI, 2014; CBL, 2013). Indeed, most of Libya's land are not suitable for farming purposes; sandy soils and sand dunes cover about 90% of the total area of the country and water is scarce (Abu-Setta, 2013; Jeuland, 2015; Kezeiri, 1983). Agricultural statistics indicated that the actual area utilised for cultivation is about 1.3% of the total area of Libya, as 0.17% planted to permanent crops. Most of Libya's arable areas lie in the Al-Jabal Al-Akhdar region near Benghazi city and the Jifarah Plain around Tripoli (FRD, 2005). As a result, the Libyan domestic food production meets only about 20% of local demand and Libya relies on foreign imports for 80% of its food needs (FAO, 2015).

A report from the Central Bank of Libya (2013) shows that over the three years, from 2010 to 2012, the average contribution of the mineral industry to the country's GDP is about 0.13% or 97 million. This is a very small contribution when taking into account the large volume of mineral resources in Libya. For example, Libya has a huge iron ore deposit in the Wadi ash Shati Valley totalling 3.5 billion tonnes (Chapin Metz, 1987; FRD, 2005; Treasure, 2013). The Libyan service sector, including telecommunications, financial, construction and tourism services, accounted for a contribution of 26.9% to the country's GDP in 2014 (KPMG, 2014b). The sectoral distribution of GDP revealed that the direct contribution of travel and tourism, including hotels, restaurants, leisure and recreation services, travel agents, airlines, to the GDP decreased from 3.8% in 2005 to 2.8% in 2014 (WTTC, 2014, 2015).

3.1.2. Business View of the Country

The Libyan business environment continues to suffer from domestic insecurity, political uncertainty and a weak legal framework (Mansour, 2016). The Libyan civil war in 2011, political conflicts, violence between rival armed militias and high crime rates in 2012-2018 have resulted in an uncertain security situation becoming a serious constraint for doing business in the country. Consequently, the foreign direct investment (FDI) dropped by 70% between 2010 and 2013, from US$1.784 billion (2.41% of GDP) to US$702 million (0.9% of GDP). This sharp drop was seen mainly in the oil and gas industry (WB, 2015a).

In the pre-civil war period, the Gaddafi's regime made concrete efforts to restore foreign and domestic investors' confidence in the Libyan economy (Haddad & Hakim, 2017). For example, in 2010, Libyan Prime Minister, Baghdadi Mahmudi, issued Law number No. 9 for investment promotion, Law of Trading Activity No. 23 to provide fiscal incentives for domestic and foreign investors in specific sectors (Law.No.9, 2010; Law.No.23, 2010), as well as Resolution.No.23 (2009) to establish the Investment Authority and Privatisation Agency, to be known as the Privatisation and Investment Board (PIB), for regulating FDI activities in the industrial sector. However, the UK President of the G8 criticised the tasks of the PIB, as it did not efficiently perform its intermediate function as an investment promotion agency and acted only as an administrative agency to deliver operating licenses to foreign investors (OECD, EC, & ETF, 2014).

Despite these efforts in the pre-civil war period, the post-civil war governments have imposed heavy restrictions on foreign investment. In 2012 and 2013, a series of ministerial decrees were issued to limit foreign participation in joint ventures and prohibit foreign-owned limited liability corporations. For example, in the pre-civil war period, Law No. 443 of 2006 - Article 3 permitted foreign investors to own up to 65% of shares in joint ventures. However, in the post-civil war period in 2012, the Economy Ministry issued a new decision (Law No. 207 of 2012-Article 3), which prohibited foreign investors from becoming majority stakeholders. The new decision restricted the participation of foreign investors in a joint-venture company, to owning only 49%, and also for the manager of a joint-venture company to be of Libyan nationality (Ministerial-Decree-No.207, 2012; Watrous, 2013). Moreover, the foreign investors who seek to do business in the oil and gas, tourism, electricity, communications, construction, transportation and agribusiness industries were required to establish a joint venture company with only Libyan partners (OECD et al., 2014).

Furthermore, access to land is a main constraint for both foreign and domestic investors, due to the absence of a transparent legal framework for land allocation, the lack of infrastructure supporting urban land development and uncertain property rights and long procedures for obtaining building permits (OECD et al., 2014; WB, 2014). According to the 2014 doing business indicators issued by WB (2014), Libya ranks 187th out of 189 countries. Major challenges to doing business in Libya include starting a new business (171st), getting credit (186th), protecting investors (187th), reinforcing contracts (150th), paying taxes (116th) and registering property (189th). The bureaucratic and legal constraints affect most small to medium-size domestic businesses and foreign investors at the entry level (WB, 2014).

For reasons related to the inefficiency and complexity of the business legal framework and a *collectivistic culture (i.e., interdependent relationships with others), business systems in the Libyan market are* noticeably different from those established in the developed markets (Enderwick, 2012; Hofstede & Hofstede, 2004). The fundamental difference is that majority of Libyan economic/ business systems are relationship-based rather than market-based. The personal connectedness of business relationships among local traders and firms (kinship and friendship based) reflect close ties between individuals/ traders; examples often consist of strong extended families, tribal bonds and regional loyalties (Enderwick, 2012). Therefore, in a collectivist culture like the Libyan society, loyalty overrides most societal and business rules and regulations (Curry & Putzi, 2001; Hofstede & Hofstede, 2004; UKTI, 2010). In an interview on 31/07/2009 with Diane Jones, the U.S and Foreign Commercial Services' senior commercial officer in Tripoli, Libya, she clearly declared that, "Business in Libya is all about relationships. Deals happen on the strength of personal contacts" (NFTC, 2009, p. 11).

A recent report (Allurentis & UKTI, 2014) emphasised that the Libyan market is not a straightforward market. Firms have to devote time, effort and resources in establishing strong local relationships with trusted local partners for two purposes. Firstly, because of the restrictions on foreign ownership in Libya, a strong local relationship with a trusted local partner provides guidance on business protocol and how to build the requisite joint venture undertakings. Secondly, the Libyan local partner possesses local knowledge, a network of contacts and operational support that play a significant role in creating and growing successful new ventures in the post-revolution Libya. In an interview on 14/05/2013, with Adrian Creed, a partner at Clyde & Co, the first international law firm established in the capital city Tripoli since the revolution, he stated that, "Business in Libya is relationship-based. Being on the ground early is important as it shows a commitment to the new country, which facilitates building these relationships and gives us a strong platform to develop and grow the practice as the market evolves and key governmental structures" (Clydeco, 2013).

3.1.3. Constitutional View of the Country

The NTC governed Libya from 27 February 2011 to 8 August 2012 and took a gradual approach to changing the legal framework. In August 2011, the NTC released an interim constitution, where the radical change consist of the regime being changed from the Jamahiriya system (literally "State of the Masses" or technically governed through a network of people's congresses) to a Constitutional Democracy (LC, 2011). Interestingly, Article 35 of the Libyan interim Constitution (2011) stated that "all provisions established in the existing legislation (i.e., from the previous regime) shall remain in force insofar as they are not inconsistent with the provisions of this Declaration until they are amended or repealed."

Thus, because of Article 35 of the Libyan interim Constitution, both Law No. 9 for the year 2010 on Investment Promotion and the Law of Trading Activity No. 23 for the year 2010 remained in effect. This means that there will be the same bureaucratic and legal constraints affecting both domestic businesses and foreign investors. However, in 2014, the Libyan people elected a new Constituent Assembly (CA). The CA is responsible for writing a new constitution for Libya and eliminating the interim constitution of the NTC (Fedtke, 2014). Indeed, it is hoped that the CA will include a specific Article in the new constitution, to modify the existing commercial and investment laws, so as to encourage and facilitate investment by both domestic and foreign business firms. Thus, the upcoming constitution will be able to support efforts to pass new regulations to facilitate local and foreign investments and joint ventures in the various business fields, especially by reducing the bureaucratic and legal constraints that affect local businesses and thereafter getting the credit for firms' businesses.

3.2. Philosophical Position

A qualitative analysis – denoted to as a documentary analysis (Bowen, 2009)– was performed of the historical documents regarding doing business in the post-Libyan civil war period. The documentary analysis was done using the interpretive paradigm as a benchmark (Saunders, Lewis, & Thornhill, 2009). The main method of inquiry was qualitative, chosen for its interpretive and inductive nature in an attempt to elicit meaning from the post-civil war business environment (Van Wyk, 2014). The investigation was done from a subjectivist interpretive perspective as the researchers view the knowledge is socially constructed by the people living in it (Zeegers & Barron, 2015). Thus, the researchers have chosen the interpretive paradigm because they attempt to make sense of the business environment around them. That is, the concern researchers would have working within this paradigm would be to understand the fundamental meanings attached to the business activity in the post-Libya civil war (Saunders et al., 2009).

3.3. Documentary Analysis

Documents are defined as written texts that have been published in forums intended for an academic audience, namely articles in scientific journals, monographs published by a scientific publisher, articles in edited scholarly books or chapters in scholarly books, reports published by local and international organizations and full papers in published conference proceedings (Puuska, 2009). Documentary analysis is defined as "a systematic procedure for reviewing or evaluating documents—both printed and electronic" (computer-based and Internet-transmitted) material (Bowen, 2009, p. 27). Documentary analysis was chosen because it enables the researchers to track change and development in the post-civil war business environment. Where various drafts of a particular report are accessible, the researchers could compare them to identify the changes and developments (Bowen, 2009). Even subtle changes in a draft can reflect substantive developments in the Libyan post-civil war business environment. In addition, the documentary analysis was also chosen since it helps the researchers to examine periodic and final reports to gain a clear picture of the opportunities and challenges in the post-civil war business environment (Bowen, 2009). Documentary analysis was chosen as a research instrument for this paper as it was an effective cost-method that provides credible, transparent and stable data that can be reviewed repeatedly (Yin, 2003). Many reliable documents can be easily accessible, in particular, reports were prepared by reputable international organizations, such as International Monetary Fund (IMF), the World Bank and World Economic Forum. Documentary analysis also has the advantage of yielding broad coverage of data on the post-Libyan civil war business environment observed by researchers, specialists and experts (Yin, 2003). Finally, information and insights derived from documentary analysis can be valuable additions to a knowledge base (Bowen, 2009).

3.4. Steps of Conducting Documentary Analysis

About 100 documents were collected and assessed according to four criteria (Briggs, Coleman, & Morrison, 2012), which are: 1) authenticity, 2) credibility, 3) representativeness and 4) meaning. Thus, 45 documents were selected based on the four criteria.

The first step of analysing was done by using the main research question to categorize the documents. The second step was done by skimming (superficial examination), reviewing and reading (thorough examination), and interpreting the documents especially reports. The third step was done by organising the relevant data of documents into categories (pertinent, meaningful and relevant passages) related to the main question of the research (opportunities and challenges). In this step, two categories were extracted by revealing two characteristics of the Libyan business environment, these characteristics are the environmental magnificence and the environmental complexity. The fourth step is done by testing the two categories (the environmental magnificence and the environmental complexity) by using them to reveal subcategories. The last step was done by revising subcategories (Briggs et al., 2012).

4. FINDINGS

According to Figure (1), there are two characteristics of business environment in Libya. There are the environmental magnificence and the environmental complexity. The findings showed that the two characteristics are interrelated and not independent. Based on the current results (Figure 1), these characteristics have effects on business development and the ability of firms to expand their activities and to increase their size and even undertake new and/ or better business projects. The findings of the paper also indicated that the environmental complexity characteristic is linked to a chaotic deterioration of conditions in the post-civil war period, noticeably, unstable social, security and political situations. The environmental complexity characteristic has continued to serve as a barrier to Libyan business environment's attractiveness to local and international firms, domestic and foreign investors and businesses. However, the data revealed that the business and political ties, to some extent, play an important role in grasping opportunities and facing challenges**.** In the following paragraphs, more details will provide a more complete picture of doing business in Libya.

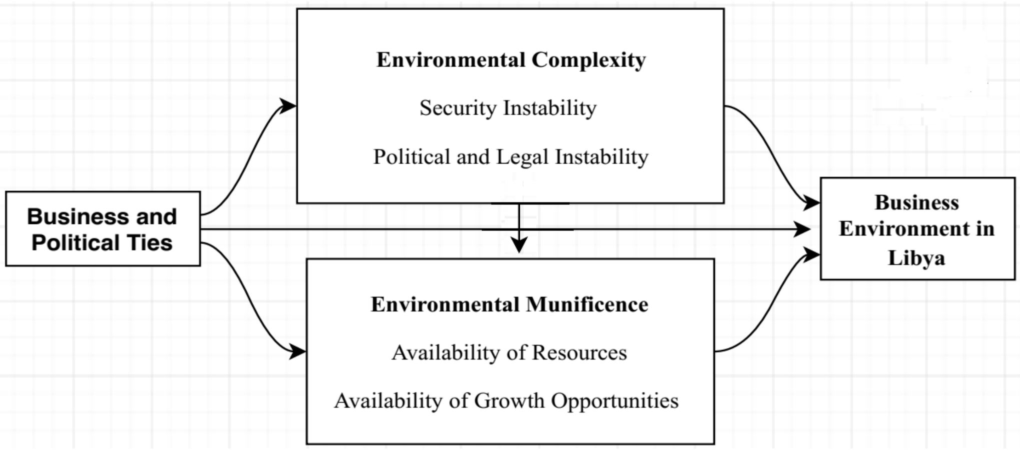

Figure (1): The Empirical Framework for Doing Business in Libya

4.1. Environmental Munificence (Opportunities)

The documentary analysis showed that although the national political and security situation is still very unstable, there are available resources that may provide opportunities and support growth and flowering whether on a firm and industry level or on a national level. In this case, former British Ambassador to Libya Michael Aron stated that:

> *"The combination of the need to rebuild and modernise Libya's infrastructure, develop the provision of public services, guarantee better security and train the Libyan population in the range of skills needed in a modern economy, offer opportunities for British companies prepared to deal with the challenges of doing business here"* (Allurentis & UKTI, 2014).

The documentary analysis demonstrated that the environmental munificence consists of two factors: 1) availability of resources, 2) growth opportunities. There is a degree of inter-relatedness between the two factors; the availability of resources is linked to the availability of growth opportunities. For example, for the hydrocarbon energy resources, Libya is exceedingly well endowed with fossil fuel resources, in particular crude oil and natural gas, forming the first primary resource among other resources critical to the economic development. An annual statistical bulletin prepared by OPEC (2014) revealed that Libya has the largest proven crude oil reserves in Africa and rank 8th globally with 48,363 billion barrels of oil, sufficient to last for 85 years at current rates of production and also rank 22nd globally with 1,506 trillion cubic metres of natural gas. As indicated by Allurentis LTD and the UK Trade & Investment, Libyan oil and gas reserves require substantial foreign investment to expand and modernise oil and gas sector and fully exploit its potential, because of the sector is under-developed and has been in decline since 1969, without advanced production techniques being used (Allurentis & UKTI, 2014). The OPEC's oil reserve statistics only represent six sedimentary basins: Sirte, Murzuk, Ghadames, Cyrenaica, Kufra, and offshore, or 25% of Libya's territory that had been explored until 2012 for hydrocarbons (AEO, 2014). Conversely, there are still opportunities regarding oil and gas explorations, Libya has a potential to significantly increase its oil and gas reserves because much of the territory remains unexplored, as well as Libya shares similar hydrocarbon bearing geological structures with Egypt, Algeria, and Tunisia (Allurentis & UKTI, 2014).

On one side, there are reports (i.e. Chapin Metz, 1987; FRD, 2005; Treasure, 2013) indicating that Libya has a huge iron ore deposit in the Wadi ash Shati valley totalling 3.5 billion tones and this deposit is one of the largest iron ore reserve in the world. Other scattered iron ore deposits and manganese are known to occur in north-western Tripolitania. Huge quantities of silica sand and travertine, Sodium carbonate (trona), pure form of sulfur, dimension stones and gypsum are found in Fezzan region. Gypsum, limestone, gravel and clay are found in abundant quantities next to both northern Tripolitania and Cyrenaica. However, not all resources have been exploited, Libya has suffered from the distances and technical problems, in particular, it does not have sufficient transport infrastructure to make those nonpetroleum resources commercially viable in large quantities for foreign export. Thus, the problems of transport infrastructure are potential opportunities for improvement in the area of transport and logistics.

At the level of the domestic industry, the National Mining Corp. (NMC) and its subsidiaries have failed to utilise these nonpetroleum resources effectively with the aim of increasing production and boost local income. As a result, in 2012, a report from Central Bank of Libya (2013) showed over the three years from 2010 to 2012 the average contribution of mineral industry to GDP was about 0.13% or 97 million, and this is a very small contribution when taking into account the large volume of non-petroleum/ mineral resources in Libya. Thus, the opportunities lie in the possibility of exploiting these resources by investing in transportation, distribution and ports. From the other side, Libya has suffered from the extreme scarcity of agricultural and water resources. Most of the Libya's land is not suitable for farming or agricultural purposes. Sandy soils and sand dunes (i.e. Sahara Desert) cover about 90% of the total area of the country. Agricultural statistics estimated that the actual area utilised for cultivation is about 1.3 % of the total area of Libya, with 0.17 % planted to permanent crops and most of Libya's arable areas lie in the Al-Jabal Al-Akhdar (the Green Mountain) region nearby Benghazi city and the Jifarah Plain around Tripoli (FRD, 2005).

Recent reports (Allurentis & UKTI, 2014; Delony, 2013; iSBET, 2013; KPMG, 2014b) about the available opportunities in Libya indicate that since Libya has minimal rainfall and is 90% Sahara Desert, making the country an attractive location for solar power investment. For example, research by iSBET shows: if 0.1% of the Libyan Sahara Desert is covered with solar panels, it could generate just about five times the amount of energy from solar power than it currently produces from crude oil. According to the calculations of experts, each square kilometre of desert receives solar energy equivalent to 1.5 million barrels of oil a year, allowing the opportunity for Libya to become a giant of renewable energy, with establishing linkages with the European and African markets. Moreover, the research has also found that Libya could generate enough wind energy to meet its own demand of the total electric energy demand, as there are several locations along the coast, experience high wind speeds which last for long periods of time, especially in Darnah city (Allurentis & UKTI, 2014; Delony, 2013). Thus, both renewable solar and wind energy in Libya represent great opportunities for Libyan and foreign entrepreneurs who can invest in new successful investment projects.

The breadth of investment opportunities in Libya is enormous, in particular in infrastructure projects. The post-civil war reports (Allurentis & UKTI, 2014; KPMG, 2013) indicate that Libya now has huge infrastructure needs, ranging from public housing, power and electricity, roads, rails, ports and communications, through education and healthcare improvements, to drinking water networks and sewerage system, financial services and safety and security. The Libyan government aims to invest US$200 billion in Libya's post-conflict reconstruction programmes, as it was expected to spend more than US$140 billion in infrastructure and housing projects over the next decade. The 2013 Libyan government signed infrastructure contracts with large international companies, worth more than US$50 billion over the next three years (Allurentis & UKTI, 2014; KPMG, 2014a; Libya-Herald, 2013). However, the 2016-2017-2018 and 2019 events have led to canceled or ended such contracts.

In the utilities sector, the 2013 Libyan government has allocated US$6 billion to drinking water networks, sewerage systems, desalination plants and power transmission lines. Increasing electricity demand is generating unique opportunities in the utilities sector, the power generation capacity is currently approximately 5GW and Libya's power demand is growing quickly about 6 to 8 per cent annually and is estimated to reach 8GW in 2020. However, the General Electric Company of Libya (GECOL) has a plan to spend US$7.5 billion by building multiple combined cycles and steam cycle power plants to increase the electric output from 5GW to 9.7 GW within the next five years. The other opportunity identified is public housing. The growing Libyan population reached 6.1 million in 2014 and is planned to rise to 7.3 million in 2020. Over 50% of population is under the age of 20 years —combined with the booming economy— guarantees high growth rates in the construction sector in the coming years. In 2010, there was a housing shortage of approximately 900,000 units and has exacerbated by high levels of homelessness following the 2011 conflict. The government estimates that the Libya will face a housing shortfall of about 500,000 units by 2020. In fact, Housing & Infrastructure Board (HIB) estimates that there is a need to build 70,000 units a year to keep pace with the growing population (Allurentis & UKTI, 2014; Libya-Herald, 2013).

The investment opportunities in the field of railway and bus, and airport are attractive. In 2014, the Libyan government allocated 2.5 billion to build two new international airports in Benghazi and Misurata cities and upgrade four small airports in Tobruk, Martouba, Kufra and Ghat cities. It was expected that the new airports will expand the airport capacity from five million today to approximately 28 million passengers a year. Libya has had no railway in operation since 1965 and public bus services since 1970. The Libya Rail Implementation Authority (LRIA) aims to spend US$4.5 billion project to link Benghazi and Sirte with a 554-kilometre rail network and LRIA also aims to build a railway-line from Misurata to Sabha at the centre of a mineral-rich area. Previously, Libyan government was also looking at building a new nationwide bus network through a private sector venture or a Public Private Partnership (PPP) basis (Allurentis & UKTI, 2014; Libya-Herald, 2013).

Tourism assets and infrastructure projects represent an outstanding opportunity for local and foreign investors. At the level of tourism projects and infrastructure, the Libyan government has planned to spend a US$2.5 billion upgrade of the country's airports and US$7 billion in tourist and hotel construction projects (Allurentis & UKTI, 2014). On the other hand, at the level of natural tourism assets, Libya has great potential as a destination with its diverse high quality and unique natural tourism assets including its archaeological heritage, such as the ruins of ancient Roman and Greek cities, its mountains, spectacular beaches and its desert. Some experts say that natural, archaeological, and cultural heritage will be a major component in the Libyan tourism product, safaris, trekking and spa tourism along Libya's spectacular golden and white beaches offer opportunities for attracting high-spending market segments (Bennett & Barker, 2011; Jones, 2010).

4.2. Environmental Complexity (Challenges)

The documentary analysis demonstrated that the environmental complexity theme is a second distinguishing characteristic of a business environment in Libya. The environmental complexity is a function of two external factors: 1) security, 2) political and legal. These factors form serious challenges for doing business in Libya. In fact, there is a degree of inter-relatedness/interactions between the two factors affecting all the firms' operations and industries, industrial or service-oriented. In the following paragraphs, the previous factor will be presented in detail.

4.2.1. Security Instability

The documentary analysis referred that the fall of the Gaddafi regime left a security semi-vacuum in Libya. This security semi-vacuum was followed by weapons proliferation among non-state groups that leads to the spread of crime and theft and political assassinations accompanying by the weaknesses of national army and police forces. Indeed, the majority of former rebels or militias has refused to integrate into the national army for ideological and political reasons. Consequently, the militias and the Libyan Muslim brotherhood party have capitalised on the vacuum left by joining together to form a new body parallel to the national army, called the Libyan National Shield, this has led to creating an armed conflict with the national forces alliance and national army in 2016.

The unstable security environment has resulted in an increase in violent crime and theft. For instance, antiquity theft and smuggling, kidnapping, the siege of government ministries, closing oilfields and ports and attacks on foreign embassies in both Benghazi and Tripoli. Three of the most famous of these assaults are: Jordan's ambassador to Libya, Fawaz Al-Itan was kidnapped in Tripoli in April 2014 and then he was freed by his captors in exchange for a Libyan militant jailed in Jordan. In addition, organised terrorist attack carried out by extremists on the U.S. Consulate in Benghazi that resulted in the death of Ambassador John Christopher Stevens and three other Americans. Lastly, the security crisis is further exacerbated by the assassination of military officers and human rights activists, which has been occurring approximately twice every week (Karadsheh, 13 May, 2014; Kirkpatrick, 21 Jan, 2015; Mikail, 2013).

The current security situation (in this case, the heightening insecurity) is not conducive for Foreign Direct Investment (FDI) and local investment in Libya. The instability of the security situation led the large foreign investors in oil and gas in Libya, including British Petroleum (BP) (UK); Wintershall (Germany); Total (France); Repsol (Spain); as well as German civil and industrial construction Company Bilfinger Berger-except Eni S.p.A. (Italy)-to escape from the country to a more stable environment. Hence, the instability of the security situation in Libya has become a major obstacle to FDI and expertise attraction and increase crude oil production capacity and therefore it is a severe constraint to economic growth at least in the short term. A report in April 2014, from one of the largest professional services companies in the world, which is KPMG, indicated that political instability and economic policy uncertainty as well as fears over the security situation in Libya influencing slow FDI inflows over the short- to medium-term.

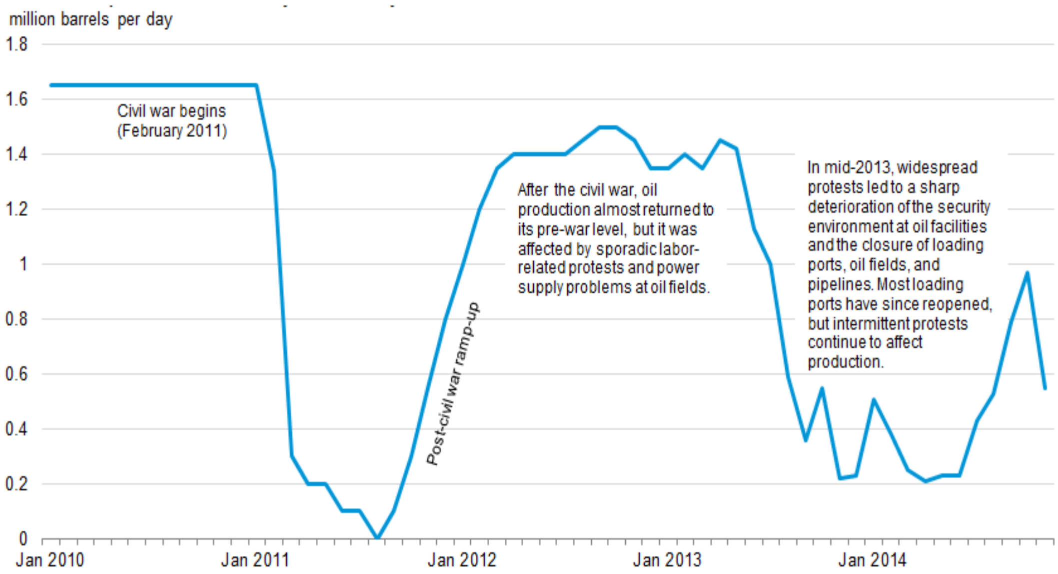

Figure 2: Crude oil production in Libya and unstable security environment(KPMG, 2014a).
Source: U.S. Energy Information Administration, Short Term Energy Outlook, November (2014)

The above line graph shows the production of crude oil has been fluctuated wildly by political and security unrest in the aftermath of the Libyan revolution. There are two periods need further attention. Firstly, from the end of 2011 to the mid-2013, the oil production level more or less returned to its pre-civil war level; however, it was slightly impacted by sporadic labour-related protests and power supply shortages at export terminals and oil fields. Secondly, from mid-2013 to mid-2014, armed militias in the eastern regions (i.e. Cyrenaica) and the western part of Libya blocked intermittently oil fields and oil loading terminals and therefore limiting oil production-the backbone of Libya's economy- to about 200,000 barrels per day in the mid-2014. Thus, in Libya, where Brent oil prices were previously below their break-even price in 2011, the probability that this may occur again remains quite high. In other words, Libya could face sizeable fiscal challenges over the near – and medium terms owing to their relatively high break-even prices (Caceres & Medina, 2015).

Four global competitiveness reports from the World Economic Forum (2010, 2012, 2013, 2014a) along with a global enabling trade report from the World Economic Forum (2014b) and the Arab world competitiveness report from EBRD (2013) showed an increased awareness of terrorism and violent *crime and theft* activity has resulted in increasing the costs of doing business in Libya. The business costs of crime and violence index decreased gradually with the rampant deterioration of the security situation in Libya. The index decreased from 5.9 score in 2010, to 5.6 score in 2012, 4.3 in 2013 and 2.5 in 2014, where [(worst=1) (best=7)]. In a similar way, business costs of terrorism index declined from 6.3 score in 2010 to 5.4 score in 2012, 4.1 in 2013 and 2.4 in 2014. Indeed, the deterioration of the security situation in Libya is resulted by decreasing the reliability of the Libyan national army and police services to enforce law and order, as the index of reliability of police services fell from 3.5 score in 2010 to 2 score in 2014, where [1= cannot be relied upon at all; 7 = can be completely relied upon], according to the Global Competitiveness Reports 2010-12-13-14a issued by the World Economic Forum.

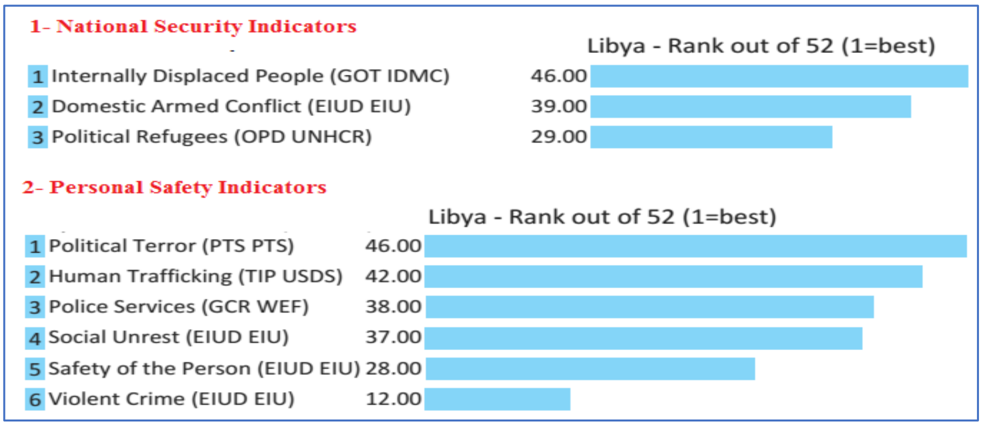

Figure 3: 2014 Ibrahim Index of African Governance (IIAG)-Libya
Source: Mo-Ibrahim (2014)

The figure above illustrates some of the main indicators of the security and safety situation in Libya in 2014. It can be seen from the data in Figure 3 that the overall quality of security situation is poor, whether on a personal level or national level. On the national level, the first two indicators reflect the bad situation; the internally displaced people indicator reflects how bad Libyan people displaced within the western part of the country due to internal violence and conflict and human rights violations, for example Tawergha Refugees' camp in Janzur *District* in the western regions of Libya. The domestic armed conflict indicator reflects the level of internal conflict.

On the personal level, the political terror indicator is very high, since the human and physical rights abuses have been common attributes of the post-civil war period in Libya, especially in the city of Benghazi. Since 2012, the militias' violence and political terror have led to the murder of more than 500 activists, jurists and military officers. The human trafficking indicator is high; a special report from the U.S. Embassy in Tripoli indicates that since 2013 Libya has become a destination and transit country for migrants. Human traffickers have taken advantage of fragile security and political instability, using Libya as a transit point for migrants from sub-Saharan Africa and the Middle East to Europe (U.S. Embassy in Tripoli, 2014). The last important indicator is police services. As can be seen from the above figure, the Libyan protective services division, which is responsible for law enforcement activities and physical security, has to some extent failed to enforce the law and order (OS) in Libya.

4.2.2. Political and Legal Instability

The documentary analysis reveals that since the end of 2011, the absence of government intervention and lack of law enforcement capacity and implementation have become signs that cannot be concealed. The Libyan authorities have been unable to provide adequate security for its people and to rein or exert authority over militias resulting in chaos and instability in society. This is due to the absence of real institutions that have the authoritative means of enforcing law and order. However, regrettably, most Libyan institutions-except the central Bank-are repeatedly at the mercy of militias that impose their own agendas on the government. As a result, the violent actions of militias and insecurity situation have been fostered partly by the Government's inability to impose law and order throughout the country. Some reports (ADB, 2014a; Foreignaffairs, 2014; Messner, 2012; Mikail, 2013) indicated that the use of violence and the power of the militias and the weakness of law enforcement capacity and implementation in Libya have influenced legislation, undermined the central government and decreased confidence in the government and its institutions. As a consequence, Libya is facing a legitimacy crisis threatening the country's democratic transition.

At the regulatory environment level relating firms, there are legal and bureaucratic difficulties in doing business in Libya. Reports from the African Economic Outlook (AEO) (2014, 2019) indicated that the regulatory environment is opaque and difficult to predict and the rigidity of business laws affect most entrepreneurs/businesses, as doing business in Libya involves multiple unavoidable obstacles and procedures and excessive bureaucracy to formally operate. For example, the development of local commercial firms is restricted by legal and bureaucratic difficulties in the business environment; it takes almost 35 days to start a new business in Libya, compared to 11 days in Tunisia (The World Bank, 2014). Therefore, according to the Global Competitiveness Index (World Economic Forum, 2014a), Libya performs poorly in terms of efficiency of business legal frameworks in settling disputes (135 out of 144), effectiveness of anti-monopoly policy (143 out of 144), the business impact of rules on FDI in terms of encouraging or discouraging FDI (135 out of 148), and the prevalence of foreign ownership of businesses (143 out of 148).

Likewise, according to doing business indicators issued by The World Bank (2014), the rank of Libya in terms of the ease of doing business is 187th out of the 189 economies covered in the study. In specifics, Libya is ranked as 171st as one of the most difficult country in terms of starting a new business, 186th in terms of getting credit, 187th in terms of protecting investors, 150th in terms of reinforcing contracts, and 189th in the area of dealing with construction permits, resolving insolvency and registering property. Overall, according to the Mo Ibrahim Index, Libya is one of Africa's poor-performing economies with regard to business environment, scoring 28.7 out of 100- far below the continental average of 49.1 and even below the regional worst average of 34.9 (AEO, 2014).

2013 Index of Economic Freedom indicated that the economic uncertainty in Libya is very high because of the weak interim government makes an effort to restore the rule of law and establish a new system of effective governance. Thus, one of the difficulties of investing in Libya is due to the rule of law has not been well established and the foundations of economic freedom are weak in every area. The report also referred that the spread of corruption has been encouraged by the absence of effective fiscal, judicial, and commercial institutions in the post-civil war period. Moreover, regulatory efficiency (i.e. business freedom, labour freedom, and monetary freedom) has been very poor and only limited private entrepreneurial activity has been successful. Application of regulations has been inconsistent and non-transparent and the labour market is destabilised, and the large informal sector is an important source of employment (Miller, Holmes, & Feulner, 2013).

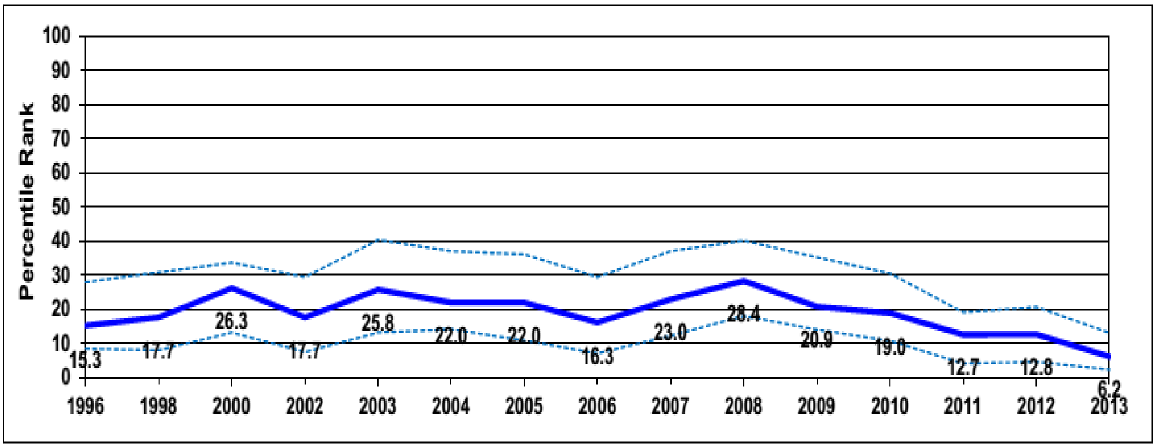

Figure 4: Rule of Law
- The line graphs include margins of error shown as dashed lines, corresponding to 90% confidence intervals.
- The high percentile values indicate better political stability scores.
Source: Kaufmann, Kraay, and Mastruzzi (2014)

The graph above shows the indicator of the rule of law from 1996 to 2013. The indicator of rule of law (RL)- “capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence” (Kaufmann et al., 2014). It can be seen from the data in Figure 5.9 that Libya had a low percentile ranks (below midpoint: the 50th percentile), as the maximum rank is about 28th in 2008. However, because of civil-war circumstances and the conditions of political and security instability in post-civil war period, the Libya’s low rank slumped sharply to a very low percentile rank of about 6th in 2013 (sees Figure 5.9).

Therefore, the low quality of rule of law in Libya reflects three current facts. Firstly, the low rule of law results in increasing default risk and a high crime rate, including street crime and car robberies, and armed weapons are readily available to militiamen or criminals. Secondly, in the post-civil war period, Libya legal enforcement system has become weak and thus it has weakened the ability of courts to protect the rights of people or local/foreign investors abused by militias, Government or the management. Thirdly, in 2004, a report from the Inter-American Development Bank (IDB) indicated that in countries with low rule of law; labour market regulations are probably to be less stringent because of there is a large informal sector and the regulations are not enforced (IDB, 2004). This is what has seen in Libya in both pre-and-post-civil war periods; because of low rule of law, the most important source of employment in Libya is the informal sector (Miller et al., 2013; Porter & Yegin, 2006).

In 2014, a report from Mo-Ibrahim Foundation, showed that rule of law in Libya is ranked as 49th out of 52nd (1=best), as one of the lowest in the Africa continent. The report also indicated that Libya judges do not have full autonomy and independence to interpret and review norms, without fear or influence of political parties, such as Muslim-Brotherhood party or powerful groups such as Libya Dawn militias. As well as judicial processes in Libya is very poor, since the legal processes are subject to interference and distortion by interest groups (Mo-Ibrahim, 2014). Overall, the low quality of rule of law closely corresponds with what indicated by 2013 Index of Economic Freedom report, as it showed one of the difficulties of investing in Libya is due to the rule of law has not been well established (Miller et al., 2013).

4.3. Business and Political Ties

For reasons related to legal instability, the inefficiency of business legal framework, and a *collectivistic culture;* the documentary analysis showed that *business systems in the Libyan economy are* noticeably different from those established in the developed economies. The fundamental difference is that the majority of Libyan economic/business systems is relationship based instead of market based. That is, the connectedness of business relationships and ties among local traders and firms has a very personal content—kinship and friendship based—reflecting close ties between individuals/traders, often strong extended families, tribal bonds, regional loyalties and extended personal relationships in doing business. Therefore, loyalty in a collectivist culture in Libya society overrides most societal and business rules and regulations.

The following two quotations from two foreign investors talked about business systems in Libya in the pre-and-post civil war period. An interview with Diane Jones on 31/07/2009, who is the U.S. and Foreign Commercial Service's senior commercial officer in Tripoli, Libya, clearly declared that:

> "*Business in Libya is all about relationships. Deals happen on the strength of personal contacts*" (NFTC, 2009).

An interview with Adrian Creed on 14/05/2013, who is a partner at Clyde & Co, the first international law firm established offices in capital city Tripoli since the revolution, stated that:

> *"*Business *in Libya is relationship based. Being on the ground early is important as it shows a commitment to the new country, which facilitates building these relationships and gives us a strong platform to develop and grow the practice as the market evolves and key governmental structures*" (Creed, 2013).

The documentary analysis reported that the inefficiency of business legal framework, collectivist culture and situation insecurity have reflected the idiosyncrasy of doing business system in Libya. In particular, for operating in the complex business environment of Libya, which is still experiencing significant transformation, the Libyan managers have desperately sought to make the struggle to establish mutual ties with relatives/friends/officials, managers at other firms throughout Libya and relatives/friends/officials who work in government departments and regulatory institutions in the central government in Tripoli. The greater incentive of such mutual ties is to obtain policy support or project approval and to reduce institutional barriers or even to adapt to new regulatory changes by receiving a preferential treatment or favouritism from governmental officials. As well as, Libyan managers have sought to open dialogues with their counterparts—other managers/competitors—to enter into informal information sharing and informally engaging in similar problem-solving tasks in order to identify new opportunities and neutralise threats. Overall, the business systems are based on three different interrelated ties to do business and deal with high environmental complexity; including 1) political and business ties, 2) tribal/regional ties, and 3) nepotistic ties.

A recent joint report (2014) from Allurentis LTD and the UK Trade & Investment indicated that the Libyan market is not a straightforward market. UK companies have to devote time, effort and resources in establishing strong local relationships with trusted local partners for two purposes. Firstly, because the restrictions on foreign ownership in Libya, a strong local relationship with a trusted local partner provides a guidance on business protocol and to build the requisite joint venture undertakings. Secondly, the Libyan local partner possesses local knowledge, a network of contacts and operational support that play a significant role in creating and growing successful new ventures in post-Revolution Libya. Moreover, secondary data about doing business in Libya in the pre-civil war period, indicated that the Western representatives in Libyan found that the strength of personal contacts and network ties play a role in providing valuable information about available opportunities and deepening the internationalisation processes in Libya (Dana, 2008; UKTI, 2009).

It, however, seems that relational-based business systems in Libya are most vulnerable to the problem of favouritism/nepotism, bribery and corruption. Even though, there has been no Libyan study that has shown the dark side of business systems in Libya, the current documentary analysis has (Iles, Almhedie, & Baruch, 2012; Jodie & Gorrill, 2007; Porter & Yegin, 2006) revealed that most business relationships and successful business deals in Libya are based on what so-called vitamin “W” or “Waw “و” ”, which is the abbreviation of the word “Wasta or or Wasata”. The term Wasta is a synonym of “favouritism and nepotism” and “clout and kin or clan and business-based acquaintances”. The most successful Libyan businessmen and traders used the influence of their high-clout relatives and clan ties or mutual business acquaintances to fulfil specific aims. For instance, using intermediaries (E.g. governmental officials and traders) to quickly access to credit and obtain a bidding and contract for the firm. Thus, the Libyan businessman or any citizen receiving the Wasta/favouritism incurs a debt of gratitude which should have to be reciprocated in unstated ways at some point in the future.

The documentary analysis showed that the spread of Wasta or favouritism culture and practices in the business systems have led to creating mutually beneficial and interpersonal networks. The interpersonal networks have used bribes to accelerate commercial procedures and ease access to bank loans, as well as the competitiveness of many Libyan firms is frequently based on interpersonal networks which enable specific firms to win contracts (Iles et al., 2012; Porter & Yegin, 2006). In recent three global competitiveness reports about favouritism, the Libyan government officials have been gradually showing favouritism to well-connected firms and individuals when deciding upon policies and contracts. Libya ranked 50 out of 144 in 2012, 90 out of 148 in 2013 and 124 out of 144 in 2014 and an average assessment of Libyan favouritism index during the last three years 2.87 as the scale is [1= always show favouritism; 7= never show favouritism]. Thus, in this context, *the* Wasta and *favouritism in decisions of government officials* is the greatest detractor and the egregious unfairness of the current business system.

5. DISCUSSION

The research question and objective were answered by showing that the business activity is influenced by two characteristics of business environment in Libya. These are the environmental magnificence and the environmental complexity. Such characteristics are interrelated and not independent. These characteristics have effects on business development and the ability of local and international firms to expand their activities and to increase their size and even undertake new and/ or better business projects. The environmental complexity characteristic has continued to serve as a barrier to Libyan business environment's attractiveness to international firms, domestic and foreign investors and businesses. Thus, the findings have confirmed that security uncertainty and volatility have continued to serve as a barrier to domestic and foreign investors and businesses in Libya.

The present study confirms the some findings and contributes additional details showing that the business activity is not only influenced by one factor alone, like the terrorist attack in Sousse in Tunisia (BBC, 2015a; GOV.UK, 2015), or the continued political instability in Egypt (Mansfeld & Winckler, 2015). Rather, the Libyan business activity is influenced by a combination of multiple and interrelated risk factors, which are security uncertainty and volatility, including crime, armed and political conflicts and terrorism, along with the weak army and police. Indeed, all of these factors simultaneously limit the business development in Libya. Thus, this study has advanced extant literature by about the effects of the interaction between armed and political conflicts. Furthermore, terrorism and the weaknesses of the army on business development are far more severe than the effects of only one factor, like political conflict. This finding suggests that the weakness of the Libyan National Army and security apparatuses have significantly contributed in creating a turbulent security environment. In particular, the turbulent security environment has not only influenced the tourism sector and international tourist flows to Libya, but also the tourism sectors in neighbouring countries. For instance, in the 2015 Sousse attacks in Tunisia (Palmer, 2015), the gunman who killed 38 tourists in Sousse, is believed to have received weapons training from terrorist groups in Libya (Skynews, 2015).

The study found that legal and bureaucratic difficulties increase legal complexity and difficulties in getting credit, enforcing contracts and protecting investors. Thus, the findings of this investigation complement those of the pre-Libyan civil war literature (e.g., Alfergani, 2010; Jwaili, Thomas, & Jones, 2005; Porter & Yegin, 2006; WEF, 2009, 2010). Moreover, the result of legal and bureaucratic difficulties confirms the 2011 interim constitution of the NTC (LC, 2011). Article 35 of the interim constitution declared that all preceding laws and regulations (i.e. from the previous regime) are to remain in effect. As a result of this Article, bureaucratic and legal hurdles faced by entrepreneurs remain unchanged. Indeed, the result of legal and bureaucratic difficulties also confirms the findings of the reports conducted by the World Economic Forum (WEF (2009, 2010, 2011, 2012, 2013a, 2014b, 2014c) and the World Bank (WB (2009, 2010, 2011, 2012, 2013, 2014), in terms of the difficulties in doing business and the price competition in Libya and other emerging economies.

With regard to business and political ties, the findings revealed that the business and political ties, to some extent, play an important role in grasping opportunities and facing challenges. This study makes a major contribution to research on emerging economies literature by demonstrating that the business and political ties have a major role in the complex business environment of Libya. As establishing mutual ties with relatives/friends, managers at other firms throughout Libya and officials, who work in government departments and regulatory institutions in the central government in Tripoli, plays a role in creating opportunities.

In fact, the findings of the current study have a number of implications has been suggested. In particular, the Libyan Government must strive to make joint efforts with neighbouring countries (Algeria, Chad, Egypt, Niger, Sudan and Tunisia) to consolidate control over the borders to prevent the flow of weapons to criminals and terrorists, as well as stop the flow of illegal immigrants. Moreover, the Libyan government should seek technical assistance and cooperation with the UN, the EU and the U.S in the field of security cooperation and training of the army and police forces and increasing the capacity of employees of the Department of Interior to impose security and stability across the country by enforcing security inside cities. Thus, the improvements in the effectiveness of the Libyan National Army and police services will play a role in enforcing law and order and reducing the cost to business because of unstable security conditions.

The improvement in the Libyan security situation can raise awareness of Libya's business potential (opportunities) in the major source investors, such as the EU, by altering perceptions of Libya as an unsafe destination. In other words, these efforts can play a role in sending a message of reassurance to related parties about available opportunities in the post Libyan business environment, especially domestic and foreign investors. In addition, the Libyan business environment can be supported by making some changes to business related-regulations and legislation, in order to cope with legal and bureaucratic difficulties and obstacles. In particular, changes should be made to the following regulations: that of starting a new business, getting credit, protecting investors, reinforcing contracts, as well as paying taxes and registering property, as they all influence domestic businesses and foreign investors. Therefore, it is not difficult to imagine how legislative and institutional supports would benefit Libya in general and help flourish related sectors in particular oil and gas sectors.

The Libyan government has sought to enhance the Libyan business environment through improving the security situation and rebuilding some related components of infrastructure. However, the Libya government's involvement has been limited to date and should be tangible and direct especially in the post-civil war stage. Indeed, there are five governmental priorities that are required to support the business environment and achieve growth in the post-civil war period. First, there must be a governmental commitment to allocate adequate resources from its national budget to finance post-civil war development and infrastructure improvement, and even provide financial incentives or fiscal subsidies to local firms. Second, governmental commitment is necessary for overcoming financial difficulties regarding the development of the inadequate pre-civil war infrastructure components, such as electricity, drinking water distribution, transportation and telecommunications, as they have become worse since the war.

Third, the Libyan government must play a significant role in re-establishing the regulatory environment for encouraging foreign direct investment to invest in related service and industrial projects and joint ventures with local businesses. Fourth, in order to raise the awareness and re-engineer images of Libya abroad as a potential destination for entrepreneurial opportunities, marketing tools and techniques are needed to reassure and attract foreign visitors. The government can draw on the experience of brand destination specialists, digital marketing experts and advertising companies, for example, the Libyan government should look to neighbouring countries, especially the states of the EU, to raise awareness and create positive images of Libya as the country of investment and entrepreneurial opportunities.

The last priority is that there should be government involvement in terms of providing education and training facilities. The government should coordinate with the universities and other education providers to design educational programmes, aiming at building business leaders and managers' capabilities and the entrepreneurial development skills needed to apply business planning and development, environmental protection, as well as understand the opportunities and challenges in the post-civil war business environment. In addition, governmental support is necessary to develop existing training institutions and create new ones for developing skills in culinary arts, food and beverage management, events management, meetings and lodging management. Therefore, the human resource development will not only benefit the Libyan Government, but it will also help Libyans to benefit from business development.

Although the use of documentary analysis plays the important role in revealed some aspects of doing business in the post-civil war period, future research could use interview data to confirm the findings of the documentary analysis. Additional studies could examine how existing local or international firms cope with ongoing turbulence in Libya. Finally, the characteristics of the Libyan business environment need further exploration. Although this paper provided an important opportunity to advance the understanding of doing business in Libya, this paper has been limited to the context of Libyan business environment. That is, the findings may not apply to other countries like Egypt or Tunisia. In addition, the other limitation is that a detailed analysis of governors', entrepreneurs', businessmen's' view is beyond the scope of this paper because the limited financial resources of the researchers to make interview with them.

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Declaration of Interest Statement

The authors declare that they have no conflicts of interest.

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