

**THE REPUBLIC OF TURKEY BAHÇEŞEHİR UNIVERSITY**

**NEXT GENERATION OF EMERGING  
MARKETS, EXPORT POSSIBILITIES OF  
TURKISH FRUIT JUICE AND  
CONCENTRATE TO LIBYA**

**Master's Thesis**

**FOROUGH HESAMI GHAHRAMANLOU**

**ISTANBUL 2014**



**THE REPUBLIC OF TURKEY BAĞÇEŞEHİR UNIVERSITY**

**INSTITUTE OF SOCIAL SCIENCES**

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MASTER OF MARKETING

Name of the thesis: EXPORT POSSIBILITIES OF TURKISH FRUIT JUICE  
AND CONCENTRATE TO LIBYA

Name/Last Name of the Student: FOROUGH HESAMI GHAHRAMANLOU

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## ACKNOWLEDGMENT

My first and sincere appreciation goes to Mr. Oral ANSEN, my senior supervisor for all I have learned from him and for his continuous help and support in all stages of this thesis. I would also like to thank him for being an open person to ideas, and for encouraging and helping me to shape my interest and ideas.

I would like to thank my family, especially my mother and father for always believing in me, for their continuous love and their supports in my decisions. Without whom I could not have made it here.

My greatest appreciation and friendship goes to my closest friend, Farid HADDADZADEH, who was always a great support in all my struggles and frustrations in my new life and studies in Turkey.

Thanks to my supportive friends, Estelle GIANNAKOPOULOS and Pat GIANNAKOPOULOS who helped me in gathering data about some chapters of my thesis.

Istanbul 2014

Forough HESAMI GHAHRAMANLOU

## ABSTRACT

Export Possibilities of Turkish Fruit Juice and Concentrate to  
Libya

Forough HESAMI GHAHRAMANLOU

Master Thesis

Instructor Oral ANSEN

January, 2014, 81 Pages

Nowadays, being globalized is the main goal of every country. All countries are trying to enter foreign markets and trade with the world. There are some emerging countries in the world that are growing very fast, such as China, India, Brazil, Russia and some African countries. Companies are looking for ways to enter emerging markets. Libya which is located in North Africa is one of the fast-growing emerging markets, so entering to this market could be interesting for any country. As Libya does not have enough resources of food and drinks, using food and beverage products could be the best choice for companies to enter this market. Countries that have good relationships like Turkey will have a better chance. The purpose of this thesis is exploring possibilities of entering to emerging markets like Libya using products such as fruit juice and juice concentrate.

In order to find out the possibilities of trading with Libya, the scope of research was narrowed to focus on export of fruit juice and juice concentrate from Turkey to Libya. Libya has a highest GDP among North African countries and it has not enough sources for food and beverages, so Libya is mostly importing food and drink products. As Turkey has a good relationship with Libya and because export is the easiest entry mode to a market, this research was conducted to find out possibilities of exporting fruit juice from Turkey to Libya.

**Key words:** Emerging Markets, Export, Marketing Strategies, Fruit Juice, Import,

## ÖZET

Türkiye'nin meyve suyu ve konsantresinin Libya'ya ihracat  
olasılıkları

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Yüksek Lisans Tezi

Öğr. Gör. Oral ANSEN

Ocak, 2014, 81 Sayfa

Küreselleşme, tüm ülkelerin önemli hedeflerinden biri haline gelmiştir. Ülkeler dış ticaretlerini geliştirme ve başka ülkelerle ticaret yapmaya çalışıyorlar. Dünya da ki bazı ülkeler çok hızlı geliyorlar, Çin, Hindistan, Rusya ve bazı Afrika ülkelerini bu konu için örnek göstere biliriz. Bu nedenle diğer ülkeler pazarlarını geliştirmek için bu ülkelerle ticaret yapma yollarını arıyorlar. Yakın ve iyi ilişkileri olan ülkelerin birbirinin pazarına girme şansları artıyor. Bu hususta Türkiye ve Libya'yı örnek gösterebiliriz. Kuzey Afrika da yer alan Libya, hızlı büyüyen ve gelişmekte olan pazarlardan biridir. Bu nedenle bu ülke pazarına giriş her ülke için cazip olabilir. Bu ülkenin yeterli yiyecek ve içecek kaynakları bulunmadığından, gıda sektörü yolu ile bu ülkenin pazarına giriş yapmak en uygun yollardan biri ola bilir. Bu araştırmanın amacı Libya gibi gelişmekte olan ülkelere meyve suyu ve meyve suyu konsantresi ihracat imkânlarını incelemek. Ticaret çok geniş bir kavram olduğu için, bu araştırmanın kapsamı Türkiye ve Libya arası meyve suyu ve meyve suyu konsantresi ticaretine sınırlanmıştır. Kuzey Afrika'nın en yüksek GDP'ye sahip olan ülke Libya'dır. Bu ülkenin gıda ve içecek kaynakları kısıtlı olduğu için, yiyecek ve içecek ürünleri Libya'nın en yaygın ithalatıdır. İhracat bir pazara girmenin en kolay yolu olduğu için ve Türkiye ve Libya'nın iyi ilişkilerinden dolayı bu çalışmada Türkiye'den Libya'ya meyve suyu ve konsantre ihracat olasılığı araştırılmıştır.

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## **Abbreviations**

ATA: Admission Temporaire

BEM: Big Emerging Markets

BRICS: Brazil, Russia, India, China, South Africa

FDI: Foreign Direct Investment

Four Tigers: South Korea, Taiwan, Hong Kong and Singapore

GDP: Gross Domestic Production

GNC: General National Congress

G7: Group of Seven

G9: Group of Nine

IMS: International Market Selection

L/C: Letter of Credit

LNCSM: Libyan National Centre for Standardization and Metrology

MSCI Index: Morgan Stanley Capital International Index,

NTC: National Transitional Council

OPEC: Organization of the Petroleum Exporting Countries

PET: Polyethylene terephthalate

R& D: Research and Development

SPS: Sanitary and Phytosanitary Standards

SEC: Socio-Economic Class

TCA: Turkish Contractors Association

T/T: Telegraphic Transfer,

## 1. INTRODUCTION

Nowadays, being globalized is the main goal of every country. All countries are trying to enter foreign markets and trade with the world. There are some emerging countries in the world that are growing very fast, such as China, India, Brazil, Russia and some African countries. Companies are looking for ways to enter emerging markets. Libya which is located in North Africa is one of the fast-growing emerging markets, so entering to this market could be interesting for any country. As Libya does not have enough resources of food and drinks, using food and beverage products could be the best choice for companies to enter this market. Countries that have good relationships like Turkey will have a better chance. The purpose of this thesis is exploring possibilities of entering to emerging markets like Libya using products such as fruit juice and juice concentrate.

In order to find out the possibilities of trading with Libya, the scope of research was narrowed to focus on export of fruit juice and juice concentrate from Turkey to Libya. Libya has a highest GDP among North African countries and it has not enough sources for food and beverages, so Libya is mostly importing food and drink products. As Turkey has a good relationship with Libya and because export is the easiest entry mode to a market, this research was conducted to find out possibilities of exporting fruit juice from Turkey to Libya.

Thesis will start by identifying the emerging markets and doing business with emerging countries followed by evaluating export opportunities in foreign markets and defining the importance of choosing best market and best product for export. Later fruit juice market is analyzed in the world and fruit juice production of Turkey is analyzed. The subsequent two sections are reviewing Libya's economy and the fruit juice market in Libya. At the end, export possibilities of Turkish fruit juice to Libya will be discussed taking into consideration mainly Libya's import regulations, standards, safe payment methods and the competition.

The research methodology for this thesis is qualitative. The research material is derived from books, journals, articles and electronic resources. Availability of fresh statistical data is limited due political developments during the recent years in Libya. There is not any research that is completely related to the subject of this thesis, so this thesis may be useful for those who are active in fruit juice industry and want to enter into Libyan market.

## 2. OVERVIEW OF EMERGING MARKETS

### 2.1. WHAT IS AN EMERGING MARKET?

#### 2.1.1. Definition

Each country has at least three important characteristics that show its stage of economic development. These characteristics are: the purchasing power of its citizens, the sophistication of the business sector, and the adequacy of commercial infrastructure as communications, transportation, and energy generation (Rostow, 1959). Based on this definition countries could be categorized to three groups: advanced economies, developing economies and emerging markets. For defining each economy and understanding of emerging markets' economy, Rostow's theory is mentioned. Walt Whitman Rostow, an American economist and government official (1916-2003), developed a theory in 1960 regarding the stages of economic development. His theory of economic growth presented five steps which all countries should pass these steps to become developed: 1) traditional society, 2) preconditions to take-off, 3) take-off, 4) drive to maturity, and 5) age of high mass consumption (Rostow, 1959). This theory declares that all countries exist somewhere in one of these steps and each country should pass steps to grow for become developed. Here we are briefly mentioning each step and then based on this theory we define advanced economy, developing economy and at least emerging economy.

#### a) Traditional Society:

Traditional societies' economy is based on agriculture and not manufacturing. They are not trading and just exchange their goods. People's income is just for subsistence and providing essential goods. There is a lack of tools of changing and development in these societies. In fact there is a limitation of technology to progress and not lack of innovations.

#### b) Preconditions to take-off:

The initial preconditions for take-off were created in Western Europe out of two characteristics of the post-medieval world which interacted and reinforced each other: the gradual evolution of modern science and the

modern scientific attitude; and the lateral innovation that came with the discovery of new lands and the rediscovery of old, converging with the impulse to create new technology at certain strategic points (Rostow, 1959). In this stage, country's economy starts to develop and radical changes occur in three non-industrial sectors. Society builds up a social overhead capital mainly in transport. Technological evolution in agriculture has been occurred that will increase productivity to meet high population demands. Imports finance by efficient production and marketing of some natural resources is expanded. In fact country starts to exploit natural resources, use transportation and communication in this step. Countries start trading domestic and internationally, so demand for special products are increasing and country starts to produce these goods, using technology. Country enlarges its financial institutions to support all these changes.

c) Economic take-off:

In take-off stage, agriculture sector is modernizing. In fact most of sectors are modernized and society tries to extend modern technology. Manufacturing is important part of economy. During take-off process society should maintain changes of three sectors that mentioned in precondition stage, entrepreneurs and technicians must be enlarged and sources of capital must be institutionalized in a way that economy could face structural shocks and resume growth (Rostow, 1959).

d) The drive to maturity:

Economy is growing more and more when country drives to maturity. Modern technology is used in most sectors. Structure and quality of working force is changed, labor in agriculture and population in rural areas decreases, instead semi-skilled workers increases and urban life expands. Industrialization and entrepreneurship are increasing. Based on these explanations, government can enhance social and economic security.

e) The age of high mass consumption:

In this stage society has reached very high degree of modern technology, so technology expansion is low. Economy reaches its highest level and multinationals emerge in this stage. Societies' income is greater than



necessary to buy essential goods, so it could be concluded that security, welfare and leisure is high in these societies. As income is high, consumers search for additional goods and services.

As a result of high income and advanced economy, these societies have improved health care and educational opportunities.

After explaining economy expansion by Rostow's (1959) theory, here definition of advanced and developing economies would be briefly explained and then definition and characteristic of emerging markets will be discussed.

- i. Advanced economies are post-industrial countries characterized by high per-capita income, highly competitive industries, and well-developed commercial infrastructure. The advanced economies are the world's richest countries and include Australia, Canada, Japan, New Zealand, the United States, and most European countries<sup>1</sup>. Based on Rostow's theory, countries with advanced economy are in high mass consumption stage. This means that these societies have high income, they are using high technology and they have service-based economy.
- ii. Developing economies are low-income countries characterized by limited industrialization and stagnant economies. Of the developing economies, the most numerous group includes Bangladesh, Nicaragua, and Zaire. Developing economies are sometimes called underdeveloped countries or third-world countries.<sup>2</sup> Developing economies are countries that are in first three stages of Rostow's theory. Their economies' growth is slow and they do not use technology in industry. Society's income is enough for essential goods (food, clothing and housing), and there are few people that spend income for other than essentials. As a result of low income, there are not enough educational opportunities.

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<sup>1</sup> [www.prenhall.com](http://www.prenhall.com), "understanding emerging market" 10/15/07, [http://www.prenhall.com/behindthebook/0131738607/pdf/CKR\\_Emerging\\_Markets.pdf](http://www.prenhall.com/behindthebook/0131738607/pdf/CKR_Emerging_Markets.pdf), Page 254 chapter 9

<sup>2</sup> [www.prenhall.com](http://www.prenhall.com), "understanding emerging market" 10/15/07, [http://www.prenhall.com/behindthebook/0131738607/pdf/CKR\\_Emerging\\_Markets.pdf](http://www.prenhall.com/behindthebook/0131738607/pdf/CKR_Emerging_Markets.pdf), Page 254 chapter 9

After brief explanation of developing and advanced economies, understanding of emerging markets will be easier.

Third world nations or developing countries are always trying to change their state as emerging market by having sustainable, market-oriented growth and by using foreign investment. Antonie Van Agtmael coined emerging market phrase in 1981. He coined this phrase to use instead of “third-world phrase for countries that had potential for investment. Agtmael used emerging markets for some developing countries that were in their growth stage to being developed country.

According to Rostow’s (1959) theory, emerging markets are in the stage of drive to maturity. These countries are more industrialized and they start manufacturing instead of agriculture. So their economic is growing rapidly. They are using high technology and they are improving their infrastructure to being developed. People have moderate income and living standards are better than developing countries in emerging markets. As a result of income progress, education opportunities are improving in these countries.

There are lots of definitions for emerging markets and all of them show that emerging markets have growing economic. Marianne Ganster definition is:” Emerging markets are countries that are working to restructure their economies to interface with market-oriented globalization, providing opportunities in trade, technology transfers, and foreign direct investment via open door policies” (Ganster, 2007).

Currently, some 27 countries are considered emerging markets. These economies are found mainly in Asia, Latin America, and Eastern Europe. The largest emerging markets are China, India, Brazil, and Russia.<sup>3</sup> Each of these countries is in different stages. Some are growing faster than others and some of them will become developed in near future. And there are also many countries that have potential to transform from developing economy to emerging market in near future. One of steps that emerging markets should pass, is to become liberalized market. This economy is transition economy. Transition economies Subset of emerging markets that have transformed from centrally planned economies into liberalized markets. It means that these countries

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<sup>3</sup> “understanding emerging market” CAVUMC09\_254-283hr 10/15/07 11:22 AM Page 254 chapter 9

could choose their market with lower restrictions and they would have open policies for investors.

In their first stages, emerging markets are significant buyers of goods. So emerging markets that are growing lower than others or they do not have enough infrastructure or government policies to foreign direct investment, they are appropriate markets to sell goods to them. To attract foreigners to do business with emerging market, or even for direct invest, industries should become private. This term is privatization and it means that state-owned industries change as private concerns.

Generally, emerging markets have industry that is rapidly improving; competition is high in these countries. They are trying to liberalize trade barriers, so trade volume is high in emerging markets and they are mostly trying to be open for foreign direct investment. As a result of all these progresses, income is increasing in emerging economies.

#### **2.1.2. Characteristics of Emerging Markets:**

Emerging markets have a large population and population is mostly young. So there are many labors in these countries and this fact causes to lower labor costs in emerging economies. This characteristic is one of advantages that foreign investors have to enter in to emerging markets.

Most of emerging market countries is rich of resources and they have cheap raw materials for production. This is another advantage for foreigners to invest in emerging markets.

The most important characteristic of emerging markets is their GDP level. These countries GDP level is higher than developed countries and they are trying to reach GDP level of developed countries. In one of Goldman Schas (2011) researches it stated that some countries that are at least 1% of global GDP are growth markets.

As mentioned in Rostow's (1959) grow stages, emerging markets are transforming from agriculture to manufacturing and they are using modern technologies in industries. Indeed they are trying to have progressed economy and higher level of GDP. As emerging countries' economy is in progress, people income is increasing and educational level is improving.

Emerging markets have not completely open policies for foreign investors, but they are more open than developing countries. Actually they are trying to liberalize political system. Emerging markets have also improving economic infrastructure.

### **2.1.3. List of key emerging markets:**

The most important emerging markets that are newly industrialized and growing so fast are, Brazil, China, India, Russia, Mexico, South Korea, Taiwan, Hong Kong and Singapore. There are lots of emerging markets and they are categorized by their stage of economic growth. Many researchers create groups of four or five countries that are in the same stages and named them, like BRICS (Brazil, Russia, India, China), and Four Tigers (South Korea, Taiwan, Hong Kong and Singapore).

The most commonly tracked investment information source is the Morgan Stanley Capital International (MSCI) Index, the Economist, and ISI Emerging Markets. The MSCI Index includes the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey. Additionally, other smaller markets including Estonia, Latvia, Lithuania, Romania, Slovakia, Costa Rica, Panama, Uruguay, Venezuela, Kazakhstan, Vietnam, and Nigeria are also considered to be emerging markets (Ganster, 2007)

Department of commerce has identified below countries as big emerging markets (BEMs), because they have high potential for growth: China, Indonesia, India, South Korea, Mexico, Argentina, Brazil, South Africa, Poland and Turkey. Other countries such as Colombia, Thailand, Venezuela and Vietnam may become big emerging market in near future.

## **2.2. BRICS COUNTRIES, AS EMERGING MARKETS**

The Term BRIC that includes Brazil, Russia, India and China was coined in 2001 by Jim O'Neill; who was analyst in Goldman Sachs. Jim O'Neill in a Goldman Sachs (2001) paper explained importance of these four big emerging countries in world economy and alongside other analysts, they tried to estimate world's economy for future decades. In 2001, China's GDP was higher than that of Italy and also Russia, Brazil and India were growing as fast as some G7 countries<sup>4</sup>. Based on this analysts tried to forecast growth of BRICS and other countries in future, so they would figure out the importance of these countries in global economy. Their findings showed that China's economy would be stronger than 2001(that they did analysis). And also other three countries of BRIC would be stronger than analysis time but not in China's speed. As their estimations, progress of BRIC economies would be so high in later decades, so they believed that for effecting global policy making, these countries should also add to G7 and creates G9. And as discussed in Jim O' Neill's research (building better BRICS), first Russia and then Brazil has capability to enter G7. Although China and India are growing fast but their culture does not match countries that are member of G7.

It is obvious that analysts' estimations are correct. BRICS are four big emerging markets nowadays. Some people believe that these countries should name differently from emerging markets as they are growing faster than other countries. In a study from Goldman Schas (2011) it is obviously shown that BRICs are dominating the world. It is mentioned that, at some stage this decade, the four BRIC economies could collectively become as big as the US, and China alone could grow to around two-thirds the size of the US economy. By 2020, the four will be responsible for almost 50% of the increase in global GDP. In addition to the BRICs, the top ten contributors to global GDP growth this decade and beyond could include Korea, Mexico, Turkey and, possibly, Indonesia. These latter four economies, while certainly not as powerful as the BRICs, are increasingly important for the world economy (Goldman Schas, 2011). Based on these

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<sup>4</sup> G7 countries: The Group of Seven (G7) emerged from the G5, itself an entity that seemed to emerge in April 1973 following a meeting between the then current Finance Ministers of the US, Germany and France. This meeting, which took place soon after the breakdown of Bretton Woods and focused on the resulting international monetary crisis, laid the foundation for the Group of Five (G5). Soon after the addition of the UK, this group met informally, sometimes on the fringes of annual IMF meetings. On November 15-17th France hosted a summit at Rambouillet in France and they and Italy, Germany, the UK and US, together with Japan and Italy, discussed a range of economic and political issues. The regular annual Heads of Summit from then on took place on a G7 basis, with Canada being included. (Jim. O'Neill)

data researchers think that BRICs should call “GROWTH MARKETS” and not emerging market because their growth are higher than other emerging markets.

### **2.3. Africa, as a next generation of emerging markets**

In addition to the four founder countries, BRICS now includes South Africa. The inclusion of South Africa into the group expanded the acronym to BRICS in 2010, and since then the new acronym has symbolized the collective economic power of Brazil, Russia, India, China, and South Africa (Singh and Dube). Nowadays apartheid is officially over and the United Nations has lifted the economic embargo that isolated South Africa from much of the industrialized world for more than six years, prospects for economic growth seem likely (Cateora)

The South Africa market has a developed infrastructure- airports, railways, highways, telecommunications- that make it important as a base for serving nearby African markets too small to be considered individually but viable when coupled with South Africa. It is for these reasons that the U.S. Department of commerce has included South Africa among the big emerging markets (BEMs) of the future (Cateora).

African countries received \$72 billion in foreign direct investment in 2008, which is five times the amount received in 2000. While lower than China’s investments (\$92.4 billions), this amount exceeds that received by other emerging markets such as Brazil (\$45.1 billion). (Hatch and others)

Income per capita is low, but total income is growing in Africa. This Country has high population and estimation shows that until 2020 Africa’s poverty will decrease in large extent, more people will migrate to cities and people who are using technology will increase. This shows growth in Africa economy and evidence shows that it is growing so fast in contrast with other emerging markets (except BRIC). So it is country that foreign investors should focus on. Various forecasts show that consumer’s demand will increase and import rate will also increase in following decades.

Three factors affect demand. A population forecast to reach almost 2 billion by 2050.

Significant decrease in poverty and Rapid Urbanization (Hatch and others)

Increasing demand may cause government to liberalize trade barriers and foreigners can easily enter to this market, and international marketing will cause more economic growth. People will have higher incomes and they will use technology more than before and it would be easier to reach customers via technology.

#### **2.4. Export marketing strategies to enter emerging markets**

Companies enter to foreign markets to get more profit. One of the methods of entering to foreign market is export. Here, exporting to emerging markets is discussed and export strategies to enter emerging markets are explained.

The BEMs differ from other developing countries because they import more than smaller markets and more than economies of similar size (CATEORA). So it is better to enter emerging markets in lower risk way like export and after being experienced invest large amounts. The more direct kind of involvement requires more cost, documentations, regulations and more professional management. As a result, in first step of entering to these countries, export is appropriate.

Economic growth affects the marketing process of the country. As country grows, consumption level also changes. In growth economies, consumers are seeking for new goods and services all the time. So these countries are the best places to foreign investment. And as export is low risk enter mode than other ways, it is better to start with exporting to emerging market, specially emerging markets that are newly growing.

Marketing strategies are different in each society, for example pricing strategy in high income societies is different than low income societies. So export marketing strategies in emerging markets are also different. As emerging markets are growing faster they are in demand stage. But most of emerging markets especially countries with smaller economy has dual economy. This means in some parts of country like Capital, there is sign of modernization and these parts are like developed countries but in contrast in most parts there is sign of traditional societies. So this creates two different market and for sure different marketing strategies. Based on this it is so important to have export strategy before entering emerging markets.

Marketing strategy is systematic way to evaluate strengths and weaknesses of company and opportunities and threats that company faces with, and manage each of them to reach its desired goal. It is so important to use marketing strategy in all stages of marketing especially in entering new market. As exporting is way of entering to foreign market it is essential to have strategic plan and as export to emerging markets have higher risk than entering to developed countries, companies should consider strategic

plan. As Philips mentioned in his book there are four steps of strategic plan. Here these steps are used to explain strategic plan to export to emerging markets.

a) Analyzing emerging market and home country

This stage is for understanding the ability of home country and its exporter to meet host countries requirements. We suppose that emerging market has been chosen. First of all exporter company should be screened. This screening starts with goal of company. As exporter chooses its goal, it should see what skills of marketing do company have, how it can manage export financially, and what kind of product it can export. Exporter should find out its capabilities to be successful in exporting.

After analyzing company, home country should be evaluated. Exporter should find economic, legal and political constraints that his/her country has for entering to emerging market.

The final and more important evaluation is about emerging market. Exporter should evaluate economic, political and legal condition of host market. He/she should also find out regulations that will be needed for import. Then for understanding customer and be successful he/she should search about geography, culture, level of technology, distribution infrastructure and competition in host market. Exporter should also bear in mind that in entering to emerging market there are many uncontrollable situations, and he/she should be ready to face with them.

b) Adapting marketing mix in emerging market

In this stage exporter should find out that which marketing mix (product, price, promotion, and distribution) could be used in host market and which adaption needs and what is the costs of adaption and what is the profit.

At first stage company decides on products that they can export and at this stage it should decide on product adaption. For example, government has some regulations about labels that stick to product or local market is used to special packaging of product. Exporter should find out these factors and produce the product as target market's requirements but costs of production of that type of product should be still profitable.

Pricing is also very important, it should not exceed local market prices and it should not be higher than competitors. For more attractiveness, exporter could also offer credit terms in payments.



Distribution of products is also very important. In first stage infrastructure of distribution channels are evaluated and if that market has strong infrastructure, it could make profitability. And also company should decide about distribution place. For example exporter should evaluate people that use the product. Exporter should find out if people with high income use the product or people with low income prefer that type of product, and based on this, he/she can choose distribution place. For distribution exporter should make contract with some channels and use intermediaries, or distribute products directly. Successful exporter can contact directly with end user. Promotion costs are high so company should evaluate if it is still profitable to promote goods. If exporter can adapt marketing mix in target market, he can do high performing export.

c) Developing the market plan

In this stage analyzes have been finished and company should estimate budget, sales and profits and should decide to how it is to be done and when, what is to be done and by whom. Like other steps in this step exporter realize if he can enter that emerging market or it does not meet goals.

d) Implementation and control

In this step, exporter starts to implement his strategic plan. Actually he/she passes all steps and finds out that it is profitable to enter emerging market that he/she chose. And as exporting is the easiest and lower risk way so there is no need to control on foreign market. Only if distribution has been done and if direct one implemented there is need to higher control. As mentioned in stage two, company will use a strategy for export. Product- based, price-based, promotion-based, and distribution based strategy. In implementation stage, exporter will implement based on one or more strategies.

### **3. DETERMINING EXPORT OPPORTUNITIES IN FOREIGN MARKETS**

#### **3.1. TARGET MARKET RESEARCH**

It is very important for exporter to search about market that he/she wants to export. Researching about market will increase chance of choosing best market and decrease high cost mistakes and also give opportunity to sell larger quantity of products and services in right market. As discussed in chapter two, exporter should find out potential markets for his/her products and then should choose the best ones to export. Here it is supposed that target market has been chosen; now it is time to search about details of target country.

As mentioned in chapter two, in strategic plan for exporting, constraints of host market should be evaluated; these constraints could be economic, political, legal, competition, level of technology, culture, structures of distribution and geography. Exporter should search about all aspects of target market to be successful in exporting. There are lots of factors in analyzing target market, here major factors are explaining.

Intend of exporter is to sell in target market, so exporter should find out economic situation and demand in the target country. Exporter should find out Gross Domestic Production (GDP) of target country. So that exporter can understand the stage of economic development that country has. Economic situation of country will also help exporter to know about customers demand for products. For example, countries which are growing fast they are in demand stage, and they import more than they export. Exporter should also evaluate economic stability of country. For example; persistent trade deficits may prohibit your potential customers from obtaining import permits from the local government. Also, foreign currency to pay for your products may not be available in the importer's country.<sup>5</sup>

After economical evaluation, exporter should understand politic situation of country. Country with stable government can make international relationships easier than a country with political problems.

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<sup>5</sup> VEDP International Trade · [www.exportvirginia.org](http://www.exportvirginia.org) · Fast Facts, Identifying target markets

The other factor that affects export is legal in host country. Almost all countries have barriers for foreign traders to protect local products. So exporter should search about legal and governmental laws against imports. For example, there are import restrictions in all countries such as custom clearance, duties, foreign exchange and etc. Exporter should have an understanding about such restrictions. Marketer should also find statistics about amount of imports and amount of local productions of exporting products.

In analyzing target market, competitors should be also considered. Marketer must explore competitors in target market's area. Main exporters of the product that exporter wants to sell, should be found. Knowing of competitors before entering to market will help exporter to sell products in effective ways and he/she can sell products using innovative ways that competitors do not use yet, or can sell products that are not available in market by competitors or even enable him/her to sell products with lower price than competitors. So analyzing of competitors in target market would help company to choose a better strategy of exporting.

Most of the evaluations in target market are about consumers. Assessment of culture and language of people in target market will help exporter to know consumers, and their habits and enable him/her to understand the type of products that consumers are willing and able to buy, so he/she can adapt products based on consumers' interests. Exporter should also consider geography of country to adapt products. For example, producer of heavy cloths for winters would not be successful in selling these products in country with warm climate. Evaluating geography of target market is also important for understanding distance between export country and target market. This analysis will help exporter to find out possibilities of transporting goods to destination and costs of transportation.

The final and very important factor that company should assess is about structure of technology and distribution in target market. Exporter should evaluate distribution structure of target market to find out ways of distributing products in or to target market. Assessment of technological structure of target market will help exporter to find out technological ways that he/she could contact with consumers directly and also available ways of promoting products.

## **3.2. SELECTING THE MARKET WITH THE HIGHEST EXPORT POTENTIAL**

### **3.2.1. The importance of effective market selection**

First of all the importance of effective market selection is necessary because in choosing entry mode to foreign market, country is very important. For example some countries do not allow franchising. So before entering to foreign market exporter should search countries and select the country that is suitable for entry mode that the exporter has already chosen.

Foreign markets are still highly diverse, and the features, attractiveness, risks, potential profits, and so on that are associated with doing business in them vary tremendously (Papadopoulos). So it is important to choose market that match exporting company's products and features. By selecting effective market for export company will find the way of selling products or services in the foreign market and resources of company will not waste. So company will yield higher profits from exporting.

Entering to foreign market is high cost process. So searching about markets before entering and choosing the high potential country will conclude business with low costs, and company has right estimation of budget that it needs to enter foreign market and it decrease risk of losing in foreign country.

IMS (International Market Selection) is related to the firm's competitive positioning and its global value chain in the physical/geographical sense. Gaining a foothold in the right foreign markets can be a key factor in firms' global competitive strategy. The nature and geographical location of the selected markets will condition firms' ability to coordinate the ensuing international operations (Papadopoulos).

### **3.2.2. Market selection methods**

Market selection is one of the steps of entering to foreign market. As there are lots of markets for export, exporter is doing market selection to eliminate low potential markets for export and keep short list of high potential countries and then by advanced research he/she selects the best one to enter (exporter could choose more than one

market to export). Assessing of all countries for export is complicated because there are not enough sources about all governments, business structure of countries, customers and etc. Exporter must choose some potential countries and then choose the best one using market research methods. There are some factors that affect market selection; one of them is characteristics of decision maker. For example, market selection method is different between small, medium sized or multinational firms.

There are various models that are suggested by different scholars for market selection. Here some models are explained briefly. Most of the researchers suggest initial screening of country for market selection, as this way is low-cost and as it is achievable from secondary data it saves time too. After initial screening marketer will do in-depth analysis for remaining countries and as in-depth analysis finishes, exporter can make final decision based on useful information that he/she gathered.

Another method is traditional way of market selection. “Traditional market selection analysis relies on purely macroeconomic and political factors at the outset of the analysis and fails to account for an emerging market’s dynamism and future potential resulting from rapid change, national attributes that affect specific sectors and market receptiveness”. (Sakarya and others) As traditional method fails in to account for dynamism of some countries so it is better to offer a complete method; that is why researchers offer different market research methods.

Papadopoulos and Denis (1988:38-51) summarized the literature on international market selection methods up until the late 1980s. They classified over 40 proposed international market selection models into two broad types of approaches – qualitative approaches (rigorous and systematic gathering and analysis of qualitative information about one or a handful of potential country markets) and quantitative approaches (analyzing large amounts of secondary statistical data about many or all foreign markets) (Steenkamp and others, 2009).

As there are many markets and countries to be analyzed, it is hard to do quantitative research about all of them, so qualitative research will be done and then countries that have higher potential will be quantitatively analyzed. Actually researchers use qualitative research to understand which countries need quantitative analysis. In qualitative method, marketer search markets generally and identify short list of

countries for further consideration. Qualitative research is based on perceives and attitudes of country and usually it does not contain details about country.

As qualitative research is not suitable for in-depth analysis and it cannot be useful for search about large number of countries, researchers offer quantitative approach. Papadopoulos and Denis (1988:39) further divided quantitative approaches into two categories, namely market grouping methods and market estimation methods. Market grouping methods cluster countries on the basis of similarity while market estimation models evaluate market potential on firm or country level (Steenkamp and others, 2009).

In market grouping method, researcher compares countries and chooses the market that has similarities with markets that marketer is successful on exporting to them. Grouping approaches cluster countries on the similarities of social, economic and political indicators and do not measure demand levels. Scholars have criticized grouping approaches for relying exclusively on aggregate, general country indicators rather than on specific product market indicators. Grouping methods fail to take into account similarities among groups of consumers across national boundaries and possible economies of scale in production, R&D, marketing, and advertising are lost (Sakarya and others).

Market estimation methods aim to rank countries based on aggregate market potential and overall attractiveness. Foreign markets are evaluated according to one or more criteria and selected by the highest score. The criteria may include indicators of wealth, size, growth, competition and ease of access. These market estimation approaches fail to include product specificity in their indicators and suffer from the assumption of a static environment and methodological problems stemming from data (Sakarya and others). For getting better results researcher, could divide each method and categorize it. For example, he can divide market estimation method to firm-level and country-level approaches. Researchers defined each method as below:

Firm-level methods can be applied by firms to identify markets for their limited product ranges. These methods usually include an analysis of the firm's objectives, profitability, managerial experience and knowledge, customer standards and attitudes and product adaptation requirements when identifying potential export markets. Country-level methods, on the other hand, can be applied by a country's export promotion agency to

identify the most promising country-product combinations to focus their export promotion efforts on. Criteria and data used in these methods should be product-specific, applicable to many country-product combinations and generally available. These criteria might include product-specific market growth, market size, level of competition and barriers to trade (Steenkamp and others, 2009). So as above mentioned, each method has disadvantages, if researcher use both method he/she will find attractive markets with meaningful similarities. As mentioned above, there are lots of models to select foreign market to enter, marketer should choose the model that matches its company's competency and target market's potential.

### **3.2.3. Indicators for market selection**

Based on method that marketer chooses indicators differ. As mentioned in market selection method if marketer uses market grouping method, similarities between countries will be evaluated by social, economic and political indicators and demand levels will not be considered. Actually in market grouping methods, macro and general indicators are considered. In market estimation method, product-specific indicators are assessed.

Without considering market selection methods, there are lots of indicators for market selection. Some indicators are: politic, economy, social, product adaption, education, health, consumption, production, trade amount, transportation, technology, world market share and etc.

### **3.3. SELECTING THE PRODUCT WITH THE HIGHEST EXPORT POTENTIAL**

The product that has highest potential to export, relates to company's competency and target countries demand. If company has high supply capacity for specific product and also there is high demand for that type of product in target market, this product has highest export potential. Marketer can find out statics about annual import amount of target market about product that he/she wants to import and notices demand amount of that type of product.

Customer preference is as important as customer demand. It is easy to export products that are in accordance with customer preferences. There are many other factors to be considered in selecting product that is highly appreciated in host country. In each step of

marketing strategy, legal and politic factors are considered; in product selection step it should be also considered. For example, regularities about type of packaging and labeling in target country should be analyzed. Product that matches all requirements of target market to import in is suitable product for export.

Price is another factor. Product should have competitive price in comparison with the price of same product in local market of host country. One of the factors in pricing is import duties of host country. When marketer calculate selling price of product in target market, he/she should add import taxes on top of prices, after adding duties on top of price, price still can compete with local prices. Products that are not producing in target country are potential products to export, because these kinds of products have lower taxes to import.

### **3.4. THE IMPORTANCE OF SETTING UP AN EXPORT MARKETING STRATEGY**

Export marketing strategy helps exporting company to identification of goals, target markets, and activities that will assist company to reach its objectives. Strategic plan will also indicate resources and budget needed for export. So strategic plan will reduce failures and increase success. With export marketing strategy company will also find out the expectation from export and will easily evaluate success or failure after exporting.

As there are lots of researches and analysis are done for creating export marketing strategy, exporter has details about company, target market and export process. So marketer can compete efficiently in target market environment. Assessment of target market environment through strategic plan will help company to find customer's interests, so company can change its strategies and make essential adaptations in its products or services.

In setting up an export marketing strategy, exporter will evaluate the marketing mix (product, price, place, promotion). By this strategy, exporter will find out the type of product that is preferred in host country and can adopt companies product based on market's preferences.

Price of product is another element that could be evaluated by strategic plan. Export marketing strategy will help marketer to find price of export product in host market then can use an appropriate pricing method that can compete with local price of importer.



Strategic plan will also help exporter to find right place of product in host market. with strategic plan marketer will find out the ways of distributing product in importing country and will find distributing channels in market and will understand how to contact with reliable distributors.

Finally, as exporter has export strategy, he knows the budget that will be spent on exporting, so he can decide about the promotion that he should make in host market to promote companies product. For example, if budget will be enough, exporter can participate in exhibitions in host country and promote products in a professional manner. As a conclusion, formulating an export strategy increases the chances that the best options will be chosen, and resources will be used effectively.

## **4. OVERVIEW OF FRUIT JUICE AND CONCENTRATES SECTOR IN THE WORLD**

### **4.1. PRODUCTION**

There are many terms that describe fruit juice and there are different type of fruit juices like fruit juice from concentrate, nectars, fruit juice not from concentrate and etc. In this study, fruit juice means fruit juice from concentrate. Fruit juice concentrate is a processed fruit. Fruits have specific season so producers of fruit juices processed fruits and they can produce all types of fruit juices during the year from concentrate and there is no need to wait until season of specific fruit. Regarding countries, each country have specific type of fruits and for producing fruit juice from the fruit that they cannot harvest, they should import that type of fruit juice concentrate from countries that have a crop for that type of fruit. For example, pineapple is a fruit that is growing in Thailand, Costa Rica, Vietnam and some other countries, so countries that want to produce pineapple juice, should import pineapple juice concentrate from countries that produces this product.

Almost all countries producing fruit juices, so they are either producing fruit juice concentrate, or importing fruit juice concentrate to use in their production. Alongside fruit juice concentrate trade, there are also many countries that import and export fruit juices. These are usually developing countries that do not have factories to produce fruit juice from concentrate and they are importing fruit juices (final product) for local consumption. However, transport cost of fruit juice concentrate is much more economical than the transport cost of fruit juice. For example, Iraq is importing ready fruit juices from other countries.

Based on consumer preferences and available fruits, each country produces specific types of fruit juices. The major fruit juice concentrates that are produced are apple, grape, peach, pear, pomegranate, orange, pineapple, lemon, grape fruit, mango and some other fruits.

Production of fruit juice is different in each country because of flavor that customers prefer and availability of suitable crop. But generally production of fruit juice increases all around the world by each year. This increase also depends on worldwide prices of fruit juice concentrate and also economic situation of the world. For example, the economic downturn of 2008-2009 had a negative impact on many markets, including the juice bar market. Economic recovery has caused the market to rebound.<sup>6</sup>

In a research from International Trade Center it was mentioned that value of global fruit juice market is US\$79 billion in 2009. Prediction shows that a compound annual growth of 3.4 percent, which will bring the business to a total of US\$93 billion by 2014. A new report from global industry analysts shows that global fruit and vegetable juices market will reach 64.46 billion liters by 2015. Because statistics shows growth in fruit juice market and people are aware of importance of fruits in their diet, producers are also focusing on adding new flavors to fruit juices so they will widen their consumer base. At present orange juice represents the leading market segment, accounting for more than 35 percent of global fresh juice sales. Regarding producers it could be emphasized that major share of market belongs to private label manufacturers. Leading companies operating in the global fruit and vegetable juices market include Cadbury, Tropicana, Odwalla, Del Monte Foods, Minute Maid, Ocean Spray Cranberries, Nestle, Welch Foods and Mott's.<sup>7</sup>

Customer preferences for various types of fruit juices are different. One kind of fruit juice is 100 percent pure fruit juice or vegetable juice with no added ingredients, except permitted minerals and vitamins for the purpose of fortification and permitted additives. This type is called Juice (Press, 2012). Many people prefer to drink this type of juice as it is 100 percent pure but this product is more expensive than fruit juice with lower amount of fruit juice. Fruit juice that has 25-99 percent of fruit juice is called Nectar. Producers use sweetening like sugar, honey and etc. in nectars. This type of fruit juice is preferred because it is cheaper than natural and pure juice.

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<sup>6</sup> Juice Industry: Market Research Reports, Statistics and Analysis, <http://www.reportlinker.com/ci02021/Juice.html>, juice industry report in agribusiness part of reportlinker (2013)

<sup>7</sup> Juice Industry: Market Research Reports, Statistics and Analysis, <http://www.reportlinker.com/ci02021/Juice.html>, juice industry report in agribusiness part of reportlinker (2013)

Europe remains the largest market for juices. The European juices market is expected to be valued at USD\$48 billion by 2014. The American juice market was worth US\$26 billion in 2009, but had the lowest predicted increase of 1% annually compounded during 2009-2014 (Barkla, 2011). China, which currently holds over 50 percent of global value growth, is expected to outpace the US in terms of market value by 2015. Economic recovery, rising disposable income in developing nations and marketing campaigns highlighting the health benefits of fruit and vegetable juices will continue to drive market expansion.<sup>8</sup>

#### **4.2. CONSUMPTION**

Consumers' behavior is changing based on economic situation, income, price of fruit juice, percentage of concentration, available flavors and many other factors, and changing of consumer's behavior affects fruit juice industry. Nowadays consumers are trying to understand what they are buying and they want to have more information about product that they purchase. Consumers are increasingly aware of the importance of fruits and vegetables in their diets as a preventative measure against health threats, such as certain cancers. As people take care of their health and they know that fruit juices are healthier than other drinks like energy drinks and carbonated drinks, demand for fruit juice is increasing. Among fruit juices, 100% fruit juice (from concentrate) represents the leading market segment, reaching a worth of \$15 billion in 2010, or accounting for more than 40% of the overall market.<sup>9</sup>

Consumption of fruit juice varies among countries. Based on country's geography consumption pattern of fruit juice is changing. Consumers in different countries prefer different flavors of fruit juices. Each country's people have specific preference of flavors and this affects consumption, but flavors that are using almost all around the world with high percentages are: Orange, apple, grape, peach, apricot, pineapple sour cherry and mango. Percentage of preferences of each flavor is different in each region. Consumption of fruit juices is increasing rapidly because people all around the world prefer to drink healthy things. Based on this producers should try to differentiate

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<sup>8</sup> Juice Industry: Market Research Reports, Statistics and Analysis, <http://www.reportlinker.com/ci02021/Juice.html>, , juice industry report in agribusiness part of reportlinker (2013)

<sup>9</sup> Juice Industry: Market Research Reports, Statistics and Analysis, <http://www.reportlinker.com/ci02021/Juice.html>, juice industry report in agribusiness part of reportlinker (2013)

products and produced for example free sugar fruit juices, this will increase demand for fruit juice by special segment. Per capita consumption of juices witnessed strong growth rates in developed and emerging markets alike despite volatile economic conditions worldwide (Jose, 2011).

As consumption per capita is different based on geography and preferences of flavors, here below consumption of some regions is explained separately.

The US per capita consumption for the year 2009 was the highest followed by Canada and Japan, with orange juice continuing to rule the market, despite slight setback due to economic slowdown (Jose, 2011). In 2010, the fruit/vegetable juice retail market in the United States (U.S.) was valued at US\$16.2 billion. The most popular fruit/vegetable juice category was 100 percent juice, with US\$8.8 billion in retail sales. In U.S. Fruit juice is consumed an average of 98 times per year per capita, or almost twice in a two-week period.<sup>10</sup>

Regarding EU, Germany heads up the EU juice and nectars market ranking, with a 26 percentshare of consumption. France, the UK, Spain and Italy follow, together accounting for a further 46 percent. In terms of liters per capita, the top five positions are taken by northern European markets, with Germany again at the forefront. EU fruit juice and nectars consumption is forecast to stand at 10.3 billion liters by 2017, whilst some of the more mature EU juice and nectars markets, such as Germany and the UK, are predicted to see some shrinkage in per capita levels by 2017. Turkey is forecast to register more than a 30 percent increase, albeit off a low base (Press, 2012).

As China is fast growing market in fruit juice, it is separately explained from other countries. The per capita consumption of fruit/vegetable juice in China is still far from the global average. But as it is growing country and income of people is improving, so consumption of fruit/vegetable juice is expected to increase. As fruit/vegetable juice is usually considered as a healthy beverage, rising health consciousness amongst consumers is likely to lead to an increasing number switching to healthier

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<sup>10</sup> International Markets Bureau, Fruit Juices in the United States, MARKET INDICATOR REPORT , Her Majesty the Queen in Right of Canada, represented by the Minister of Agriculture and Agri-Food Canada (2011).

fruit/vegetable juice products from soft drinks perceived as less healthy, such as carbonates.<sup>11</sup>

Consumption of fruit juice in South Africa Growth is expected to be slightly slower than that recorded over 2007-2012. This will be mainly due to increasing maturity. However, rising health awareness and gradual economic improvements in South Africa will help to ensure that growth in fruit/vegetable juice consumption remains robust overall. New launches, price promotions and other marketing activities will also fuel growth in total volume sales.<sup>12</sup>

In Middle East countries fruit/vegetable juice, is a dynamic growth category, with local companies typically playing an instrumental role in their own domestic markets. Saudi Arabia and Israel have the highest consumption levels at 34 liters and 33 liters per head, respectively.<sup>13</sup>

At this point it is also important to mention that drinking too much fruit juice is not recommended especially nectars that have sugars. So, especially diabetic consumer should be careful in consuming fruit juices.

As a conclusion, consumption of per capita fruit juice is increasing all around the world, because people are aware of importance of fruit juice in their health. And also there are many new producers of fruit juice, so fruit juice concentrate consumption is also increasing. This data differs annually and based on each flavor. It is based on crop for fruit in each country and bad or good crop that determine the price of world fruit juice concentrate price.

#### **4.3. MAJOR EXPORTING COUNTRIES**

Major exporting countries can also categorized by type of fruit juice and concentrate. Major exporter of orange juice concentrate is Brazil. Orange juice concentrate is also producing in Latin America, U.S., Greece, Cyprus, Turkey, Iran and some other Mediterranean countries. But the leader is Brazil and it exports orange juice concentrate to all around the world.

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<sup>11</sup> Report from Euromonitor website,<http://www.euromonitor.com/fruit-vegetable-juice/report>

<sup>12</sup> Report from Euromonitor website,<http://www.euromonitor.com/fruit-vegetable-juice/report>

<sup>13</sup> Report from Euromonitor, 2008 : [http://www.just-drinks.com/analysis/research-juices-and-water-to-lead-growth-in-middle-east\\_id94929.aspx](http://www.just-drinks.com/analysis/research-juices-and-water-to-lead-growth-in-middle-east_id94929.aspx)

In many other juice concentrates U.S. is a leader. China is growing very fast and it will pass U.S. in near future. Nowadays, China is exporting all kinds of fruit juice concentrate to all around the world. So in any type of fruit juice concentrate, China is one of main exporters of the world especially with its competitive prices.

Major exporter of pineapple juice concentrate is Thailand. Costa Rica, Vietnam and Kenya are competing with Thailand and they are also exporting large quantities to all around the world.

Apple juice concentrate's major exporter is U.S., Poland, Moldova, Turkey and Iran. But based on crop and price export quantities differ each year. Grape juice concentrate's leader is Spain. Turkey and Iran are also producing and exporting high quantities of grape juice concentrate.

Pomegranate juice concentrate's major exporters are U.S., Turkey and Iran. Mango and banana are produced and exported by India and Latin America. As mentioned before China is exporting all kind of fruit juice concentrates and in all types its first or second top exporter.

There are lots of fruit juice concentrates and lots of countries that are exporting each kind of concentrates, so above mentioned countries are major exporters and not the only exporters. There are also lots of juice packers all around the world that are producing fruit juice from concentrate and packing them. Major exporter of packed fruit juices are U.S., Germany, Italy, France, Spain, Thailand, China, Turkey, Iran and many other countries. There are lots of juice packers in each country that is selling fruit juice to local market and also exporting to other countries, just quantities are different. Most of countries use packed fruit juice in local market and there are few countries that export huge quantities of packed fruit juices.

## **5. FRUIT JUICE AND CONCENTRATES SECTOR IN TURKEY**

### **5.1. PRODUCTION OF FRUIT JUICE AND CONCENTRATES**

Turkey has high population and population is highly consuming food and beverages. Based on high consumption, there are lots of producers in food and beverage sectors. In beverage sector the first rank of production is for bottled water and it is around 50 percent of total beverage industry production capacity of 13,236 million liters. Other soft drinks mainly including soda and fruit juice constitute approximately 37 percent of the total beverage industry production capacity in 2009. Coca-Cola is the dominant market leader in soft drinks.<sup>14</sup>

In the last few decades consumption of fruit has changed in the world and people around the world prefer to consume processed fruits, and among processed fruit, fruit juice is the most popular one among people. So all countries try to produce or import fruit juice for local consumption. On the other hand, processed fruit (fruit juice concentrate), has higher shelf life than fresh fruit and it can be used whole year. Turkish consumers are also becoming increasingly aware of the different types of juice drinks, and leading producers are aiding this by differentiating their packaging or brand names for their juice and nectar products (Press, 2012).

The annual fresh fruit production in Turkey is an important part of world production. Most of fruits are grown in West Mediterranean Region of Turkey, like Antalya city. Grapes, apples, oranges, peaches, pears, soft citrus, figs, apricots, cherries, plums, quinces, strawberries, rose hips and pomegranates are the most outstanding species, which are valuable sources of nutrients as well as having a pleasant taste (Yucel, 2010). Turkey is the first in apricot, second in sour cherry, third in pomegranate, fourth in apple, sixth in peach and grape production worldwide (Akdag, 2009). There are big producers of fruit juice and concentrates in Turkey such as Tamek, Dimes, Goknur, Asya, Ersu and many others. Turkey has special ecology that has potential to produce high quantity of various kinds of fruits and this means producers can provide raw materials for fruit

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<sup>14</sup> REPUBLIC OF TURKEY PRIME MINISTRY , Investment Support and Promotion Agency of Turkey , TURKISH FOOD & BEVERAGE INDUSTRY REPORT. July 2010. Deloitte



juice production domestically, so producers have high capacity to produce different kinds of fruit juice. Table 1 is showing annual amount of fresh fruit production in Turkey.

**Table 5.1: Production of Selected Fresh Fruits in Turkey (1,000 Tons)**

<b>production</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Oranges</b>	1.250	1.300	1.445	1.536	1.427	1.427	1.690	1.710	1.730	1.661
<b>Lemons</b>	550	600	600	710	652	672	783	787	790	710
<b>Grape fruit</b>	135	135	150	180	163	168	191	214	219	227
<b>Apples</b>	2.600	2.100	2.570	2.002	2.458	2.504	2.782	2.600	2.680	2.889
<b>Grapes</b>	3.600	3.500	3.850	4.000	3.613	3.918	4.265	4.255	4.296	4.185
<b>Apricots</b>	460	320	860	460	558	716	661	450	650	760
<b>Peaches</b>	470	372	510	553	539	552	547	539	546	611
<b>Cherries</b>	265	245	280	310	398	338	418	418	439	471
<b>Sour Cherries</b>	145	138	140	122	181	185	193	195	182	186
<b>Pears</b>	370	320	360	318	356	355	384	380	386	443
<b>Strawberries</b>	150	155	200	211	250	261	292	300	302	352
<b>Plums</b>	210	210	220	214	241	249	246	241	269	300
<b>Pomegranates</b>	80	73	80	91	106	128	171	209	218	315

Source: Turkish Statistical Institute (Çağlayan, 2013)

The Turkish fruit juice industry started its production in the late 1960's and has flourished rapidly due to modern production units, new investments and the advantage of abundant fresh fruit production. The fruit juices and concentrates production gradually increased year by year (Yucel, 2010). Only for few period production of fresh and processed fruit decreased in Turkey and it was from 2007 to 2009 and because of economic crisis all around the world. Before 2007 and after 2009 production of fruit juice had growth. In recent years higher growth is being contained by the high price of concentrate due to the shortage in supply of local production and increasing fruit exports. The government is currently working on incentive plans for local fruit production, which could eliminate this barrier in future (Press, 2012).

Even though Turkey is a young industry compared to Europe, it has improved rapidly its technological infrastructure and reached an equal position. The industry has sufficient and satisfactory fund of knowledge. In addition to this, the companies engaged in the fruit juice industry in Turkey follows and implements advanced technologies as used in Europe. All of the companies engaged in the industry also have exporting activities. In this way, they have dynamism to closely follow up with the technological advancements instantly and are capable of production skills that allow them to become competitive in overseas markets. <sup>15</sup>

As mentioned above, Turkey produces most of the required fruit juice concentrate for fruit juice industry domestically. The fruit species that are processed into fruit juice in Turkey are apples, sour cherries, apricots, peaches, oranges, grapes, soft citrus, grapefruits, lemons, quinces, strawberries and pomegranates. Apple juice concentrate is the main production item and sour cherry juice is the second major product in the sector (Yucel, 2010). Approximately 1 million ton of fruit juice produced in Turkey has been processed for the fruit juice industry in 2012. <sup>16</sup>

In conclusion, Turkey has a remarkable opportunity of growing as the most important concentrated fruit juice supplier in Europe and Middle East.

## **5.2. EXPORTS OF FRUIT JUICE AND CONCENTRATES**

The availability of large quantities and great diversity of fruits, allowed the establishment of export-oriented, sophisticated and efficient fruit juice plants in Turkey. Exports of fruit juices and concentrates started with a symbolic quantity of 6 tons in 1970, and then showed a rapid and steady increase, reaching approximately 73 thousand tons in 2009 (Akdag, 2009). In 2012 export of apple juice concentrate value was 80 million USD and this is 37% of total fruit juice concentrate export (Çağlayan, 2013).

Generally, apple and citrus (mainly orange) juice concentrates are produced for export. In addition to them, sour cherry juice and some fruit nectars, mainly peach and apricot, are produced for the domestic market and some are exported as well (Çağlayan, 2013). There are also many other fruit juice concentrate that exports to all around the world, but their amount is lower in comparison to Apple and Orange juice concentrates. Apple

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<sup>15</sup> [www.Meyed.org.tr](http://www.Meyed.org.tr)

<sup>16</sup> [www.Meyed.org.tr](http://www.Meyed.org.tr)

juice was the most important export item in 2012. It accounted for almost 80 million US dollars in 2012 (Çağlayan, 2013). Among citrus juices, orange juice was the major export product with an export value of 4.6 million USD in 2012. Mixed fruit juices (e.g. pear and apple juice mixtures) were another important export product with an export value of almost 10 million US dollars in 2012. Table 2 shows the amount and export value of each fruit juices concentrate that are exported in 2011 and 2012.

**Table 5.2: Turkish Fruit Juices and Concentrates Exports by Products (Quantity, Tons; Value, US \$ 1,000)**

HS No	Products	2011		2012	
		Quantity	Value	Quantity	Value
200911	Orange juice, frozen	625	642	394	557
200912	Orange juice, Brix value <= 20 at 20°C	2.166	1.488	4.129	2.458
200919	Orange juice&nes	1.853	1.130	1.642	1.620
200921	Grapefruit juice, Brix value <= 20 at 20°C	10	24	31	19
200929	Grapefruit juice, Brix value > 20 at 20°C	10	14	57	70
200931	Single citrus fruit juice, Brix value <= 20 at 20°C	3.888	2.092	2.861	1.941
200939	Single citrus fruit juice, Brix value > 20 at 20°C	1.662	3.372	1.541	1.573
200941	Pineapple juice, Brix value <= 20 at 20°C	1.494	974	1.172	844
200949	Pineapple juice, Brix value > 20 at 20°C	35	43	26	21
200950	Tomato Juice	959	528	2.251	1.233
200961	Grape juice, incl. grape must, Brix value <=30 at 20°C,	984	683	1.193	1.035
200969	Grape juice, incl. grape must, Brix value > 30 at 20°C	459	347	1.566	1.205
200971	Apple juice, Brix value <= 20 at 20°C	4.470	3.332	4.859	3.946
200979	Apple juice, Brix value > 20 at 20°C	53.392	104.476	38.129	75.774
200980	Fruit&veg juice nes (exc mx)	30.289	93.311	0	0
200981	Blueberry juices	0	0	1.917	3.826
200989	Other fruit juices	0	0	34.863	107.994
200990	Mixtures of juices	6.822	7.899	6.785	10.277
<b>Total</b>		109.117	220.353	103.416	214.392

Source: Republic of Turkey Ministry of Economy (Çağlayan, 2013)

Turkey mainly exports to European countries, and Export General Management of Ministry of economy of Turkey is trying to increase export amount and to open new doors to new countries. Today, the producers in the Turkish juice industry are exporting to more than 150 countries worldwide. In 2009 the most important market for exportation was Germany, whose share is about 20 percent in value. The Netherlands with a share of 13 percent followed Germany (Akdag, 2009). The Netherlands and Germany constituted 35 percent of Turkish fruit juices and concentrates exports in

2012. The United Kingdom, the USA and Italy were among the key export markets in 2012 (Çağlayan, 2013).

**Table 5.3:** The Main Countries That Turkey Exports Fruit Juice Concentrate To.

Countries	2011		2012		Annual Change (%)	
	Quantity	Value	Quantity	Value	Quantity	Value
Netherlands	15.072	35.066	15.732	39.866	4,4%	13,7%
Germany	19.443	42.331	14.121	34.355	-27,4%	-18,8%
United Kingdom	8.517	17.220	6.562	13.397	-23,0%	-22,2%
USA	5.493	15.899	4.496	12.717	18,1%	20,0%
Italy	3.289	8.546	3.772	12.566	14,7%	47,0%
Poland	1.725	3.781	2.431	7.701	41,0%	103,7%
Austria	2.563	7.852	1.980	6.772	-22,7%	-13,8%
France	2.361	6.440	2.190	5.040	-7,3%	-21,7%
Israel	1.250	2.270	1.514	3.994	21,1%	75,9%
Libya	5.462	3.139	7.515	3.727	37,6%	18,7%
Lithuania	228	920	540	3.386	136,6%	268,1%
Spain	1.442	2.997	1.247	3.352	-13,5%	11,8%
Rep. of South Korea	462	1.351	910	2.872	96,9%	112,6%
Russian Federation	941	4.269	561	2.633	-40,3%	-38,3%
Czech Republic	456	962	1.156	2.319	153,3%	141,1%
Iraq	4.251	2.309	3.721	2.274	-12,5%	-1,5%
Japan	599	696	2.134	2.246	256,2%	222,9%
Malaysia	459	498	1.561	2.161	240,2%	334,1%
Turkish Rep. of Northern Cyprus	1.624	1.337	1.551	1.235	-4,5%	-7,6%
Azerbaijan	675	1.403	458	1.192	-32,2%	-15,0%
<b>Total</b>	109.117	220.353	103.416	214.392	-5,2%	-2,7%

*Source: Republic of Turkey Ministry of Economy (Çağlayan, 2013)*

As mentioned in the Table 5.3, Turkey is exporting fruit juice and concentrates to all around the world and it has progress year by year.

### **5.3. TURKEY'S BUSINESS RELATIONSHIP WITH LIBYA**

Turkey's interest to develop relations with Africa is highly interesting development in the Turkish foreign policy. Currently, both Turkey and African countries benefits from this relation not only in economic and political terms, but also Africa gains aid,

investment and humanitarian assistance (Ozkan). One of the African countries that is attractive for Turkey is Libya.

Libya is one of the developing countries with large area, low density of population and large endowment of natural resources, oil and gas. The Libyan economy like a number of other Arab economies, depends heavily on oil revenue, it relies heavily on a single exportable commodity, as the main source of foreign exchange earnings (Maitah and others, 2011). Libya has developing nature and it does not have other resources than gas and oil. So Libya needs to import many products for local use. That is why many countries like Turkey are looking for business in this country. Turkey is one of the main import trading partners of Libya. Libya is importing industrial products, foodstuff and other materials from Turkey and other European countries.

The Libya's most important resources are oil and natural gas, two important raw materials for the European Union that relies heavily on Russia (natural gas) and the Middle East (United States Library of Congress, 2005, P. 5). Libya has the largest proven reserves of oil in Africa, with an estimated 70% of its production exported to the European Union (Maitah and others, 2011). So Libya is exporting oil and gas to Turkey against its imports from Turkey.

The lifting of trade sanctions by the United States in 2004 represented an important step in the Libya's moves to gain respectability internationally as well as achieve agreements with wealthy nations and their corporations for trade (Maitah and others, 2011). Free trade agreements with Europe impacted the trade with Libya. So nowadays Libya has strong trade relationship with Turkey and rest of Europe without so many restrictions that were existed before lifting of sanctions.

Turkey does not only export to Libya but also it invests in Libya. Foreign Direct Investment (FDI) is a critical aspect in the long term trading plans of Libya in that these investments signal long term relationships. Turkey has many companies that are invested in Libya.

Libya was one of the first overseas markets that Turkish contractors entered in the 1970s as they went abroad to grow their businesses. Thus, though Turkish firms have now more than 7,000 projects in 100 countries, Haluk Buyukbaş, secretary-general of the Turkish Contractors Association (TCA) says Libya has a special meaning and significance for his members (Cousins and others, 2013).

Libya needs many construction projects. Its infrastructure is not good, not only because of destroyed things in revolution time but there are many things to be fixed that was not exist or some does exist has poor quality. There were many construction projects like railroads, universities, airports and etc. that were handled by Turkish companies before revolution but projects was stopped because of crisis and Turkish contractors faced large amount of losses and damages. Libya is the second largest market for Turkish construction companies where they have been active for four decades. During this time Turkish companies completed more than 500 projects with a total value of 26 billion dollars, of which nearly half has been done over the last five years. At the time when the uprisings broke out, 25 thousand Turkish citizens were living in Libya, mostly workers and engineers employed by Turkish companies. The crisis forced Turkish construction companies to evacuate the country, leaving their semi-finished projects and equipment inventory worth 15 billion dollars behind, thereby making the involvement of the business community in Turkey's Libya policy imperative (Alti, 2011).

Turkish firms which operate in construction, agriculture, mining, manufacturing and service sectors in Libya invested about 60 million dollars in 2009. To date, projects worth 20.5 billion dollars in total were undertaken by Turkish contracting and construction firms in Libya. In terms of volume of work undertaken by Turkish contractors abroad, Libya is the second market after Russia. The number of registered companies operating in Libya by the end of 2009 was 115. Companies have undertaken important projects such as ports, roads, irrigation systems, shopping malls, residential buildings, hotels, etc.<sup>17</sup>

After revolution in Libya Prime minister of Libya tried to get contractors back to Libya and offered to pay fifty percent of Turkish outstanding contracts immediately and the rest thereafter. Because of good relationship between Turkey and Libya many contractors go back to Libya and they believe that Libya will pay them and will compensate their damages. Now, more than a hundred Turkish companies are doing business in Libya and the total worth of their projects in Libya is 19.1 billion dollar (Cousins and others, 2013).

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<sup>17</sup> [http://www.mfa.gov.tr/turkey\\_s-commercial-and-economic-relations-with-libya.en.mfa](http://www.mfa.gov.tr/turkey_s-commercial-and-economic-relations-with-libya.en.mfa)

All above mentioned matters show that Turkey has a strong business relationship with Libya, especially in contracting services. Even contractors have not paid for their projects and faced many damages during revolution, they accepted to go back to Libya and continue their projects. This presents that Libya and Turkey has good relationship.

#### **5.4. TURKEY'S EXPORT POTENTIAL TO LIBYA**

Libya is one of the most important markets for Turkey. As explained in above paragraphs, Turkey is exporting industrial products (machinery, transportation, tools, textile and apparel, semi-finished products, iron and steel, chemicals, other consumer goods, etc.) and foodstuffs to Libya. Turkey's export potential to Libya should be evaluated based on size of Libyan market and political situation in Libya. Turkey should also evaluate Libya's market to find out the products that are demanded in Libya and then evaluate the import regulations for those products. Economy and infrastructure of Libya for importing should be also considered.

First of all regarding market size, Libya is a big market with low density population and it is developing country. As mentioned above, Libya merely has oil and gas resources and it does not have any other materials. So for developing its infrastructure and to provide people with their demands, Libya needs to import other materials from foreign countries. As Turkey has good trade relationship with Libya, so Turkey has a potential to export more products to Libya.

In case of political issue, Libya had experienced crisis in 2011 and because of revolution many Turkish contractors faced damages and losses and they stopped their semi-finished projects. This political problems affected trade relationship between Turkey and Libya. But because of strong relationship that Turkey and Libya have had for many years and because Libya has sources to pay some of the total amount to projects, Turkey had accepted to continue working in semi-finished projects and relationship started to become strong again. Nowadays, political situation is more stable in Libya and Turkey has close diplomatic ties with Libya. This close political relationship gives opportunity to Turkey to be successful in economic negotiations with Libya.

Concerning economic infrastructure, Libya is not developed. There are not enough roads and distribution systems, there is not developed technology, actually infrastructure of Libya is poor. So before exporting, Turkey should consider poor infrastructure and

should find out the strategic way for marketing and distributing exported products. Although lack of infrastructure in Libya affects trade negatively but as mentioned before there are many projects that are trying to develop Libya's infrastructure, so it is an opportunity for Turkey to enhance export to Libya and after completing the projects and after Libya's development Turkey will be stronger in exporting position. Turkey can also supply raw materials for projects that are developing infrastructure.

The most important product that Libya is importing is foodstuffs, because this type of product is unavoidable and everyone needs to buy food even poor people. As Turkey has strong agriculture and different types of foodstuff, it is good opportunity for Turkey to export foodstuffs to big market like Libya. It is important to mention that Libya doesn't have enough resources for different kinds of foodstuff, so it will prefer to import from a country like Turkey that is good business partner for Libya.

It can be concluded that Libya is a good market for Turkey to export and invest on it. As mentioned before, Libya has oil and gas resources so it is Libya's advantage for developing its economy. In first stages of economic development Libya will import more products and this is opportunity for countries to enter Libya using export entry mode.



## **6. OVERVIEW OF POLITICAL AND ECONOMIC SITUATION IN LIBYA**

### **6.1. COUNTRY OVERVIEW**

Libya is located in the north of the African continent. It is a mostly desert and oil-rich country on the southern shores of the Mediterranean Sea. So to its north there is the Mediterranean Sea, in the east there is the Egyptian border post, Sudan in the Southeast, Chad in the South, in the Southwest there is the Niger boarder post, Algeria in the West, and Tunisia boarder post in the northwest (Chimunka, 2012).

Libya is a country with large area; its surface area is 1,759,540 square km. As Libya is Mediterranean country dominant climatic influences are Mediterranean, but climate is different in various parts of Libya. In most of the coastal lowland, the climate is Mediterranean, with warm summers and mild winters. In coastal lowlands, where 80 percent of population lives, climate Mediterranean, with warm summers and mild winters prevails. Climate in desert interior characterized by very hot summers and extreme diurnal temperature ranges. Less than 2 percent of the national territory receives enough rainfall for agriculture (Chimunka, 2012).

Population of Libya is 6,733,620. Most of its population are Muslims and speaks in Arabic language. There are also some districts that speak Nefusi, Zuara, and Tamashek and official business languages are Arabic, Italian, and French. The literacy is 82.6 percent. (Chimunka, 2012)

Awareness about one countries' culture is necessary for those who want to do business with that foreign country. As more than 80 percent of Libyans are Muslims so they have Ramadan and they do not have any business during that month. According to their culture bribing for any kind of favor is totally forbidden. Business hours in Libya vary according to seasons. In summer (May-Nov): Monday - Friday from 7 a.m. to 2 p.m. During the rest of the year business hours are from 8am to 1pm and from 4 pm to 6:30 pm. (Chimunka, 2012)

Regarding Libya's history it can be stated that, it was mostly known in recent history for its eccentric leader, Col. Muammar Gaddafi. However, Libya has a rich ancient history. As a former Roman colony originally inhabited by Berbers and settled by Phoenicians,

Libya saw invasions by Vandals, Byzantines, Arabs, Turks and more recently Italians who supplanted the Ottomans in 1911 and remained until 1943 when they relinquished their hold after being defeated in World War II. Libya then passed under UN administration, finally gaining independence in 1951. Oil, discovered in 1959, went on to make the state—then a kingdom ruled by the head of the Senussi sufi order—very wealthy. In 1969, 10 years after independence, a coup led by Gaddafi overthrew King Idris and Libya embarked on a radically new chapter in its history.<sup>18</sup>

After initially seeking to emulate the Arab nationalism and socialism of Egyptian President Gamal Abdel Nasser, Gaddafi's rule became increasingly eccentric. Ideas put forward in his Green Book aimed to set forth an alternative to both communism and capitalism. Gaddafi called the new system a Jamahiriya which loosely translated means a "state of the masses".<sup>19</sup> In theory, power was held by people's committees in a system of direct democracy, without political parties. The Libyan people were supposed to challenge authority in order to eliminate bureaucratic inefficiency by forming people's committees in businesses, bureaucracies, universities and media organizations. In practice, Gaddafi's power was absolute and exercised through "revolutionary committees" comprised of regime loyalists. Nonetheless, substantial revenues from the energy sector, coupled with a small population, gave Libya one of the highest per capita GDPs in Africa. As a result, this allowed the Libyan Arab Jamahiriya state to provide an extensive level of social security, particularly in the fields of housing and education.<sup>20</sup> Following the 1988 bombing of a Pan American airliner above the Scottish town of Lockerbie, for which the USA blamed Libya, the Gaddafi regime was shunned by much of the international community and UN sanctions were imposed.<sup>21</sup> However, in 2003, the Gaddafi regime underwent a complete about-face by taking formal responsibility for the bombing, compensating victim's families and handing over two Libyan suspects,

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<sup>18</sup> Central Intelligence Agency. (2013). "The World Factbook page on Libya". In 2013 World Factbook. [online database]. Retrieved December 23, 2013 from the Worldwide Web:<  
<https://www.cia.gov/library/publications/the-world-factbook/geos/ly.html>>

<sup>19</sup> Central Intelligence Agency. (2013). "The World Factbook page on Libya". In 2013 World Factbook. [online database]. Retrieved December 23, 2013 from the Worldwide Web:<  
<https://www.cia.gov/library/publications/the-world-factbook/geos/ly.html>>

<sup>20</sup> "The Jamahiriya Section of Mathaba". *Mathaba.net*. <http://www.mathaba.net/info/>

<sup>21</sup> <http://www.examiner.com/article/the-libyan-revolution-a-brief-summary>

one of whom, Abdelbaset Ali al-Megrahi, was convicted for the attack. The UN responded by lifting sanctions.<sup>22</sup>

## **6.2. POLITICAL OVERVIEW**

Unrest that began in several Middle Eastern and North African countries in late 2010 exploded in Libyan cities in early 2011. Gaddafi's crackdown on protesters spawned a civil war that triggered UN authorization of air and naval intervention by the international community. In August 2011, Gaddafi's rule was brought to an end when rebels stormed into Tripoli. Several weeks later, Gaddafi was killed when his last holdout was overrun—hence, officially ending the Gaddafi era.<sup>23</sup> In October of that year, the main opposition group, the National Transitional Council (NTC), declared the country to be officially "liberated" and pledged to turn Libya into a pluralist, democratic state. (El-Katiri, 2012) Libyans elected a General National Congress (GNC) on July 7, 2012—the country's first free national election in six decades—to replace the National Transitional Council (NTC) which had governed the country after the overthrow of Col. Gaddafi. The GNC, the legislative authority of Libya, is composed of 200 representatives, 80 of whom are members of political parties, and 120 independents. The GNC elected Mohammed Magariaf as its President and *de facto* President of Libya in August 2012 and Ali Zidan as Prime Minister in mid-October. Prime Minister Zidan's proposed coalition government was approved on October 31, 2012. (El-Katiri, 2012) The GNC was to have appointed a 60-member committee (20 representatives from the three main regions) to draft a new constitution for Libya. Following the approval by the GNC of a "political isolation" law in May 2013, Magariaf resigned as GNC President and was replaced by Nouri Absahmain, the first Berber leader of Libya. As of the end of September 2013, most of the GNC members have been scrutinized by a special commission and cleared to remain in their posts.<sup>24</sup>

The government's priorities announced in the 2013 plan and budget include restoring national security, reconciliation, disbanding armed militias, promoting economic recovery, decentralization and improving basic services at the local level, combating corruption and promoting transparency. The prime minister is credited for having taken

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<sup>22</sup> Crean, Ellen. "UN Lifts Sanctions on Libya" *CBS News*. September 13, 2003

<sup>23</sup> <http://www.examiner.com/article/the-libyan-revolution-a-brief-summary>

<sup>24</sup> The Associated Press. "Libya: Political Transition Extended". *New York Times*. December 23, 2013

clear actions to strengthen security with the formation of integrated national security forces.<sup>25</sup> The success of these security entities is evidenced by the peaceful second anniversary of the revolution in February 2013 which was a major achievement after a very tumultuous 2012 that saw the assassination of the US Ambassador to Libya, John Christopher Stevens in September of that year. However, having said this, it goes without saying that the new regime's main headache continues to be the plethora of armed groups—some originating in the anti-Gaddafi rebellion, others newly arisen—who have defied attempts to disarm them, and have caused concerns about the prospects for stability. (Wehrey, 2013) In October 2013, Prime Minister Zidan was kidnapped and held for some hours before being released unharmed. (Castellano, 2013)

More than two years after the liberation of Tripoli, heightened uncertainty and insecurity continue to stall the political and economic transition in Libya. The schedule to formulate a new constitution has been significantly delayed due to political disagreements, a disruption in the country's oil exports, and security problems. Given parliament's failure to draft a constitution, the GNC voted to extend the mandate until late December 2014. A recent decision to make Sharia law the foundation of all legislation and state institutions in the country has also caused confusion, while legislation banning non-Sharia-compliant banking by 2015 is strangling access to funds.<sup>26</sup> On the positive side, the interim government is focused on restoring security and building the capacity of public institutions in order to provide basic goods and services. To this effort, the new regime is placing great hope in the country's oil and gas reserves.

### **6.3. ECONOMIC OVERVIEW**

It was mentioned earlier that Libya has highest GDP among African countries because of its oil reserves. It is without question that the oil sector dominates the Libyan economy. In fact the Libyan oil and gas sector occupies an important position in the world energy balance on account of the size of the reserves, production, and potential capacity with Libya being a member of Organization of the Petroleum Exporting Countries (OPEC) since 1962.<sup>27</sup> With proven oil reserves of 48 billion barrels (2011), Libya holds the largest proven oil reserves in Africa and accounts for 3.2 percent of

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<sup>25</sup> The Associated Press. "Libya: Political Transition Extended". *New York Times*. December 23, 2013

<sup>26</sup> The Associated Press. "Libya: Political Transition Extended". *New York Times*. December 23, 2013

<sup>27</sup> Central Intelligence Agency. (2013). "The World Factbook page on Libya". In 2013 World Factbook. [online database]. Retrieved December 23, 2013 from the Worldwide Web:<  
<https://www.cia.gov/library/publications/the-world-factbook/geos/ly.html>>

total world reserves—sufficient to last for 85 years at current rates of production; its natural gas reserves are relatively smaller, at 0.8 percent of the world’s total. Understandably, Libya’s economy depends primarily upon revenues from the oil sector which accounts for 80% of GDP and 98% of exports. Apart from petroleum and natural gas, Libya also has significant gypsum reserves.<sup>28</sup>

After a 60 percent plunge in GDP growth in 2011, the International Monetary Fund estimated that Libya’s real GDP growth was at 122 percent in 2012 and 16.7 percent in 2013.<sup>29</sup> A strong oil-driven economic recovery in 2012 stalled in 2013 following severe disruptions in the oil sector and as private (non-oil) activity continued to be held back by the uncertain environment. Following the 2011 conflict, which saw the economy contract by more than 60 percent due to large disruptions in oil production, 2012 saw a doubling of real GDP as oil production returned to near pre-war levels (1.6 million barrels/day). The government increased spending on wages, subsidies and transfers to households, leading to a consumption boom. Investment spending, however, remained stalled due to delays with the budget, administrative bottlenecks and disagreements over how to proceed with an immense portfolio of projects signed under Gaddafi. Repeated strikes and blockades by militias at oil facilities led to severe disruptions in oil production starting in July 2013, resulting in a drop in oil exports and associated government revenues.<sup>30</sup> The situation highlighted the vulnerability of the government and economy to the demands of militias and armed groups.

Libya is exporting large amount of oil to all around the world. Major export partners of Libya are Italy with 37.65 percent, Germany with 10.11 percent, France with 8.44 percent, Spain with 7.94 percent, Switzerland with 5.93 percent, US with 5.27 percent, the United Kingdom, and Greece. (Chimuka, 2012)

Libya is importing many commodities such as machinery, semi-finished goods, food, transport equipment, consumer products, IT Engineers and Medicine practitioners from cross borders countries. The major import partners are Italy 18.9 percent, China 10.54 percent, Turkey 9.92 percent, Germany 9.78 percent, France 5.63 percent, Tunisia 5.25 percent, and, South Korea 4.02 percent. (Chimuka, 2012)

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<sup>28</sup> Central Intelligence Agency. (2013). “The World Factbook page on Libya”. In 2013 World Factbook. [online database]. Retrieved December 23, 2013 from the Worldwide Web:<  
<https://www.cia.gov/library/publications/the-world-factbook/geos/ly.html>>

<sup>29</sup> “IMF Report on Libya”. *American Libyan Chamber of Commerce and Industry*. December 2012

<sup>30</sup> “IMF Report on Libya”. *American Libyan Chamber of Commerce and Industry*. December 2012

According to the data from December of 2012 reserves of foreign currency and gold is 117.2 billion Dollars. Libya's main foreign currency earners are crude oil, refined petroleum products, and natural gas. Other products being exported in their bid to increase and diversify exports include apples chemicals, inorganic chemicals, transistors, crude minerals, petroleum products, citrus fruits, vegetables and fish. (Chimuka, 2012)

#### **6.4. FUTURE ECONOMIC EXPANSION**

Two years after the liberation of Tripoli, heightened uncertainty and insecurity continue to stall the political and economic transition in Libya. As we have seen, the schedule to formulate a new constitution has been significantly delayed due to political disagreements, a disruption in the country's oil exports, and security problems. The interim government is focused on restoring security and building the capacity of public institutions in order to provide basic goods and services. (El-Katiri, 2012)

Libya faces many structural problems including lack of institutions, weak governance, and chronic structural unemployment. Furthermore, the economy displays a lack of economic diversification and significant reliance on immigrant labor. Libya has traditionally relied on unsustainably high levels of public sector hiring to create employment. The country has the least diversified economy in the region with 80% of the population employed by the public sector which absorbs a great deal of the country's oil revenues. On the positive side, 45.9 percent of the population is under the age of 25 giving Libya a young work force with which to rebuild its economy and look to the future.<sup>31</sup>

With respect to agriculture, adverse climatic conditions and poor soil severely limit output and force Libya to importing 80% of vital foodstuffs.<sup>32</sup> Although the government hopes to increase food production, natural and environmental conditions limit Libya's agricultural production potential. Access to safe drinking water is also a problem which hinders not only daily life but also the expansion of agro-industry.

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<sup>31</sup> Central Intelligence Agency. (2013). "The World Factbook page on Libya". In 2013 World Factbook. [online database]. Retrieved December 23, 2013 from the Worldwide Web:<  
<https://www.cia.gov/library/publications/the-world-factbook/geos/ly.html>>

<sup>32</sup> Central Intelligence Agency. (2013). "The World Factbook page on Libya". In 2013 World Factbook. [online database]. Retrieved December 23, 2013 from the Worldwide Web:<  
<https://www.cia.gov/library/publications/the-world-factbook/geos/ly.html>>

In August 2011 it was estimated that it would take at least 10 years to rebuild Libya's infrastructure. According to the NTC, even before the 2011 war, Libya's infrastructure was in a poor state due to "utter neglect" by Gaddafi's administration. (El-Katiri, 2012) By October 2012, the economy had recovered from the 2011 conflict, with oil production returning to near normal levels.<sup>33</sup>

Libya faces a long road ahead in liberalizing its primarily socialist economy, but the revolution has made entrepreneurial activities easier and increased the potential for the evolution of a more market-based economy. Furthermore, once political and security uncertainty subside, the service and construction sectors could become a larger share of GDP. However, for this to happen, the government would also have to spent capital on development projects. Nonetheless, despite the many problems the country must face and overcome, Libya with its young workforce, extensive resources, excellent funds and widespread foreign support has strong potential for economic prosperity and business opportunities for companies in several sectors: oil and gas as well as financial, service and professional services. Although the long security failure poses a risk, many believe the advantages are more important than this risk. It remains to be seen how this oil rich desert country will face its new future.

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<sup>33</sup> Central Intelligence Agency. (2013). "The World Factbook page on Libya". In 2013 World Factbook. [online database]. Retrieved December 23, 2013 from the Worldwide Web:<  
<https://www.cia.gov/library/publications/the-world-factbook/geos/ly.html>>

## 7. FRUIT JUICE AND CONCENTRATES MARKET IN LIBYA

### 7.1. PRODUCTION

Consumption of fruit juice is growing fast all around the world, so production of fruit juice also rises day by day. Libya is one of countries that have high consumption of fruit juice. Amedeo Scapin, Vice President Asia-Pacific-Australia and Business Development quoted “From our research and market intelligence it is clear that Libya has one of the highest per capita juice markets, even compared to Europe”.<sup>34</sup> Highest consumption of fruit juice in Libya makes juice industry one of the main areas for growth. Juice market is dominated with big importers in Libya and there are few local producers. Most of bottled fruit juices are imported and regarding fruit juice concentrate almost all required concentrates are imported.

As stated, there are some few local producers of bottled fruit juice. These producers buy fruit juice concentrate from importers or import it directly and produce fruit juice from concentrate. Producers should present certificates of raw materials to Food Monitoring Center in order to prove that materials are consumable and they can be used in production.<sup>35</sup>

One of the new products recently produced in domestic market of Libya is flavored milk. This segment was previously dominated by imports. (Suat, 2010) It is obvious that in flavored milk concentrated juice is used. So this sector also shows importance of juice concentrate production in Libya. It is really necessary for Libya to expand local fruit juice and juice concentrate production and government should support investors in this sector. This does not mean that Libya should stop international trading. All countries import juice concentrates specially for fruits that are not available in their countries and Libya should also import juice concentrates, but it should decrease import of bottled fruit juice and instead it can expand production lines of fruit juice from different type of juice concentrate (imported or locally produced one).

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<sup>34</sup> <http://www.packagingeurope.com/Packaging-Europe-News/52107/Elopak-Customer-Enters-Libyan-Juice-Market.html>

<sup>35</sup> Social and Environmental Assessment Report July 3rd 2012, Jafara Co.for Food Industries



Production of fruit juice is increasing in Libya day by day in comparison with previous years. Especially after civil war country has become more stable and foreign investment has also increased. For example, last autumn Pepsi's franchise bottler in Libya presented a case study of the re-launch of the drink in the country at a Libya-US Enterprise Conference in Washington. According to Khaled M. Rashed of One Nine Trading International, which is Pepsi's franchise bottler, the company now holds 75% of the market share for soft drinks in the country.<sup>36</sup> New government should also support foreign investors and make business easier for them by removing some trade barriers. This debate leads to the conclusion that Libya should expand local production of fruit juice and existing companies should also increase their capacity of production. Companies should also bear in mind that most of consumers are health conscious and they are open to try out new healthier products. So companies should try to be innovative and explore new flavor options that provide health benefits and great taste experience to their customers (Suat, 2010). Fruit juice packages in cartons are the most popular type of packing because they are perceived to be healthier and provide better storage options (Suat, 2010). Companies should produce new flavors with new and healthier packages to attract consumers, if consumers change their purchasing habits from imported fruit juices to local ones, import of fruit juice will be decreased, and this is local factories duties to use innovative ways to compete with foreign brands and attract consumers.

## **7.2. PRODUCERS OF FRUIT JUICE FROM CONCENTRATES**

Domestic production is smaller than imported brands of fruit juice, but this does not mean that Libya does not have fruit juice producers. Currently, there are some well-known and big factories in Libya. Below some of these companies and brief explanation about them is presented.

Jafara is a company involved in the production, bottling, and distribution of drinking water and juice products in Libya. The company is now the fourth largest manufacturer of juices in the Libyan market and has established two Tetra Pak juice lines, a polyethylene terephthalate (PET) mineral water production line, and canned fruit

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<sup>36</sup> <http://www.thefreelibrary.com/Middle+East+North+Africa+industry+drinks+report.-a0226569062>

juices/sodas. Inter MIMS' shareholder loan will support the expansion of Jafara's production capacity. Planned improvements include the construction of an additional warehouse, the purchase of equipment for glass bottling, and a new air conditioning system for the entire factory.<sup>37</sup> Jafara imports fruit juice concentrate from Italy, Pakistan and North Africa, adds water and packages the fruit juice under its own brand ready for distribution in Libya.<sup>38</sup>

Judi for Food Industries is another fruit juice packer in Tripoli of Libya. Judi for Food Industries is one the major food manufacturers in Libya. The company produces Fruit Juices and UHT milk in 1 Liter and 200 mL packs. Their equipment is from famous companies like CombiBloc, APV and KF.

Al Naseem is a dairy company located in Misurata of Libya. This company is manufacturing dairy products, ice cream and fruit juices. Al Naseem is working with international supplier of ingredients to deliver the best to its consumer.

AL MARAI for food industrial and Naseem Albahar are other juice packers in Libya. Naseem Albahar established in 1990 and it is located in Benghazi. It is manufacturing of fruit juice under brand name NASEEM ALBAHAR JUICE filled in glass and PET bottles.

Another big producer of fruit juice in Libya is Elrayhan. The company found in 1989, with the production of halva in different sizes. After years of success, Elrayhan thought of diversification in the company's activity and has been contracted with Tetra Pak for the supply of three production lines to fill the natural juices in bottles and paper capacity of 250 ml 0.1000 ml. Now Elrayhan has four production lines to fill juices, milk and other products.

There are also some foreign factories that are producing fruit juice in Libya. Rani is famous brand in the world and it has its production line in Libya too. Company name is Alyamama. This factory is producing its products under brand name of Rani. The other foreign producer is HB Group. It has established a joint venture to manufacture fruit juice and processed cheese in 2007, establishing a factory in Sbeha, 45 kilometers from

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<sup>37</sup> <http://www.miga.org/projects/index.cfm?pid=1151>

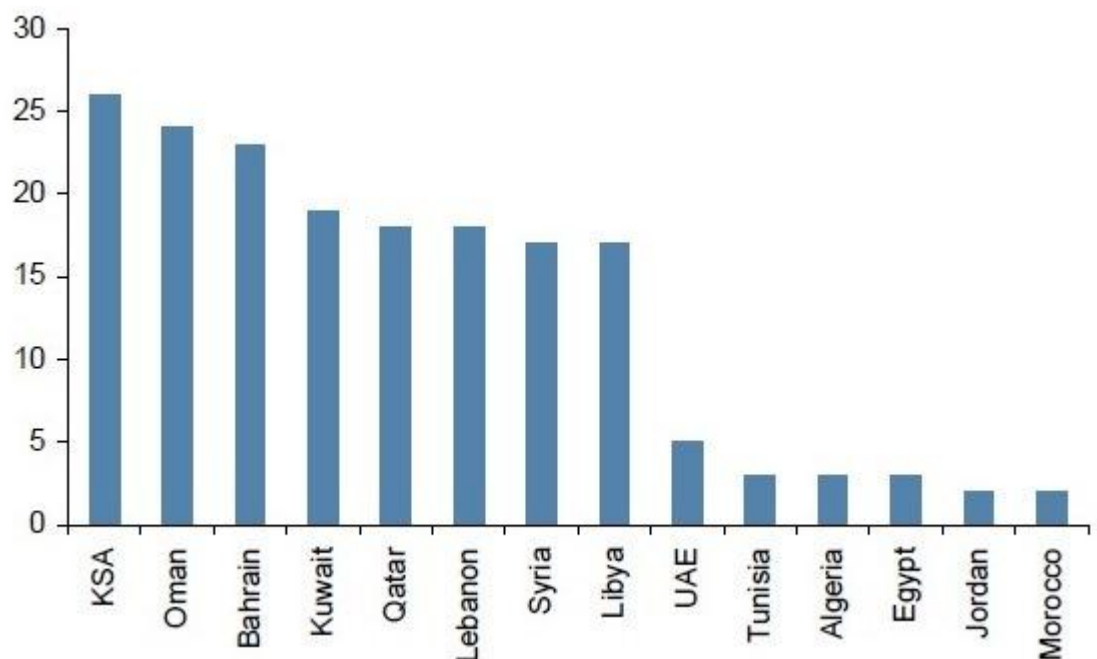
<sup>38</sup> Social and Environmental Assessment Report July 3rd 2012, Jafara Co.for Food Industries

Tripoli, with a total land area of 16 hectares and over 8000 m2 of production and storage facilities, employing 100 people.<sup>39</sup>

### 7.3. CONSUMPTION

Nowadays preference of people for healthy drinks (like fruit juices) over soft drinks (such as carbonated drinks – like Coke and Pepsi) is rising, similar to consumption of fruit juice is rising all around the world. Soft drinks flourish in hot countries, which would suggest that North Africa presents an inviting face to the international drinks market. As Libya is a warm country, its people consume a lot of fruit juice and mineral water. On the other hand drinking alcoholic products are forbidden in Libya, so people drink considerable amount of local and imported fruit juices. Chart 1 is showing that Libyan people are one of countries that consuming high amount of fruit juice among emerging markets. Per capita consumption of fruit juice in Libya was around 18 kilograms in 2009 (Zayed, 2012).

**Shape 7.1:** Per capita juice consumption in emerging markets (Kg), 2009



Source: (Zayed 2012)

<sup>39</sup> HB Group corporate profile, covering multiple geographies and regions

Because of Libyan Islamic culture it is rude to drink or eat while walking so people should go to café to drink something. That is why most of fruit juice consumption is for home use. So people mostly buy packaged fruit juice for their home consumption.

Factors that are influencing purchase decision of consumers are quality and taste of product and also ease of storage. In-store promotion, TV advertisements and company image have less influence on purchase decision of Libyan consumers. When it comes to purchasing, Libyan consumers buy packaged juices on a daily basis and this is more frequent among women than men. The multi-serve 1 liter packs are more popular followed by 2 liter and 200ml aseptic packs. Understandably, consumers buy more quantities of smaller packs on a trip to the market as the volume is less and these are used as on-the-go refreshments and are single use (Suat, 2010)

The future of long-life juice is quite promising in the Libyan market as consumption has gone up significantly - more than two-third of the consumers have increased their consumption of long-life fruit juice in the last one year. Fresh milk & carbonated soft drinks show much less change compared to packaged juice. Cocktail flavor is the most popular flavor in Libya among packaged fruit juices followed by Orange & Mango. However, women and higher SEC's (socio-economic class) are more prone to making blends of juices than their counterparts. Men are more brand-loyal while women in particular care about the flavor rather than brand (Suat, 2010).

Packaged fruit juices are preferred for consumption during various occasions whether indoors or on-the-go. Unanimously, it is preferred during large social gatherings with friends or family and followed closely by general consumption at home. Men seem to prefer drinking juices with their meals while women seem to prefer drinking juices between meals. Most Libyan consumers also enjoy drinking packaged juices at special events like sports or concerts. (Suat, 2010)

As a conclusion, Libyan consumers are more health conscious and they are seeking for high quality and natural products. Libyan consumers prefer tropical flavors and preference of male and female are different. As consumption of fruit juice is high in Libya, producers should try to add new flavors to their production and test them in the market and then they can introduce flavors that match consumer's requirements.

## 7.4. IMPORT

It is understandable that per capita consumption of fruit juice is high in Libya and there are few local producers of fruit juice. Even if there are enough fruit juice factories for local consumption of fruit juice, it is necessary to import fruit juice concentrates into Libya as country does not have all kind of fruits to produce fruit juices. On the other hand international activities help countries to raise its GDP, so it is important for Libya to be active in international juice industry. These facts make Libya a major importer of fruit juice and concentrates. There are also some other factors that make Libya food and drink importer and make its production less. Despite the agriculture sector being the third-largest in the economy, Libya remains a net importer of food due to climate conditions and domestic food production. The civil war in 2011 has also limited domestic output of food and beverages.<sup>40</sup>

At the present Libya imports different type of beverages from Italy, Turkey, Egypt, France, Germany, Thailand, Netherlands, Brazil, Spain, Algeria and South African countries.<sup>41</sup> As the most preferred flavor is orange juice in Libya, the large amount of import belongs to orange juice and orange juice concentrate.<sup>42</sup> According to table 7.1 Libya imported 7515 metric ton of fruit juice from Turkey in 2012.

**Table 7.1: amount of fruit juice and concentrate imported into Libya from Turkey**

Item	From	To	2011		2012		Annual change	
			Quantity (tons)	Value (1000\$)	Quantity (tons)	Value (1000 \$)	Quantity (%)	Value (%)
Fruit Juice Concentrate	Turkey	Libya	5462	3139	7515	3727	37.6%	18.7%

Source: (Çağlayan,, 2013)

<sup>40</sup> Libya Food and Beverages Country-Sector Fact Sheet, The Western Cape Destination marketing, Investment and Trade Promotion Agency, South Africa

<sup>41</sup> Libya Food and Beverages Country-Sector Fact Sheet, The Western Cape Destination marketing, Investment and Trade Promotion Agency, South Africa

<sup>42</sup> . CEPI Brief N° 27 Strategic positioning study of the «Fruit juice» branch

Based on data from Fact Fish website Libya imported 1.729.133 kilograms of nonalcoholic beverages in 2010.<sup>43</sup> This data prove that Libya is a big importer of beverages. Annual import amount of fruit juice and juice concentrate to Libya is shown in table 7.2.

**Table 7.2: Amount (ton) and value (1000 US Dollors) of fruit juices and concentrates that are imported into Libya**

Item	2009		2010		2011	
	Quantity	Value	Quantity	Value	Quantity	Value
Juice, citrus, concentrated	7	8	106	122	163	133
Juice, citrus, single strength	0	0	239	203	870	774
Juice, fruit nes	6974	4770	7660	6412	23581	20506
Juice, grape	5500	7661	6723	8574	2860	4000
Juice, grapefruit	29	21	129	72	128	94
Juice, orange, concentrated	1437	1284	1248	1205	1885	1714
Juice, orange, single strength	1626	2796	1728	2159	2346	3233
Juice, pineapple	46	34	1646	949	694	586
Juice, pineapple, concentrated	457	631	11607	20425	615	990
Juice, tomato	25	24	7	6	194	204

Source: FAOSTAT<sup>44</sup>

Although Libya is big importer of fruit juice, but government try to protect local producers by implementing high tariffs on imported products. Professor Boateng, who is also the Chairman of the CIPS Africa Advisory Board and President of the Institute of Operations Management (Africa), noted that, like most socio-economic entrepreneurs, he is in full support of globalization and international trade. However, he really does not see why Africa should be importing items like tooth picks, canned tomatoes, fruit juices and biscuits among others, when the associated raw materials for all these finished products are in abundance on the continent.<sup>45</sup> Libyan consumers also start to strategically support local producers through a considered change in their buying behaviors. But it clear that import of fruit juice could not be stopped.

<sup>43</sup> [http://www.factfish.com/statistic/nonalcoholicbeverages, other,exceptfruit,vegjuices,importweight](http://www.factfish.com/statistic/nonalcoholicbeverages,other,exceptfruit,vegjuices,importweight)

<sup>44</sup> <http://faostat.fao.org/site/535/default.aspx#ancor>

<sup>45</sup> <http://allafrica.com/stories/201311261283.html>

## **8. EXPORT POSSIBILITIES OF TURKISH FRUIT JUICE AND CONCENTRATE TO LIBYA**

### **8.1. IMPORT REGULATIONS FOR FRUIT JUICE AND CONCENTRATES**

After analyzing fruit juice market both in Libya and Turkey, it is now time to discuss about import process in Libya. Turkish companies should first understand import regulations for fruit juice and concentrate in Libya and then they can find out the ways of exporting to Libya and becoming successful in Libyan market. Some import regulations that should be known are mentioned below.

#### **8.1.1. Restrictions**

As mentioned before, Libya doesn't have enough agriculture and foodstuff production for domestic consumption, so most of the foodstuffs are imported from foreign countries. One of foodstuffs that are imported to Libya is ready for consumption fruit juice and juice concentrate to use in producing fruit juice and other related sectors. For exporting fruit juice and concentrate like any other foodstuffs, seller should consider import regulations of Libya. Actually if seller finds a reliable importer in Libya (with in-depth searching) everything will be handled by importer, but exporter should be also aware of import regulations to provide the required documents.

Food and fruit products are among materials that are restricted to import into Libya and import of food products require special documentation and licenses. In some cases, import of food products should be implemented by public corporations and not by private sector.<sup>46</sup> So it is better to Turkish seller that be in deal with public corporate or with private importer, to be ready to provide any additional documentation.

Based on information from some sources import of fruit juice was prohibited temporarily but from an updated source in 2013, import of canned fruit juice is banned

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<sup>46</sup> <http://www.gistnet.com/cidb-sample/sa-ly.import.html>

to Libya.<sup>47</sup> So exporter should sell other packaging types like Tetra pack. Public or private enterprises can import items provided the product is within the importer's business line.<sup>48</sup> Therefore, exporter should be careful that importer is specialist in food sector.

Many agricultural goods are subject to health and safety documentation requirements. As required under the Libya health and safety procedures for foodstuffs and agricultural products, seals are broken and samples are taken by the customs officer from the goods to be imported. Two authorities are required to issue clearance letters to Customs, depending upon the nature of the import.<sup>49</sup> Exporter must be careful about the quality of the fruit and its composition, because before entering to Libya it will be tested.

Libya prohibits the importation of pork and pork products. Exporters may be required to supply analyses of their products to verify that they do not contain any prohibited ingredients.<sup>50</sup> After sending goods exporter should be ready for providing any documents that importer needs, because in some cases and if samples that are taken by customs will not be in accordance with documents, customs will ask for additional certificates.

Product standards are regulated by the Libyan National Centre for Standardization and Metrology (LNCSM).<sup>51</sup> Exporter should consider these standards and provide certificate of analysis in accordance with standards of fruit juice and concentrate that are mentioned in LNCSM.

One of the difficulties in importing fruit juice is high customs duties that Libya imposes to protect their local industry from foreign competition. So exporter should consider these duties and offer price that importer can compete with local products. Duties should be paid in Libyan currency, dinar.<sup>52</sup>

Another difficulty of importing into Libya is length of customs procedures. In import procedure, it will take 13 days for preparation of documents, 4 days customs clearance and technical control, 18 days ports and terminal handling and 2 days inland

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<sup>47</sup> <http://www.gistnet.com/cidb-sample/sa-ly.import.html>

<sup>48</sup> <http://www.gistnet.com/cidb-sample/sa-ly.import.html>

<sup>49</sup> Country Dossier Libya, "Custom Law," No. 67/1992 as amended 10/1980, 2/1991 General Peoples Decision No.271/1995 Peoples' Committee for Economy and Trade

<sup>50</sup> Marketing Consultancy Division (MSCD) Export Consultancy Unit (ECU), Export Study. Labelling, Marking & Packaging Regulations

<sup>51</sup> <http://www.gistnet.com/cidb-sample/sa-ly.import.html>

<sup>52</sup> <http://www.gistnet.com/cidb-sample/sa-ly.import.html>



transportation and handling. So it will take totally 37 days to get goods from custom.<sup>53</sup> All these procedures will cost much and they may result in demurrage. Demurrage refers to costs that shippers can face if unloading cargo is delayed over the allowed time. Turkish exporter should try to send original documents to importer as soon as he can, according to the agreed payment terms and should support importer in all steps. For organizations, it is important to work with third party logistics that understand the regulations and have the necessary relationships with customs and port officials of Libya.

Because of unsuitable infrastructure and not developed systems, exporter may also face difficulties in finding containers or trucks to send goods to Libya. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for importers, stifling trade potential.<sup>54</sup>

Importing standard container of goods requires 9 documents, takes 37 days and costs \$2255. Globally, Libya stands at 143 in the ranking of 189 economies on the ease of trading across borders.<sup>55</sup> Exporter should support importer in all steps so he can continue his selling because it is really difficult procedure to import goods, especially food products in to Libya.

### **8.1.2. Standards**

As mentioned above Product standards are regulated by the Libyan National Centre for Standardization and Metrology (LNCSM)<sup>56</sup> Standard specifications are essential for all imported food products and processed foodstuffs according to a notice from the Council for Nutrition Affairs & Maritime Wealth. The standards must be registered with the proper authorities in Libya. The notification also specifies that the date of manufacture and especially the expiry date and storage and preservation conditions should be indicated in Arabic on the packaging. Trademarks should be shown clearly.<sup>57</sup>

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<sup>53</sup> . doing business 2014, economy profile: Libya. comparing business regulation for domestic firms in 189 economies. The edition A World Bank Group Corporate Flagship.

<sup>54</sup> . doing business 2014, economy profile: Libya. comparing business regulation for domestic firms in 189 economies. The edition A World Bank Group Corporate Flagship.

<sup>55</sup> . doing business 2014, economy profile: Libya. comparing business regulation for domestic firms in 189 economies. The edition A World Bank Group Corporate Flagship.

<sup>56</sup> <http://www.gistnet.com/cidb-sample/sa-ly.import.html>

<sup>57</sup> Marketing Consultancy Division (MSCD) Export Consultancy Unit (ECU), Export Study. Labelling, Marking & Packaging Regulations

There is another agreement that evaluate standards of imported foods and drinks; The Agreement on the Application of Sanitary and Phytosanitary Standards (SPS). This sets constraints on government policies relating to food safety and animal and plant health, ranging from those governing pesticide use and biological contaminants to policies on food inspection, product labelling, and genetically engineered foods. (Kalberg and Otman, 2006)

Health Law No. 106 of 1973 and its Executive Regulations, covers controls for the circulation of foods and the necessary health provisions for locally manufactured or imported foodstuff and dairy products, as well as health standards associated with meat, fish and poultry and bird shops, and how to transport and handle such food products (Kalberg and Otman, 2006).

It also prohibits the sale, display, consumption, import, or distribution of foodstuff and agricultural products unsuitable for human consumption, and also provides for the release and display for sale of imported food products in the event of a confirmed epidemic or disease in the supplying country, which might be sparked by the consumption of such food, whether for humans or animals (Kalberg and Otman, 2006).

Imported fruit juice should be in accordance with all these standards, and exporter should be ready to provide any additional standards that importer may ask for.

### **8.1.3. Labeling**

The importance of correct product labeling, marking and packing for exports cannot be overstated. Exporters who do not meet the labeling, marking and packaging regulations of their specific overseas markets could incur heavy penalties and loss of export business. The regulations for product labeling, marking and packaging vary from country to country, however, certain basic information is constant in all regulations.

In importing goods into Libya, exporter should use suitable packaging and in accordance with Libya's standards and regulations. As mentioned before canning fruit juice is prohibited to import into Libya so other packaging should be used and for fruit juice concentrate drums should be used. Goods should be packed adequately so as to withstand rough handling, pilferage, and bad weather conditions.<sup>58</sup>

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<sup>58</sup> Marketing Consultancy Division (MSCD) Export Consultancy Unit (ECU), Export Study. Labelling, Marking & Packaging Regulations

Labels are also important. Goods and containers should be labelled and marked clearly to facilitate accurate identification of the items listed on the bill of lading and on the packing list. It is recommended that that packages show the name of the consignee and the port from which they are being shipped. It is advisable that labels attached to goods be printed in Arabic.<sup>59</sup>

Furthermore, labels and advertising attached to shipment should be printed in Arabic script. Labels should not contain any false or misleading information.<sup>60</sup> As food and drinking products are restricted products, importer may ask for special labeling for fruit juice and concentrate.

#### **8.1.4. Shelf-life labeling**

Selling food products that past their expiry dates is forbidden in Libya. So exporter should mention shelf life and storage conditions in product's label and shelf life should be in accordance with Libya's standards.

Shelf life of fruit juice depends on packaging, storage conditions and content of fruit juice and preservatives that are used on it. Aseptic type of packaging is safer than other packaging type. Fruit juices that have more fruit have lower shelf life than fruit juice with higher content of sugar and preservatives. So, nectars have higher shelf life than pure fruit juice. Regarding fruit juice if it is aseptically packed, it will have shelf life of two years and if it is frozen then it should be stored in reefer places to have shelf life of two years. According to standards fruit juice and juice concentrates that are imported to Libya should have at least two thirds of their shelf life. This means that two thirds of shelf life of products should remain when they arrive at Libyan ports.

#### **8.1.5. Documentation requirements**

The purpose of import is important in supplying documents by the exporter. There are four type of import mode in Libya.

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<sup>59</sup> Marketing Consultancy Division (MSCD) Export Consultancy Unit (ECU), Export Study. Labelling, Marking & Packaging Regulations

<sup>60</sup> <http://www.gistnet.com/cidb-sample/sa-ly.import.html>

i. Home consumption: Home consumption means that the importer will release the goods from customs and the goods will enter local commerce.<sup>61</sup>

ii. Warehousing or Free Trade Zones: Goods may be entered or admitted into customs-bonded warehouses or free trade zones. These kinds of entries place the merchandise in a place where it is temporarily exempt from customs duty. If the goods are later exported, they may permanently remain exempt from duty.<sup>62</sup>

iii. Transshipment or Transportation: This keeps the goods in customs custody. They enter Libya for the sole purpose of being transported in or through the country or to a free trade zone. After this procedure the goods may either be exported from the territory or are placed under another procedure, e.g. enter the goods for free circulation or warehousing at a location where the transit operation finishes.<sup>63</sup>

iv. Temporary Admissions and Carnets: Temporary Admissions allows goods to be used within the country but subject to customs' control. Goods and equipment may be imported under the temporary admission procedures for a renewable period of six months or until the expiry of the period of a specific contractual project for which they were imported for. Libya is not a member of the TIR Convention. The ATA (Admission Temporaire) procedure is not allowed in Libya.<sup>64</sup>

If exporter sells fruit juice and concentrate for home consumption of Libya, below documents are required. In other import types, importer does not need to provide all of these documents. All duties and customs fees should be paid by importer.

Bill of Lading: The bill of lading is required for all freight shipments. Identification marks and name and address of consignee should be shown clearly. The port of destination, the listing of the freight, and other charges, the number of the bills of lading

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<sup>61</sup> Country Dossier Libya, "Custom Law," No. 67/1992 as amended 10/1980, 2/1991 General Peoples Decision No.271/1995 Peoples' Committee for Economy and Trade

<sup>62</sup> Country Dossier Libya, "Custom Law," No. 67/1992 as amended 10/1980, 2/1991 General Peoples Decision No.271/1995 Peoples' Committee for Economy and Trade

<sup>63</sup> Country Dossier Libya, "Custom Law," No. 67/1992 as amended 10/1980, 2/1991 General Peoples Decision No.271/1995 Peoples' Committee for Economy and Trade

<sup>64</sup> Country Dossier Libya, "Custom Law," No. 67/1992 as amended 10/1980, 2/1991 General Peoples Decision No.271/1995 Peoples' Committee for Economy and Trade

and the date and signature of the carrier's official acknowledging receipt on board of the goods for shipment should also be indicated on the bill of lading. Quantities and weight should agree with those shown on the commercial invoice. The importer should specify the number of bills of lading required. Two copies of the airway bill are required for air cargo shipments.<sup>65</sup>

Commercial invoice: one original signed by the exporter showing full details of the contents and packing, the terms of sales, itemized expenses and CIF or CFR value is required. Invoices must be certified by the appropriate chamber of commerce and then legalized by Libyan consular authorities.

Certificate of Origin: The certificate of origin must be certified by the appropriate chamber of commerce and then presented to the Libyan consulate for legalization. If the products contain any components from other countries, the country of origin and the percentage of the foreign components must be indicated. The certificate of origin must also specify that goods are consigned to a Libyan company or the like or the vessel or air carrier will not call and does not intend to call at any Israeli ports.

Packing list: A packing list is recommended in order to expedite clearance at the port of entry. The list should include shipping marks and numbers in order to facilitate the identification of each package and its contents.<sup>66</sup> Any Arab consulate except for the Egyptian consulate may handle consular legalization.

Other documents that importer should provide are Health Certificate, certificate of conformity, customs import declaration; customs release order, delivery order, proof of payments of customs fees and duties. Special certificates may be required on specific imports. Exporters should consult closely with their customers in Libya prior to shipping. Regarding fruit juice as it is restricted product, other certificates may also requested from exporter , such as certificate of analysis, certificate that product doesn't contain prohibited materials.

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<sup>65</sup> [www.icdt-oic.org/RS\\_67/Doc/Biz\\_Guide\\_LY.pdf](http://www.icdt-oic.org/RS_67/Doc/Biz_Guide_LY.pdf)

<sup>66</sup> [www.icdt-oic.org/RS\\_67/Doc/Biz\\_Guide\\_LY.pdf](http://www.icdt-oic.org/RS_67/Doc/Biz_Guide_LY.pdf)

## **8.2. COMPETITION**

As Africa is considered as next generation of emerging markets, everyone tries to enter this market, so everyone offer high quality products with competitive prices. Exporter should try to find out prices that competitors offer and try to compete with them.

Competition in fruit juice and especially in juice concentrate sector is too high. There are very big dealers in the world. For example, China is competing in the world with its low prices because of low costs of production. But in this competition Turkey has advantage of good relation with Libya, distance and religion is the same, so it can easily compete with other exporters from other regions.

Turkish exporter should also consider competitors in the local market. As previously stated Libya has very big producers that are trying to present high quality products to their customers. Exporter should offer a price that is near to the price of local products after the payment of customs fees and duties. Therefore, Turkish exporter must consider duties in their pricing policies. Although juice industry in Libya is not so developed, local producers and distributors are more aware of their customer and their preferences and they can easily find out the new inquiries from customers and they can match products with customers' requirements.

Libyan can also prefer to buy from African countries as there is Free Zone Trade Agreement between African countries and Libya. Therefore, importer will not pay duties for products imported from African member countries.

## **8.3. PAYMENT METHODS**

After civil war in Libya lots of investors faced loses and they could not get their money back. That is why after revolution exporters abroad are worried about being paid on time. Many traders believe that Libya still has enough funds to pay for food imports, but corruption and confusion make it impossible to strike big deals. Anyway it is obvious that exporter must be cautious about payment and do not sell high quantities before getting any money.

Exporters usually use payment terms of T/T in advance or L/C in trading with Libya. T/T means telegraphic transfer, or simply wire transfer. It's the simplest and easiest payment method to use. T/T is usually used for small quantity of shipment and it is better for exporter to send small quantities and get money in advance in working with Libya.

An Irrevocable Letter of Credit is also an often used payment method. It is often referred to as L/C. Letters of Credit are formal payment methods that offer a lot of protection to the parties. Banks of two parties are acting in L/C in getting money from one side and documents from the other side. A shipment to be made under the terms of a Letter of Credit must show proof of marine insurance coverage obtained through a Libyan company. This way of payment is safe and is used for large quantities. However in present circumstances, no one can be sure that Libyan importer has enough funds to support import.

Confirmed and Irrevocable letter of Credit is a term that gives the seller the highest level of protection. This kind of letter of credit adds the endorsement of a seller's bank (the accepting-bank) to that of the buyer's bank (the issuing bank). Buyer cannot cancel or change conditions of this kind of L/C unilaterally since it is "Irrevocable" and also both banks involved in the transaction guaranty its payment on its due date. So this payment method is safer to be used in trade with Libya.

Foreign exchange permits required for imports are readily granted by the authorized banks following the Central Bank approval provided that there is a firm contract and an import license has been obtained from the Secretariat for the Economy, Trade and Economic Planning. If the import is to be made on a letter of credit basis, a marine insurance policy from a local insurance company must be submitted before the letter of credit is established.<sup>67</sup>

No letter of credit may be opened by an authorized bank without an advance deposit of at least 20% of the value of the imported goods. Importers must present to the bank granting the exchange permit, the customs declaration confirming clearance and stating the valuation within two months of customs clearance.<sup>68</sup> All these processes show that letter of credit is safe payment method. In the meantime, Libya is continuing to export oil so revenues from export are high and Libyan can pay for imports easily.

#### **8.4. FACTORS INFLUENCING PRICING**

The civil war which broke out in Libya between 15 February 2011 and 23 October 2011 is the major factor influencing prices in Libya today. Since that war which overthrew

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<sup>67</sup> [www.icdt-oic.org/RS\\_67/Doc/Biz\\_Guide\\_LY.pdf](http://www.icdt-oic.org/RS_67/Doc/Biz_Guide_LY.pdf)

<sup>68</sup> [www.icdt-oic.org/RS\\_67/Doc/Biz\\_Guide\\_LY.pdf](http://www.icdt-oic.org/RS_67/Doc/Biz_Guide_LY.pdf)

the Gadhafi regime in Libya, Libyans are not only undergoing the threat of violence in their country every day, but they are also experiencing a major food emergency. Accessing the food situation inside the country has become alarmingly difficult.

According to the United Nations, 92 percent of the food consumed in Libya is imported. A UN spokesperson was quoted saying, "We are concerned about the food situation in Libya. We heard that...rice prices have gone up by 88 percent and bread is more than double price since the overthrow of the Gadhafi regime." It was also reported that a large percent of shops in many areas of Libya are closed. This in no small way has had a bad effect on Libya's juice industry. It is concluded that political problems are the most influencing factor that affect prices in Libya.

Another factor that affects juice prices in Libya is international prices. Libya is trading with world so price of exported oil and price of imported juice concentrate are influencing fruit juice price in Libya's market. This factor is related to foreign currency parities in Libya. If export of oil increases then more foreign currency will enter country and value of Libyan Dinar will increase, so importers can buy juice concentrates comparatively in lower prices than in opposite situation.

As fruit juice is not essential product, exporter should be careful of price. Like any other product demand and supply for fruit juice will affect its price. As exporter is not in host market and is not producing, he should sell one quality to all type of customers and he cannot segment the customers, so he should offer an average price. Price of competitors is also important factor in pricing policy. But regarding juice concentrate, as it is raw material and producers in Libya need to buy this raw material, exporter can make more profit on fruit juice concentrate.

All around the world people pay more to high quality products, so if exporter can sell high quality products its brand become famous then he can use this benefit. Libyan people care about healthy products and they can pay little bit higher to healthier and high quality products. So the quality is one of factors that may influence price of fruit juice and juice concentrate. As import duties are high in Libya it is one of the factors that highly influence fruit juice prices.



## **8.5. MARKETING OF FRUIT JUICE AND CONCENTRATE IN LIBYA**

The most important part of exporting fruit juice is marketing of product in Libya. Exporter must choose a marketing strategy in Libya. Turkish marketer can use advantage of product-based marketing strategy. For example he can use first mover advantage. This means marketer can export the product that is not available in Libya, he can export new flavors. The other marketing strategy is price-based strategy. Exporter can offer very competitive price or give some free products as a promotion so customers will test the products. Finding distribution channels and making contract with some channels are another way of marketing for exporter. Some explanations are given in the next section.

### **8.5.1. Distribution channels**

It is not enough that manufacturers produce and consumers consume. The intermediate process of bringing the two together is also of primary importance. It will be easier for importer to distribute products in local market where he knows the distributors, wholesalers, or retailers better. Exporter can also use his own distribution channels. There are many Turkish companies that are working in Libya as investors. Turkish company can contact with these people and for sure he will be more successful with his compatriot rather than foreigners. Distribution channels exist for convenience of customers. So exporter should make contract with distribution channels that are located in high populated areas.

Distribution strategy consists of marketing campaigns, pricing and sales process. Logistics is also a part of distribution. It is imperative to note that logistics is an essential part of supply chain and ensures products are delivered safe and sound to customer. It is understandable from consumer's preferences that they care less about advertisements and campaigns than quality of product in purchasing decisions. So exporter can make campaigns about high quality and healthy fruit juices. For example, exporter can make contract with some food specialist to serve fruit juices in stores and explain about its health advantages.

Regarding prices, exporter should calculate all factors such as transportation to Libya, import duties and transportation cost from port to warehouses and stores and then he

should also consider some discount for first loads for promotion. For example, exporter can sell some free packs of healthy fruit juices using health specialists in stores.

For sales process, exporter can use retailers and wholesalers. Libya has started many projects like airports, hotels, touristic places. Exporter can make contract with hotels directly to sell fruit juices and by this way introduce products to people from all around the world who stay in those hotels.

Exporter can also make contracts with some super markets by visiting Libya. It is important for exporter to have available stock of products in Libya. So, if any customer needs products urgently, exporter can sell from its stock. For fruit juice concentrate, exporter can make contract with one of the big producers of fruit packers in Libya. Libyan is buying fruit juice mostly for home consumption, so they are buying from super markets. So the best way for exporter is to making contract with big super markets for selling its fruit juices.

After exporting some quantities to Libya, exporters should think of establishing an office in Libya to have more control over the local market operations, because Libya is a fast-changing market and trading activities are complex and the most important thing is that information about local market is not available, so it is better for exporter to be active in local market by itself, if possible.

## **9. CONCLUSION**

The global market for fruit and vegetable juices is growing fast. This rapid growth is driven by a rising preference by consumers for healthy drinks (like fruit juices) over soft drinks (such as carbonated drinks – like Coke and Pepsi). This means production of fruit juice and juice concentrate will increase and countries who do not have enough resources for covering the demand of fruit juice will import fruit juice or fruit juice concentrate to produce fruit juice. Libya is one of countries that do not have enough sources of fruits to produce juices; therefore, Libya needs to import fruit juice and concentrates.

Statistics show that Turkey has high fruit juice and juice concentrate production and has strong relation with Libya. So it is possible for Turkey to export high quantities of fruit juice and juice concentrate to Libya. However, the Libyan market is a highly challenging one in the prevailing transition period. While there are potentially rich trade and investment opportunities, there are corresponding challenges to successfully operating in Libya, such as lack of available business databases, language barriers and weak infrastructure for marketing activities.

Although Libya is a difficult market and has strict regulations for importing goods especially food products and drinks, Turkey is one of the most important trade partners of Libya. Turkey has lots of advantages in trading with Libya. There are cultural and religious similarities between the two countries. Moreover, Turkey has also transport advantages due to its closeness to Libya by sea. Competition from fruit juice producers in Libya is low, while Turkey has high production of fruit juice and juice concentrate. These issues prove that Turkey has a high potential to export fruit juice and concentrate to Libya. Although it is also undeniable that Turkish exporter will face difficulties in exporting to Libya, but these difficulties can be compensated by the advantages that Turkish exporter has in selling to Libya.

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