

DRUM COMMODITIES LIMITED – COUNTRY REPORT

LIBERIA

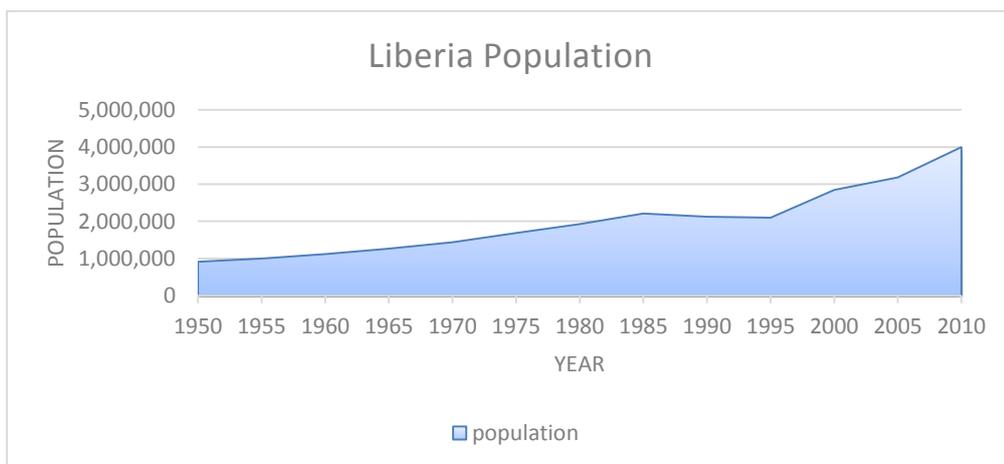
1. GENERAL

1.1 Liberia is situated on the west coast of Africa. It is bordered by Sierra Leone to the northwest, Guinea to the north/northeast, Cote d'Ivoire to the east and the Atlantic Ocean to the southwest. It covers an area of 111,396 Km Sq. (43,000 Sq. miles), and lies between latitudes 4° and 9°N, and longitudes 7° and 12°W.

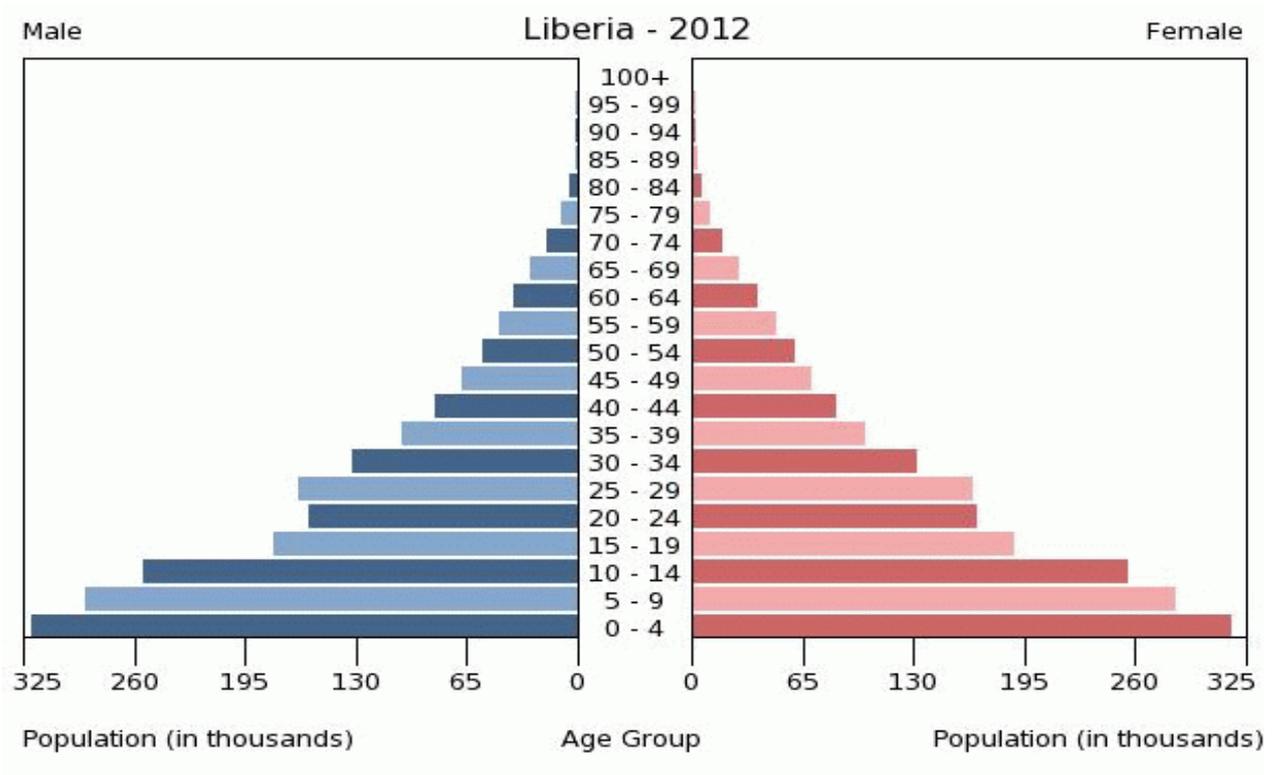


1.2 The republic of Liberia is home to 4 million people, 1.2 million of whom live in the capital, Monrovia. The population density is low; in 2010 it was just 39.9 per square kilometre.

1.3 The graph below displays population growth in Liberia from 1950 to 2010 increasing by over 270% in these last 60 years.



- 1.4 The currency of Liberia is the Liberian Dollar (LRD) (US\$1=74LRD).
- 1.5 English is the official language spoken in the country. However, there are also over 30 indigenous languages spoken.
- 1.6 The climate is hot and equatorial with a rainy season from May-October; the dry and dusty Harmattan winds affect most of the country for the remainder of the year and throughout the dry season.
- 1.7 Liberia is divided into fifteen counties which, in turn, are subdivided into districts and further into clans. The oldest counties are Grand Bassa and Montserrado, both founded in 1839 prior to Liberian independence. The newest county is Gbarpolu, created in 2001.
- 1.8 Liberia is one of only two newly founded countries in Sub-Saharan Africa, the other being Ethiopia, without roots in the European colonisation of the continent.
- 1.9 With an unemployment rate of 85% and an average income of just US\$1.50 per day, Liberia is one of the poorest countries in the world. Life expectancy is 56.5 years, the infant mortality rate in 2010 was 76.43 per 1000 live births (18th highest in the world), and there are an estimated 35,000 people living with AIDS. The percentage of people living without basic sanitation facilities is amongst the highest in the world.



2. HISTORY

- 2.1 In 1829 the American Colonisation Society (ACS) founded a colony along the pepper coast for Freed African American Slaves, these people become known as Americo-Liberians. This idea was supported by prominent politicians such as Abraham Lincoln.
- 2.2 On July 26th 1847, the Americo-Liberians signed a declaration of independence, and thus, soon after, created the independent Republic of Liberia.

- 2.3 Liberia is believed to be the oldest republic in Africa, with an independent republican history that dates back to the 1880s.
- 2.4 In the mid-20th century, Liberia gradually began to modernise with American assistance. Both the Freeport of Monrovia and Roberts International Airport were built by US personnel through loans from America during World War II. US President Eisenhower encouraged foreign investment in the country, resulting in the second-highest rate of economic growth in the world during the 1950s. Liberia also began to take a more active role in international affairs; it was a founding member of the United Nations in 1945.
- 2.5 In 1980, a Military coup led by Master Sergeant Samuel Doe overthrew the Government and the True Whig party (the most prominent party in politics at the time) through violent force. Doe created the People's Redemption Council (PRC) and became President in 1985. Soon after, the PRC was condemned by many for corruption and political repression. Subsequently, future elections won by Doe were commonly deemed as deceitful. The first of Liberia's civil wars was sparked by a coup against the PRC in 1989 by The National Patriotic Front of Liberia (NPFL), a rebel group led by Charles Taylor, and was supported by neighbouring nations such as Cote D'Ivoire and Burkina Faso. The Government was overturned and Doe executed in 1990. Nevertheless fighting continued between allied troops for various reasons. The Economic Community of West African States (ECOWAS) organised a military task force to reinstate order in the country. The attempted restoration of peace resulted in one of Africa's bloodiest civil wars, claiming the lives of more than 200,000 Liberians and displacing more than 1,000,000 civilians to neighbouring countries. Eventually a peace deal was reached and new president Charles Taylor, leader of the NPFL, was elected in 1997.
- 2.6 Under Taylor's leadership, blood diamonds and illegal timber exports were used to fund the Revolutionary United Front (RUF) in the Sierra Leone Civil War, exporting over \$300 million in blood diamonds annually. The Second Liberian Civil War began in 1999 when Liberians United for Reconciliation and Democracy (LURD), a rebel group based in the northwest of the country, launched an armed coup against Taylor. In March 2003, a second rebel group, Movement for Democracy in Liberia, began attacks against leadership from the southeast. Peace talks between the factions began in Accra in June 2003 and Taylor was charged by the Special Court for Sierra Leone for crimes against humanity in 2012.
- 2.7 The UN maintains some 15,000 soldiers in Liberia. It is one of the organisation's most expensive peacekeeping operations.
- 2.8 Liberia is in recovery from the crippling civil war era and is showing slow signs of recovery despite 85% of the population living below the poverty line.

3. POLITICS

- 3.1 Liberia takes the framework of US politics i.e. a presidential representative democratic republic. The President is the head of state and head of government. Unlike the US however (dual party), Liberia is a multi-party state.
- 3.2 The President acts as head of government, head of state and the commander-in-chief of the Armed Forces.
- 3.3 The government is composed of the Senate and the House of Representatives. The House, led by a speaker, has 73 members assigned among all the counties, with each county receiving a minimum of two members. Today there are over 20 registered political parties in the country; many of these are based groups or traditions.
- 3.4 Elections in 2005 were considered the most free and uncorrupted in the nation's history; they symbolised a recovery from the decades of civil war that had ruined much of the country.

- 3.5 Liberia's highest judicial authority is the Supreme Court; this is made up of five members and headed by the Chief Justice of Liberia. There are also sub courts in each of the counties. Liberia scored a 40% on the 2012 Corruption Perceptions Index (CPI). This gave it a ranking 71st of 178 countries worldwide and 10th of 47 in Sub-Saharan Africa. This score represented a significant improvement since 2007, when the country scored 21% and ranked 150th of 180 countries, and 2010 when the country scored 33% and ranked 87th. However these figures are far from satisfactory; when seeking attention from a selection of service providers, 89% of Liberians had to pay a bribe, the highest national percentage in the world. Corruption is in fact still rife. However, indications of improvement are evident. The country is currently attempting to outlaw all corruption in all sectors. In 2012, the government imposed an asset-declaration requirement as part of a code of conduct for officials reflecting on-going efforts to reduce bribery, control violence, and establish political stability.
- 3.6 Liberia maintained close relations with the US throughout history, dating back to 1819 when the US congress granted Liberia \$100,000 for establishment. Ties with the US weakened when relations with Russia strengthened in the 1970s. Relations between India and Liberia have traditionally been strong and in recent years both nations have developed close and extensive cooperation in trade, military and strategic fields. Liberia and Russia have maintained good relations, and future trade relations between the two nations are expected to take off, with Russia already trading with many of Liberia's neighbouring nations such as Sierra Leone. On top of these key diplomatic relations, Liberia is a member of the Organization of African Unity (OAU), the Economic Community of West African States (ECOWAS), the African Development Bank (ADB), the Mano River Union (MRU) and the Non-Aligned Movement (NAM). Liberia is also a member of the International Criminal Court (ICC) with a Bilateral Immunity Agreement of protection for the US-military.

4. MAIN INDUSTRY AND ECONOMY

- 4.1 Civil war and government mismanagement destroyed much of Liberia's economy, especially the infrastructure in and around Monrovia.
- 4.2 The Liberian economy had relied heavily on the mining of iron ore prior to the civil war. It was a major exporter of iron ore on the world market. In the 1970s and 1980s, iron mining accounted for more than half of Liberia's export earnings. Since the coup d'état of 1980, the country's economic growth rate has slowed down because of a decline in the demand for iron ore on the world market and political upheavals in Liberia. Liberia's foreign debt amounts to more than £1.7 billion. However, in recent years (2005 - 2012), foreign investment is aiding the revitalization of the iron-ore mining sector. Meanwhile, Liberia's debt has been reduced significantly through assistance from the World Bank, United States, EU, IMF and other loans, to as low as under \$500,000 USD. Private and public creditors have forgiven billions of dollars of loans to reduce Liberia's substantial public debt. The economy in Liberia is now far more agriculture based.
- 4.3 Key imports and exports, as well as partners in Liberia are as follows:

Exports (US\$):

| | | |
|-------------------------|---------------|--------|
| Shipping and various | \$255,199,171 | 30.97% |
| Natural rubber | \$247,330,601 | 30.02% |
| Petroleum oils, crude | \$119,268,458 | 14.48% |
| Petroleum oils, refined | \$90,792,140 | 11.02% |
| Yachts | \$22,517,856 | 2.73% |
| Diamonds | \$15,215,338 | 1.85% |
| Cocoa Beans | \$14,130,152 | 1.71% |

Export Partners (US\$):

| | | |
|------------|---------------|--------|
| Poland | \$213,153,229 | 25.87% |
| USA | \$148,139,095 | 17.98% |
| Spain | \$71,523,685 | 8.68% |
| Denmark | \$53,058,147 | 6.44% |
| Germany | \$35,621,529 | 4.32% |
| Canada | \$34,785,302 | 4.22% |
| Mozambique | \$33,269,270 | 4.04% |

Imports (US\$):

| | | |
|-----------------------------|------------------|--------|
| Shipping and various | \$10,856,081,473 | 87.07% |
| Floating drilling platforms | \$660,735,441 | 5.30% |
| Petroleum oils, refined | \$426,101,511 | 3.42% |
| Structure parts | \$117,375,765 | 0.94% |
| Iron and steel | \$26,870,830 | 0.22% |
| Rice | \$24,813,692 | 0.20% |
| Sugar cane | \$9,691,106 | 0.08% |

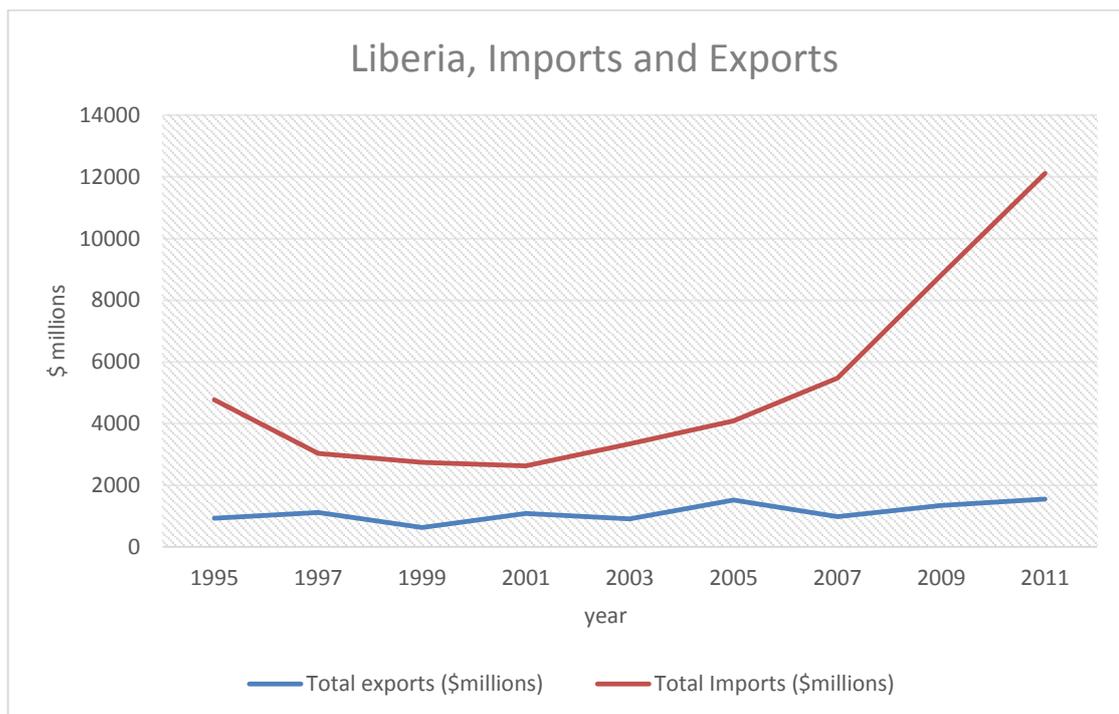
Import Partners (US\$):

| | | |
|---------------|-----------------|--------|
| Korea | \$5,374,511,885 | 43.11% |
| China | \$4,396,840,206 | 35.27% |
| Japan | \$1,955,713,383 | 15.69% |
| Poland | \$286,936,177 | 2.30% |
| Germany | \$139,240,675 | 1.12% |
| Cote D'Ivoire | \$56,837,057 | 0.46% |
| Croatia | \$49,586,732 | 0.40% |

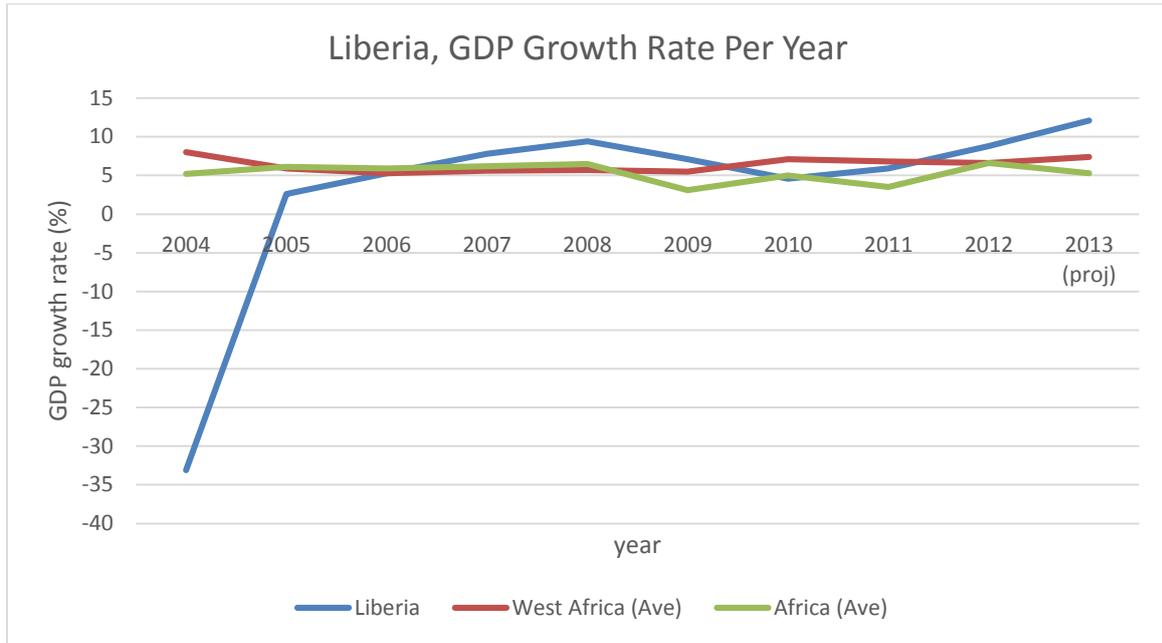
- 4.4 Liberia's export trade was dented during and after the civil war in the 1990s. The deteriorating wartime economy forced many investors to leave the country due to losses. Diamond used to be the highest foreign exchange earner for Liberia. However, as the country's diamond sector was involved with the Blood Diamond controversy, the UN imposed an export ban. This was lifted in 2007 and diamond trade resumed but has not been as prevalent as history would suggest
- 4.5 Liberia's economic freedom score is 49.3%, making its economy the 147th freest in the 2013 Index. Its score has increased 0.7% from last year, with substantial improvements in trade freedom and the control of government spending. Liberia is ranked 33rd out of 46 countries in the Sub-Saharan Africa region; its overall rating remains lower than world and regional averages.
- 4.6 Liberia is the second-largest maritime licensor in the world with more than 1,700 vessels registered under its flag, including 35% of the world's tanker fleet. The country earned more than £13 million from its maritime program in 2010.
- 4.7 The Liberian Government has declared in recent months that it has discovered large amounts of crude oil along its Atlantic coast, a sign of a potentially prosperous future for the nation, with oil prices increasing rapidly.
- 4.8 Liberia receives large loans from foreign aid, particularly from the United States, Taiwan, Japan, Britain, France, Italy, and Germany. But because of the Liberian Government's corruption and perceived disregard for human rights, foreign assistance to Liberia has declined drastically. Taiwan is currently the largest donor of direct financial aid to the Liberian Government. However, significant amounts of aid continue to come in from Western countries through international aid agencies and non-governmental

organisations such as charities. This avoids direct aid to the government yet still aids the country greatly.

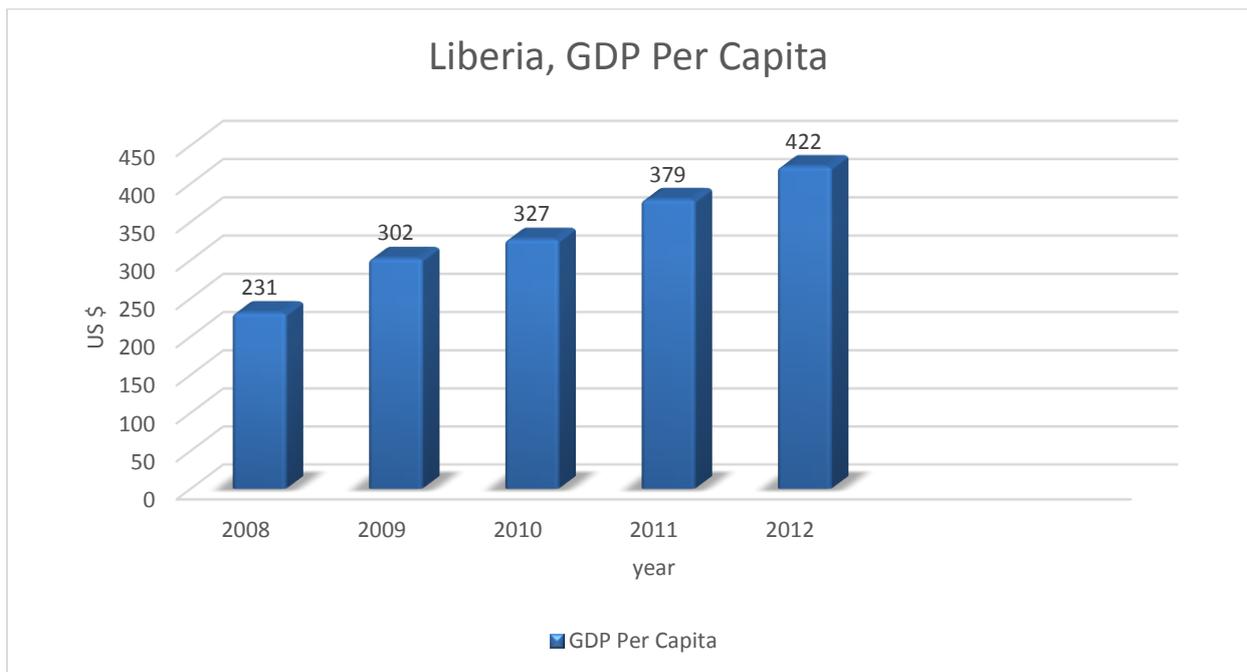
- 4.9 Inadequate infrastructure hinders the economy greatly. A large part of the population remains outside of the formal banking sector.
- 4.10 Considerable efforts have been made to modernise infrastructure to aid economic growth. The business start-up process is more straightforward; fees related to completing licensing requirements have been reduced considerably.
- 4.11 The labour market is underdeveloped; 85% are unemployed and about 80% of the current workforce is engaged in informal activity, with a large percentage involved in illegal alternatives of making money.
- 4.12 Despite signs of growth, the economy still suffers from the scars of war. Further reforms, particularly to allow for more vibrant flows of trade and investment, are needed to secure better prospects for long-term economic development.
- 4.13 Liberia has one of the 20 fastest growing economies in the world.
- 4.14 The graph below shows signs of both import and export growth in Liberia which will greatly aid the economy. The steady growth of exports is an encouraging sign as well as the rapid import growth.



- 4.15 The following graph shows Liberia in comparison to members of ECOWAS as well as Africa as a whole. Signs of improvement are evident, particularly since the disruption caused by the civil war that ended in 2003. Liberia is above the growth rate of ECOWAS as well as Africa's average as a whole.



4.16 The graph below shows GDP per capita in Liberia, there are clear signs of improvement.



5. PRODUCT FOCUS: RUBBER

5.1 Companies such as UNIDO intend to fund a rubber science and technology institute at the Tubman University. They say it will, 'contribute to the reconstruction efforts of the Government of Liberia, and that the Organization will support the capacity building of institutional and human resources, which are critical to Liberia's recovery and renewal for the social and economic developments, sustained stability and the reduction of youth unemployment'.

- 5.2 Liberia makes more than US\$70m per year through rubber exports, making it one of the biggest exports of the country.
- 5.3 According to World Investment News, the importance of the rubber sector has come to over 60% of the total export of the country. There are about 400,000 acres of rubber in Liberia and the industry provides constant employment opportunities for the population.
- 5.4 Rubber production in Liberia is an ever growing industry. Improvements to unemployment and positive effects on the economy are evident and will continue to grow.
- 5.5 Firestone is the largest rubber company in Liberia. Firestone has provided employment and pensions to thousands of Liberians as well as health care. The company also provides education and training opportunities to employees and their children. It has invested more than US\$107m in projects that are helping Liberia rebuild and improve living standards.
- 5.6 After more than 80 years of investment, the Firestone plantation in Liberia covers almost 200 square miles, and is the largest single natural rubber operation in the world.
- 5.7 Buchanan is the main sea port in Liberia; located 70 miles southeast of Monrovia, it deals with the majority of the country's imports and exports.



6. SAFETY AND SECURITY

- 6.1 Since the civil war there have been vast improvements in terms of safety when traveling in Liberia. The UN has peacekeeping forces in Monrovia but they are merely there to assist and are unarmed. Steps are being made to increase both professionalism and capabilities in the police force, although tourists and business travellers are commonly bribed by police officers. Despite its efforts, security in Liberia still falls short of many of the more economically developed countries' standards.
- 6.2 Despite improvements in security, Liberia has one of the worst crime rates in western Africa. Much of the population state that they do not trust the police force.

- 6.3 The US State Department suggests that all areas outside the capital lack many basic services and therefore all travelling outside Monrovia is not advised, especially at night, due to poor street lighting, road quality and theft. Emergency response is virtually non-existent outside the capital.
- 6.4 A common issue is the formation of unauthorised, often armed, road blocks outside major cities where money may well be demanded by the personnel manning the roadblock.
- 6.5 US and UK citizens are advised to steer clear of large crowds and political demonstrations. Furthermore, it is advised that, when on foot, keeping an awareness of surroundings is essential.
- 6.6 The British Foreign Commonwealth Office suggests that no method of transport in Liberia is without risk.
- 6.7 Driving in Monrovia presents danger to both residents and visitors as traffic laws are either non-existent or not enforced by police. Traffic accidents are frequent and often result in injury or loss of life.
- 6.8 Furthermore, the Foreign and Commonwealth Office advise against all but essential travel to Grand Gedeh and River Gee counties where there have been reports of armed groups living in areas bordering Côte d'Ivoire.
- 6.9 Crime levels, including violent crime, armed robberies and sexual assaults, are high in Liberia. Most crimes are opportunistic theft, with the offenders often armed with knives or firearms. The British Foreign Commonwealth Office advises avoidance of walking alone at night, on beaches or in sparsely populated areas and to avoid carrying valuables or large quantities of cash in public. Furthermore, the US Department of State suggest visitors should ensure that their accommodation and vehicles are well secured, with doors and windows locked at all times.
- 6.10 The Armed Forces of the Republic of Liberia (AFL) received considerable training from the US military. Despite this high level of expert advice, the AFL has an extremely low level of effectiveness, much like many of the military forces in ECOWAS. The AFL is in the process of being reformed and retrained after being completely demobilized following the second civil war. The AFL currently consists of two infantry battalions and a small Liberian National Coast Guard which is being reformed. The Liberian Government has requested that a Nigerian Army officer serve as head of the military during the transitional period.

7. CULTURE

- 7.1 Currently, 85% of the population are Christian, compared to just 12.5% Muslim. 1.5% of the population are not religious, and Traditional Indigenous religions are practised by 0.5% of the population.
- 7.2 There are 16 ethnic groups that make up Liberia's indigenous population. The Kpelle in central and western Liberia is the largest ethnic group. Americo-Liberians, descendants of freed slaves who arrived in Liberia early in 1821, make up an estimated 5% of the population. There are also sizable numbers of Lebanese and Indians. Liberia was traditionally noted for its hospitality, academic institutions, iron-ore, and rubber industry. However, the civil war brought about a steep decline in the living standards and employment in the country.

8. HEALTH

- 8.1 A number of serious diseases afflict the population including malaria, tuberculosis, and cholera. Healthcare facilities are generally located in or near major cities and the majority of people have no access to modern medicine.

- 8.2 There is widespread belief that illness and death are caused by the evil intentions of other people. A great deal of effort is being made by the government to reduce the amount of witchcraft cases heard, particularly by the more rural courts.
- 8.3 Liberians are happy to combine Western and indigenous healthcare systems; they eagerly seek access to modern drugs for the relief of illness.
- 8.4 The root cause of misfortune, however, is sought in disrupted social relations. Much of the medical infrastructure outside Monrovia was destroyed during the civil war, and restoring at least some services remains a challenge for the new government.
- 8.5 Hospitals and medical facilities in Liberia are very poorly equipped and are incapable of providing many services. Emergency services and response units are poor and nowhere near the standards found in the UK or other more economically developed countries. External healthcare charities also play a large part in the development of the healthcare system in Liberia.
- 8.6 Medicines are scarce, often beyond expiration dates, and are generally unavailable in most areas. Furthermore, the blood supply is unreliable and unsafe for transfusion.
- 8.7 As there is neither an effective garbage removal service nor a functioning sewer system, sanitation throughout urban areas is very poor, which increases the potential for disease.
- 8.8 All travellers to Liberia must be vaccinated against yellow fever and should carry a supply of all prescription medication, including anti-malaria medication; enough for their entire stay.

9. INFRASTRUCTURE

- 9.1 Only 6% of the national road network of 10,600 kilometres (9,942 miles) is paved. There are no passenger rail services, and the iron-ore rail transport links are in need of serious repair as large sections of the rail network were dismantled and sold for scrap during the civil war.
- 9.2 Between the country's 5 ports of Monrovia, Buchanan, Greenville, Harper, and Roberts, 200,000 tons are handled per year in general cargo (80% of which is iron-ore deposits) and 400,000 tons a year in petroleum. Ports in the southeast of the country handle timber exports.
- 9.3 In 1999 Liberia produced 432 million kilowatt hours (kWh) of electricity, but much of the electricity-generating infrastructure has been destroyed or damaged. Two-thirds of electricity is generated from diesel and one-third from hydro-electric sources. Access to electricity is very restricted. Poor provision of electricity is a major cause for criticism of the new government. All petroleum products are imported, but new oil reserves could change that. 38% of diesel consumed in Liberia is used to produce electricity, and most domestic energy needs are provided by charcoal and wood.
- 9.4 Liberia's most evident challenge lies in funding a more cost-effective power sector. The country's generation capacity is not even one-tenth of the benchmark level of Africa's other low-income countries. The cost of generating power is excessive, and the power tariff is three times the regional average.
- 9.5 Addressing Liberia's public infrastructure needs will require sustained expenditures of between £175 million and £325 million annually, mostly to fund power and transport. In the mid-2000s, with all sources of spending taken into account, Liberia spent around £61 million a year on infrastructure. An additional £12 million was lost to inefficiencies such as under-pricing of power.
- 9.6 The Liberia Community Infrastructure Programme (LCIP) is funded by the US and is looking to improve all areas of Liberia's infrastructure from electrical supplies to

transport. Its goals and objectives are to improve basic economic activity and livelihood in Liberia by rehabilitating roads, bridges and educational buildings. Furthermore, LCIP was implemented to assist war-affected people find employment and opportunities to develop their skills. Finally LCIP aim to link communities and government by rehabilitating and reconstructing key national, county and local level infrastructure such as roads, schools and administrative buildings.

10. SUMMARY

- 10.1 Liberia is a developing democratic republic that has made noteworthy economic progression. Its economic and infrastructural progression rates are higher than many of its neighbouring nations in ECOWAS.
- 10.2 Liberia now contributes significantly to world organisations and is a member of many multinational organisations such as ECOWAS and the UN.
- 10.3 The economy of Liberia has been seriously damaged by the civil war and subsequent instability that followed it. The post-war government inherited massive international debts. It currently relies on revenues from its key maritime and rubber industry to provide the bulk of its foreign exchange earnings and stabilise the economy. The restoration of the infrastructure and the economic recovery in Liberia depend on the appropriate implementation of new government policies, including the encouragement of foreign investment. Recent growth has been slow, and continued growth will require major policy successes and containment of any coup attempt.
- 10.4 Infrastructure improvements are being made, albeit slowly, with highways being paved and electricity supplies being refurbished since the near total disruption in the civil war.
- 10.5 The UN has peacekeeping forces in Monrovia, but they are merely there to support and are unarmed. Steps are being made to increase both professionalism and capabilities in the police force.
- 10.6 Despite this, Liberia continues to grapple with rooted corruption, poor health conditions, weak governmental institutions, high unemployment, inconsistent economic growth, an abundance of poverty, and inadequate social services.
- 10.7 Liberia is richly endowed with mineral resources, forests, and a climate favourable to agriculture. It has been a producer and exporter of basic products, while local manufacturing, mainly foreign owned, had been small in scope. Its natural resources consist of iron ore, timber, diamonds, gold, and hydropower. If Liberia continues to enhance the natural minerals it has, then it has every chance of emerging stronger than ever from its long and bloody civil war.
- 10.8 The UN Mission in Liberia (UNMIL) maintains a strong presence throughout the country, but the security situation is still fragile and the process of rebuilding the social and economic structure of this war-torn country will take many years.