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The Open Door Policy of Liberia

An Economic History of Modern Liberia

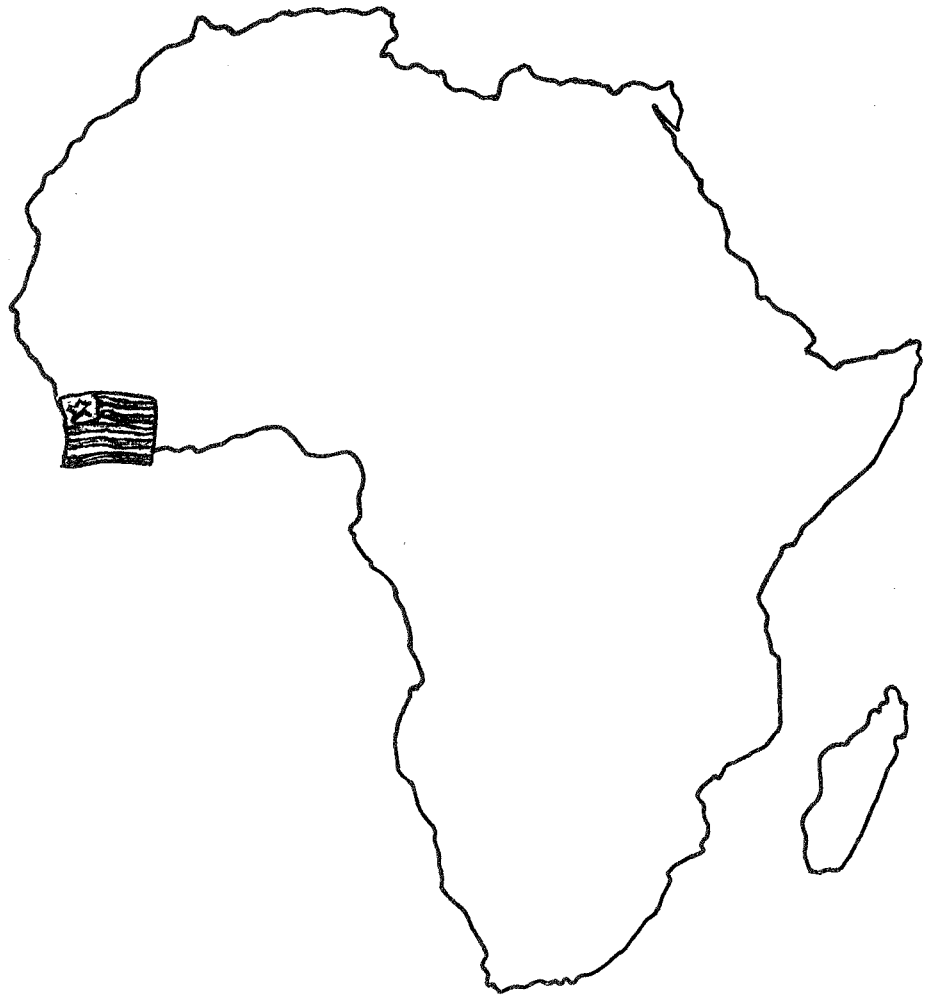
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THE OPEN DOOR POLICY OF LIBERIA

An Economic History of Modern Liberia



BREMEN 1983

THE OPEN DOOR POLICY OF LIBERIA

An Economic History of Modern Liberia

Proefschrift ter verkrijging van de graad van doctor in de economische wetenschappen aan de Katholieke Hogeschool Tilburg, op gezag van de rector magnificus, prof. dr. R.A. de Moor, in het openbaar te verdedigen ten overstaan van een door het college van decanen aangewezen commissie in de aula van de Hogeschool op vrijdag 28 oktober 1983 te 16.15 uur door Fredericus Philippus Maria van der Kraaij, geboren te 's-Hertogenbosch

Promotoren: Prof.Dr. L.H. Janssen SJ
Prof.Dr. Joh. de Vries

D E D I C A T I O N

For *Els*.

Together we survived:
1 dissertation
and
4 coups d'état,
in a period during which our
3 children,
Anton, *Erik* and *Irene*, were born.

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From February 1975 until July 1978, I was Assistant Professor of Economics at the University of Liberia. University authorities permitted and even encouraged me to undertake research on the origin of the Open Door Policy and the effects of foreign private investment on the Liberian economy and society. I am grateful to the University and, particularly, to Professor Henry Yaidoo of the Economics Department of the School of Business and Public Administration. He willingly shared his knowledge of the Liberian economy gained by personal experience as Deputy Secretary of the then Department of Planning and Economic Affairs in the 1960's. Deputy Minister Samuel Green and Assistant Minister Philip Gadegbeku, after the Department became a Ministry, were also helpful and cooperative with my requests for information and documentation.

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THE OPEN DOOR POLICY OF LIBERIA

An Economic History of Modern Liberia

SUMMARY

In the beginning of the 19th century, groups of freed slaves and mulattoes from the United States of America emigrated to the west coast of Africa. In 1847, 25 years after the first successful colonisation, they proclaimed an independent Republic, which they named Liberia. At that time they numbered about 3,000, men, women and children.

The indigenous population in the area of the new Republic outnumbered them by far. They reacted hostilely to the new arrivals, who soon made their lands a part of their republic although they did not consider them as fellow citizens. Consequently, many armed conflicts resulted which threatened the survival of the country. The continued existence of the Republic, however, was not only threatened from within. Especially in the case of English merchants who, supported by their government, refused to acknowledge the political souvereignty of Liberia and evaded the import and export duties to a large extent. This refusal on the part of European merchants was one of the reasons which motivated the Liberians to partially close the country to foreigners. Hence, foreign trade activities were limited by the "Ports of Entry" Law in 1864 to six areas along the coast. This protective policy was also based on the desire to safeguard the economic interests of the political leaders.

On the other hand, the 1864 law had unexpected and undesireable consequences. For the coastal tribes who did not live near one of the six ports, trade with the Europeans, their usual practice, became illegal. Therefore they rebelled and it forced the central government to finance many military expeditions. These increased government expenditures coincided with diminishing public revenues, partly caused by the fall in trade which occurred after 1864. Hence, the financial situation of the Republic deteriorated continuously. Moreover, during the last 25 years of the 19th century, the Liberian leaders witnessed the colonisation of the areas surrounding the Republic by England and France. Specifically, since 1880, the political independence of Liberia was menaced by the increasing colonial imperialism of Europe.

The Americo-Liberians, as the descendants of the founders of the Republic preferred to call themselves, were internally divided about the role of foreigners, particularly Caucasians, in the development of the country. At the turn of the century, the group in power favoured cooperation in order to promote the economic development of the country. Simultaneously, they hoped to obtain protection for themselves against the intrusive European colonial powers which had succeeded in seizing territory that the government in Monrovia claimed.

In the present study, it is shown for the first time that the Open Door Policy, first introduced by U.S. President William McKinley and his Secretary of State, John Hay with respect to

China at the end of the 19th century, served as a model for the policy of the same name which the Liberian Government also wanted. The Liberian leaders, however, did not succeed in obtaining the political and diplomatic support of the United States, which country they still considered their homeland even after the creation of the Republic. For this reason, the idea of a Political Open Door Policy slowly shifted to an Economic Open Door Policy.

The exploitation of the country's natural resourses was severely hampered, if not prevented, by the lack of control exercised by the Liberian Government over the rebellious tribes in the hinterland and by the lack of ports. Only after these obstacles had been removed was the road paved for the entry of foreign investors. Shortly hereafter, the European colonial powers began the political decolonisation of Africa, thus removing the need for a political Open Door Policy.

Before the end of the Second World War, the only important foreign investor in Liberia was the North American rubber company "Firestone Tire & Rubber Company", which in 1926 had obtained an enormous concession agreement from the Liberian Government. During the 1926 - 1951 period, Liberia's dependence on this company slowly increased and was finally complete. For this reason the country became colloquially known in this period as the "Firestone Colony". This changed when iron ore production was begun in 1951. The mine was exploited by another North American company, the "Republic Steel Corporation".

In the following 20 years, the highly attractive investment facilities offered by the Liberian Government, the abundance of natural resources and the political and social stability caused an invasion of foreign investors.

Since the arrival of foreign investors, Liberia has changed tremendously. Before the arrival of Firestone, the monetary economy was virtually negligible and, significantly, was found only in the coastal areas. Even in 1950, one could hardly speak of "one country" because of the separation between coastal areas and hinterland. The two regions were separated by lack of roads and other means of communication and even by different laws. The latter was changed as late as the 1960's. The political power stayed, however, in the hands of the Americo-Liberians.

In the 1970's the results of the Open Door Policy were impressive at first sight: Liberia had the largest registered merchant fleet in the world as a result of a flag of convenience policy. Liberia had become Africa's first and the world's third exporter of iron ore. The most important investors were giants of the North American rubber industry: Firestone, Goodrich and Uniroyal. Important U.S. industries in the steel sector such as Bethlehem Steel Corporation and Republic Steel Corporation both have large investments in Liberia's iron ore mines.

Within a period of 25 years, Liberia had succeeded in attracting foreign investments exceeding 1 billion U.S. dollars, among which was the largest post-war Swedish investment abroad and the largest West-German investment in tropical Africa.

In spite of this apparent success of the Open Door Policy, some questions arise of which the most important are:

- Did the Liberian Government succeed in using the foreign investments to promote the economic development of, particularly, the Liberian hinterland as one of Liberia's Presidents had imagined at the beginning of the present century?
- What has been realised of the Liberian Government's desire to share equally with the foreign investors in the profits of their investments?
- Has the Liberian Government been capable in dealing with the foreign investors who often had more political power and more financial means than the Republic?

In this dissertation, the present author has analysed the capacity of the Liberian Government to effectively deal with the foreign investors and to supervise the resulting investments. Furthermore, the financial assistance of foreign companies to the Liberian Treasury and the use of these financial means by the Liberian Government are analysed. The consequences for the Liberian economy and society of the activities of foreign investors have also been studied. It must be mentioned that this dissertation has been realised after a four year residence in Liberia (from 1975 to 1979) which enabled this author to benefit from retrieving unique material from the National Archives and from the archives and libraries of different Ministries in Monrovia, particularly those of the Ministry of Finance and the Ministry of Planning and Economic Affairs. Furthermore, visits to foreign companies active in Liberia and numerous conversations with Liberians of all classes have contributed to the accomplishment of this thesis.

At the time of the introduction of the Open Door Policy, Liberia was characterised by a shortage of skilled labour, the lack of institutions which could check upon or supervise the arriving multinationals and an underestimation at the government level of the necessity to integrate all foreign investments in one overall development policy. Liberia did not escape from some of the negative consequences which may accompany foreign investments. The use of foreign capital and labour cost Liberia an average of $ 100 million per year at the end of the 1970's. The dependence of the government on the concession sector prevented the Liberian Government from following an independent policy without risking the collapse of the national economy. The many labour intensive investments for other than rice production which the Liberian Government naively accepted, drew on the available labour force in the subsistence sector. Even as the population grew, this caused a lower output of rice which made increasing imports of the country's staple food a necessity. This was further complicated by the indifferent agricultural policy of the government.

The national economy had developed into a dual system in which the concession sector had little or no connection with the rest of the economy. Above all, the Liberian economy is marked by: an exceptional dependence on foreign investors who export their production, nearly all unprocessed, to processing industries in

economically more developed countries.

The Liberian Government shared less in the profits of foreign investments than it had initially thought. As this study shows, the Liberian Government owes this partially to itself by allowing 1/ long tax holidays, 2/ long exemption periods of import and export duties, 3/ special tax tariffs for some investors and 4/ many and large tax deductable items in cases where the investors were liable to taxes.

On the other hand, investors sometimes abused the lack of control by the Liberian State on their activities, resulting in tax evasion, illegal exploitation of natural resources of the country and the use of complicated structures which negatively affected the Liberian Treasury. The country could not cope with this adverse situation because of the absence of experienced administrators.

The unequal relation existing between the Liberian State and the foreign investors can be illustrated with two striking examples: 1/ The profits retained by Firestone-Liberia after tax was paid to the Liberian Government in 1951, still amounted to three times the total income of the Liberian Treasury for the same year. 2/ Revenues of the "Liberia Mining Company", the country's first iron ore mine, surpassed the total revenues of the Liberian Government until 1960.

One of the most important conclusions of this study is that the disappointing results of the Open Door Policy cannot be blamed only on ignorance and the lack of knowledge on the part of Liberia at the time of negotiations with foreign investors. They were also caused by the fact that the Americo-Liberian minority, who was in power, voluntarily accepted the dependence on foreign investors and refused to cooperate and integrate with the tribal population of the country. Because of this, the economic, as well as the political future of the country depends on the realisation of an acceptable combination of foreign investments, economic development and national unification for all parties concerned.

LA POLITIQUE DE LA PORTE OUVERTE DU LIBERIA

Histoire économique du Liberia moderne

SOMMAIRE

Au début du 19e siècle, des groupes d'esclaves affranchis et des mulâtres des Etats-Unis d'Amérique émigrèrent vers la côte occidentale de l'Afrique. En 1847, 25 ans après la première colonisation réussie, ils proclamèrent une République indépendante à laquelle ils donnèrent le nom de Libéria. A cette époque, ils étaient environ 3.000, hommes, femmes et enfants.

Les autochtones de la région de la nouvelle République les surpassaient, de loin, en nombre. Ils se montrèrent hostiles envers les nouveaux arrivants qui intégrèrent aussitot leurs terres à leur nouvelle république sans pour autant les considérer comme des concitoyens. Par conséquent, il s'ensuivit de nombreux conflits armés qui ménacèrent la survie du pays. La permanence de la République, cependant, n'était pas ménacée de l'intérieur seulement. Surtout que les marchands anglais, avec l'appui de leur gouvernement, refusaient de reconnaître la souveraineté politique du Libéria et se livraient à d'importantes fraudes fiscales à l'importation comme à l'exportation. Ce refus des marchands européens était l'une des raisons pour lesquelles les Libériens fermèrent partiellement leur pays aux étrangers. C'est ainsi que les échanges commerciaux avec l'Etranger furent limités, par la loi sur les "Ports d'entrée" de 1864, à six villages le long de la côte. Cette politique protectioniste répondait aussi au désir de sauvegarder les intérêts économiques des dirigeants politiques.

D'autre part, la loi de 1864 eut des conséquences inattendues et indésirables. Pour les tribus côtières qui ne vivaient pas à proximité de l'un des six ports, le commerce qu'elles faisaient habituellement avec les européens devint illégal. Par conséquent, elles se rebellèrent et cela obligea le gouvernement central à financer plusieurs expéditions militaires. L'augmentation des dépenses gouvernementales qui en résulta coincida avec la diminution des revenus publics causée en partie par le déclin du commerce survenu après 1864. A partir de ce moment, la situation financière de la République ne cessa de se détériorer. De plus, au cours des 25 dernières années du 19e siècle, les dirigeants libériens assistèrent à la colonisation des régions environnantes de la République par l'Angleterre et la France. Précisément depuis 1880, l'indépendance politique du Libéria était menacée par l'impérialisme colonial grandissant de l'Europe.

Les Américano-Libériens, pour les appeler comme les descendants des fondateurs préférèrent s'appeler eux-mêmes, étaient divisés entre eux à propos du rôle des étrangers, surtout les

blancs, dans le développement du pays. A la fin du siècle, le groupe au pouvoir favorisa la collaboration en vue de promouvoir le développement économique du pays. En même temps, ce groupe espérait obtenir la protection contre l'invasion des puissances coloniales européennes qui avaient réussi à saisir une partie du territoire revendiqué par le gouvernment de Monrovia.

Dans la présente étude, on montre, pour la première fois, que la politique de la Porte Ouverte, d'abord adoptée par le Président des Etats-Unis William McKinley et son Secrétaire d'Etat John Hay vis-à-vis de la Chine à la fin du 19e siècle, a servi de modèle pour la politique du même nom que le gouvernement libérien a voulu également appliquer. Cependant, les dirigeants libériens ne réussirent pas à obtenir le soutien politique et diplomatique des Etats-Unis, pays qu'ils continuaient à considérer comme leur patrie même après la création de la République. Pour cette raison, ils passèrent progressivement de l'idée d'une politique de Porte Ouverte diplomatique à celle d'une politique de Porte Ouverte économique.

L'exploitation des ressources naturelles du pays fut gravement entravée, si non rendue impossible, par le manque de contrôle de la part du gouvernement sur les tribus rebelles de l'arrière-pays et par le manque de ports. Ce fut seulement après la suppression de ces obstacles que la voie fut ouverte aux investisseurs étrangers. Peu après, les puissances coloniales européennes commencèrent la décolonisation politique de l'Afrique, rendant ainsi caduque la politique de Porte Ouverte diplomatique.

Avant la fin de la seconde guerre mondiale, le seul investisseur étranger important au Libéria était la société nord américaine de caoutchouc "Firestone Tire & Rubber Company" qui, en 1926 avait obtenu du gouvernement libérien un contrat colossal en franchise. De 1926 à 1951, la dépendance du Libéria envers cette société s'est accrue peu à peu jusqu'à devenir totale. Pour cette raison, le pays s'appelait familièrement la "Firestone Colony" (Colonie de Firestone). Cela changea quand la production du minerai de fer commença en 1951. La mine fut exploitée par une autre société nord américaine, la "Republic Steel Corporation".

Au cours des 20 années qui suivirent, les facilités d'investissement, fort attrayantes, offertes par le gouvernement libérien, l'abondance des ressources naturelles et la stabilité politique et sociale provoqua une invasion d'investisseurs étrangers.

Depuis l'arrivée des investisseurs étrangers, le Libéria a changé énormément. Avant l'arrivée de Firestone, l'économie monétaire était négligeable et, il faut le noter, elle n'existait que dans les zones côtières. Même en 1950, on pouvait à peine appeler le Libéria "un pays" à cause de la séparation entre les zones côtières et l'arrière-pays. Les deux régions étaient séparées par le manque de routes et d'autres moyens de

communication et même par une législation différente. Cette dernière n'a été changée que dans les années 1960. Cependant, le pouvoir politique demeura entre les mains des Américano-libériens.

Dans les années 1970, les résultats de la politique de la Porte ouverte étaient impressionnants, à première vue: le Libéria avait la plus grande flotte marchande enregistrée du monde, suite à une politique de pavillon de complaisance. Le Libéria se classait premier d'Afrique et troisième du monde pour l'exportation du fer. Les investisseurs les plus importants étaient des géants de l'industrie nord-américaine de caoutchouc: Firestone, Goodrich et UNIROYAL. De grandes acieries des Etats-Unis telles que la Bethlehem Steel Corporation et la Republic Steel Corporation avaient toutes de grands investissements dans les mines de fer du Libéria.

En l'espace de 25 ans, le Libéria avait réussi à attirer des investissements étrangers dépassant 1 milliard de dollars, parmi lesquels il faut compter le plus grand investissement suédois de l'aprés guerre à l'étranger et le plus grand investissement ouest allemand en Afrique tropicale.

Malgré ce succès apparent de la politique de la Porte Ouverte, quelques questions se posent dont les plus importantes sont:
- Le gouvernement libérien a-t-il réussi à utiliser les investissements étrangers pour promouvoir le développement économique, en particulier, de l'arrière-pays comme l'avait imaginé un des Présidents du Libéria au début de notre siècle?
- Dans quelle mesure le souhait du gouvernement libérien, de partager équitablement avec les étrangers les bénéfices de leurs investissements, s'est-il réalisé?
- Le gouvernement libérien s'est-il montré capable de traiter avec les investisseurs étrangers qui souvent avaient plus de pouvoir politique et plus de moyens financiers que la République?

L'auteur de la présente thèse a analysé l'aptitude du gouvernement libérien à traiter efficacement avec les investisseurs étrangers et à controler les investissements ainsi suscités. En outre, l'auteur a analysé l'assistance financière des sociétés étrangères au Trésor libérien et l'utilisation de ces moyens financiers par le gouvernement libérien. Il a étudié les conséquences des activités des investisseurs étrangers sur l'économie et sur la société libériennes.

Il faut dire que cette thèse a été écrite après quatre ans de séjour au Libéria (de 1975 à 1979), séjour qui a permis à l'auteur de receuillir des éléments sans pareils dans les Archives Nationales et dans les archives des bibliothèques des différents Ministères de Monrovia, en particulier le Ministère des Finances et le Ministère du Plan et des Affaires Economiques. En outre, des visites à des sociétés étrangères en activité au Libéria et de nombreuses conversations avec

des Libériens de toutes les classes ont contribué à la réalisation de cette thèse.

Au moment de l'introduction de la politique de la Porte Ouverte, le Libéria se caractérisait par une pénurie de main-d'oeuvre qualifiée, le manque d'institutions qui pouvaient contrôler ou superviser les multinationales qui arrivaient et par une sous-estimation, au niveau gouvernemental, de la nécessité d'intégrer tous les investissements étrangers dans une politique globale de développement. Le Libéria n'a pas échappé à certaines des conséquences négatives qui peuvent accompagner les investissements étrangers. L'utilisation de capitaux et de main-d'oeuvre étrangère, coûtait au Libéria en moyenne 100 millions de dollars par an à la fin des années 1970. La dépendance du gouvernement envers le secteur de concession empêchait le gouvernement libérien, de suivre une politique indépendante, aux risques de l'effondrement de l'économie nationale. Les nombreux investissements à haute intensité de main-d'oeuvre, dans des domaines autres que la production rizicole, que le gouvernement libérien a naïvement acceptés, ont puisé dans la main-d'oeuvre du secteur de la subsistance. Malgré la croissance démographique, cela a causé la baisse de la production du riz et a contraint le pays à importer de plus en plus de denrées alimentaires principales. Cette situation s'est encore aggravée en raison de la politique agricole presque absente du gouvernement.

L'économie nationale s'était transformée en un double système dans lequel le secteur de la concession avait peu ou pas du tout de rapport avec le reste de l'économie. Avant tout, l'économie libérienne est marquée par une dépendance extraordinaire envers les investisseurs étrangers qui exportent leur production, presque entièrement non traitée, vers les industries de traitement des pays économiquement plus développés.

Le gouvernement libérien, profitait moins des bénéfices des investissements étrangers, qu'il ne l'avait d'abord supposé. Comme le montre cette étude, le gouvernement libérien est en partie responsable de cette situation, du fait qu'il accorde: 1) de longues périodes d'exemption fiscale, 2) de longues périodes d'exemption des droits de douane à l'importation et à l'exportation, 3) des tarifs fiscaux spéciaux pour certains investisseurs et 4) de nombreux et importants articles déductibles d'impôts dans les cas où les investissements étaient passibles d'impôts.

D'autre part, les investisseurs abusaient parfois du manque de contrôle, de la part de l'Etat libérien, sur leurs activités, en faisant des fraudes fiscales, en exploitant illégalement les ressources naturelles du pays et en utilisant des structures compliquées qui affectaient négativement le Trésor libérien. Le pays ne pouvait pas faire face à cette situation en raison de l'absence d'administrateurs expérimentés.

Le rapport inégal qui existait entre l'Etat libérien et les investisseurs étrangers peut être illustré par deux exemples frappants: 1) Les bénéfices réalisés par Firestone-Libéria <u>après</u> paiement des impôts au gouvernement libérien, en 1951, valaient encore trois fois le revenu total du Trésor libérien pour la même année. 2) Jusqu'en 1960, les revenus de la "Liberia Mining Company", première mine de fer du pays, dépassaient l'ensemble des revenus du gouvernement libérien.

L'une des conclusions les plus importantes de cette étude est que les résultats décevants de la politique de la Porte Ouverte ne proviennent pas seulement de l'ignorance du Libéria au moment des négociations avec les investisseurs étrangers. Ils proviennent aussi du fait que la minorité américano-libérienne, alors au pouvoir, acceptait volontairement la dépendance envers les investisseurs étrangers et refusait d'intégrer et de collaborer avec les populations autochtones. Par consequent, l'avenir économique et politique du pays dépend de l'établissement d'un système acceptable d'investissement étranger, de développement économique et de l'unification nationale pour toutes les parties concernées.

DE OPEN DEUR POLITIEK VAN LIBERIA

Een Ekonomische Geschiedenis van Modern Liberia

SAMENVATTING

In het begin van de 19de eeuw emigreerden vrijgemaakte slaven en mestiezen uit de Verenigde Staten van Amerika naar de kust van West Afrika. Hier riepen zij in 1847, vijfentwintig jaar na de eerste geslaagde permanente vestiging, een onafhankelijke Republiek uit, die zij Liberia noemden. Hun aantal bedroeg toen ongeveer 3.000 mannen, vrouwen en kinderen.

De veel talrijker oorspronkelijke bewoners van het gebied dat de nieuwe republiek omvatte reageerden in het algemeen vijandig op de nieuw aangekomenen. Deze laatstgenoemden namen hun grondgebied in de republiek op, maar beschouwden hen niet als mede-burgers ervan. Menig gewapend konflikt dat het voortbestaan van Liberia op het spel zette was hier het gevolg van. Het bestaan van de republiek Liberia werd echter niet alleen van binnenuit bedreigd. Europese handelaren, met name Engelsen, die door hun regering werden gesteund, weigerden de politieke onafhankelijkheid van Liberia te erkennen en ontdoken op grote schaal de geintroduceerde in- en uitvoerheffingen. Deze weigering vormde een van de oorzaken van de Liberiaanse beslissing het land gedeeltelijk af te sluiten van buitenlanders. In 1864 werden de handelsaktiviteiten van buitenlanders beperkt tot zes plaatsen aan de kust, via de "Wet op de Invoerhavens". Deze protectie politiek was ook ingegeven door de wens de ekonomische belangen van de politieke machthebbers te beschermen.
De wet van 1864 had echter ook niet vermoedde, ongewenste, gevolgen. Voor de stammen die aan de kust maar niet vlak bij een van de zes havenplaatsen woonden, werd de handel die in veel gevallen sinds mensenheugenis met de Europeanen werd gevoerd plotseling illegaal. Zij kwamen derhalve hiertegen in opstand en de centrale regering zag zich genoodzaakt hoge militaire uitgaven te financieren. Deze verhoogde overheidsuitgaven vielen samen met een vermindering van de staatsinkomsten, gedeeltelijk het gevolg van de na 1864 teruggelopen handel. De financiële situatie van de republiek verslechterde hierdoor voortdurend.
Gedurende de laatste vijfentwintig jaren van de vorige eeuw waren de Liberiaanse leiders er bovendien getuige van dat het de republiek omringende gebied werd gekoloniseerd door Engeland en Frankrijk. Het toenemende Europese koloniale imperialisme bedreigde met name vanaf ongeveer 1880 de onafhankelijkheid van Liberia.

De Americo-Liberianen, zoals de afstammelingen van de stichters van de Staat Liberia zich bij voorkeur noemden, waren intern

verdeeld over de rol van buitenlanders, met name die van blanken, in de opbouw van het land. Rond de eeuwwisseling was de groep aan de macht die samenwerking propageerde, om aldus de ekonomische ontwikkeling van het land te bevorderen, maar vooral om zich op deze wijze te beschermen tegen de opdringende koloniale Europese machten.

In de onderhavige studie wordt voor het eerst aangetoond dat de Open Deur Politiek die President William McKinley van de Verenigde Staten van Amerika en zijn Minister van Buitenlandse Zaken John Hay rond de eeuwwisseling met betrekking tot China introduceerden model stond voor de gelijknamige politiek van de Liberiaanse regeringen.
Het lukte de Liberiaanse leiders echter niet de politieke en diplomatieke steun van de Verenigde Staten van Amerika - welk land zij sinds de uitroeping van de republiek als het moederland waren blijven beschouwen - te verkrijgen. Om deze reden verschoof langzaam het accent van een politieke Open Deur Politiek naar een ekonomische Open Deur Politiek.
De exploitatie van de natuurlijke rijkdommen van het land werd echter in hoge mate bemoeilijkt, zo niet verhinderd, door het gebrek aan zeggenschap dat de Liberiaanse regering over de, opstandige, in het binnenland levende stammen uitoefende en door de afwezigheid van havens. Slechts nadat deze hindernissen overwonnen waren was de weg vrijgemaakt voor de buitenlandse investeerders. Kort hierna gingen de Europese koloniale landen over tot de politieke de-kolonisatie van Afrika wat voorgoed de noodzaak van een politieke Open Deur Politiek wegnam.

Voor het einde van de Tweede Wereldoorlog was de enige belangrijke buitenlandse investeerder in Liberia de Noord-amerikaanse rubber maatschappij "Firestone Tire and Rubber Company". In 1926 was deze erin geslaagd een enorme concessie-overeenkomst met de Liberiaanse regering af te sluiten. In de periode 1926 - 1951 werd Liberia in toenemende mate, en uiteindelijk geheel, afhankelijk van deze maatschappij wat het land in deze periode de naam "Firestone Kolonie" opleverde.
In 1951 veranderde de afhankelijkheid van Firestone, nadat de eerste ijzerertsmijn met de produktie was begonnen. Deze mijn werd eveneens door een Noord-amerikaanse onderneming ontgonnen, de "Republic Steel Corporation". In de volgende twintig jaren ontstond er een ware stroom van buitenlandse investeerders die aangetrokken werden door de buitengewoon aantrekkelijke investeringsfaciliteiten die de Liberiaanse regering bood, door de natuurlijke rijkdommen van het land, en door de politieke en sociale rust die er heersten.

Liberia is sinds de binnenkomst van buitenlandse investeringen enorm veranderd. Vóór de aankomst van Firestone was de moderne geld-ekonomie bijna te verwaarlozen en, veelbetekenend, was slechts aan te treffen in de kustgebieden. Nog in 1950 was

deze scheiding tussen kustgebieden en binnenland zodanig dat er eigenlijk nauwelijks van één land gesproken kon worden. De twee gebieden werden gescheiden door de afwezigheid van wegen en andere middelen van communicatie, en zelfs door een aparte wetgeving. Dit laatste werd pas in de jaren zestig opgeheven. De politieke macht bleef echter ongewijzigd in handen van de Americo-Liberianen.

In de jaren zeventig waren de gevolgen van de Open Deur Politiek op het eerste gezicht zeer indrukwekkend: Liberia had de grootste geregistreerde handelsvloot ter wereld - als gevolg van een goedkope-vlag-politiek. Het land was Afrika's grootste ijzerertsexporteur en derde op de wereldranglijst. s'Werelds grootste rubberplantage en latex fabriek lagen in Liberia. Tot de belangrijkste investeerders behoren de groten van de Noord-amerikaanse rubber industrie Firestone, Goodrich en Uniroyal. De Bethlehem Steel Corporation en de Republic Steel Corporation hebben belangrijke investeringen in Liberia's ijzermijnen en zijn eveneens Noord-amerikaanse ondernemingen. Binnen een periode van 25 jaar was Liberia erin geslaagd voor meer dan 1 miljard dollar aan buitenlandse investeringen aan te trekken, waaronder de grootste na-oorlogse Zweedse investering in het buitenland en de grootste West-duitse investering in tropisch Afrika.

Ondanks dit ogenschijnlijke succes van de Open Deur Politiek doen zich enkele vragen voor, waarvan de voornaamste zijn:
- Is de Liberiaanse regering erin geslaagd de buitenlandse investeringen te gebruiken om de ekonomische ontwikkeling, met name die van het binnenland, te bevorderen, zoals een van Liberia's Presidenten zich dat aan het begin van de huidige eeuw voorstelde?
- Wat is er gerealiseerd van de wens van de Liberiaanse regering om in gelijke mate met de buitenlandse investeerders te delen in de opbrengsten van deze investeringen?
- Is de Liberiaanse regering in de praktijk wel opgewassen geweest tegen de buitenlandse maatschappijen die vaak politiek machtiger waren en meer financiële middelen tot hun beschikking hadden dan de Republiek?

De auteur onderzoekt in dit proefschrift de capaciteit van de Liberiaanse regering effektief met de buitenlandse investeerders te onderhandelen en de resulterende investeringen te surveilleren. Hij analyseert verder de financiële bijdrage van de buitenlandse maatschappijen aan de Liberiaanse Schatkist en het gebruik van deze gelden door de Liberiaanse regering. De gevolgen voor de Liberiaanse ekonomie en maatschappij van de aktiviteiten van de buitenlandse investeerders zijn eveneens bestudeerd.
Het proefschrift is tot stand gekomen na een verblijf van vier jaren in Liberia (1975 - 1979). Dit verblijf heeft de auteur

o.a. in staat gesteld kennis te nemen van uniek materiaal in de Nationale Archieven en in de archieven en bibliotheken van diverse ministeries in Monrovia, met name die van het Ministerie van Financiën en het Ministerie van Ekonomische Zaken en Planning. Bezoeken aan in Liberia werkzame buitenlandse maatschappijen en gesprekken met Liberianen van alle rangen en standen hebben eveneens bijgedragen aan de totstandkoming van dit werk.

Ten tijde van de introduktie van de Open Deur Politiek was Liberia gekenmerkt door een gebrek aan geschoolde arbeidskrachten, de afwezigheid van instituties die de binnenkomende multi-nationale ondernemingen konden controleren of surveilleren, en een onderschatting op regeringsniveau van de noodzaak de aktiviteiten van buitenlandse investeerders te integreren in een algemeen ontwikkelingsbeleid. De nadelige gevolgen van de buitenlandse investeringen bleven niet uit. Het gebruik van buitenlands kapitaal en arbeid kostte Liberia aan het eind van de jaren zeventig gemiddeld $ 100 miljoen per jaar. De afhankelijkheid van de concessie-sector was zo groot geworden dat het de Liberiaanse regering verhinderde een onafhankelijk beleid te voeren - op straffe van een ineenstorten van de nationale ekonomie. De binnenlandse rijstproduktie was door een naïef toestaan van een groot aantal arbeidsintensieve investeringen, voor andere dan rijstproduktie, in kombinatie met een landbouwbeleid dat gekenmerkt werd door onverschilligheid, voortdurend gedaald. Dit, tesamen met een toename van de vraag naar rijst als gevolg van de bevolkingsaanwas, moest door toenemende invoer van rijst worden opgevangen.
De nationale ekonomie, die uiteindelijk ontstaan is, is een "dual economy" waarin de enclave- (concession-) sector geen of nauwelijks banden heeft met de rest van de ekonomie. Bovenal wordt de Liberiaanse ekonomie thans gekarakteriseerd door (1) de bijzonder grote afhankelijkheid van buitenlandse investeerders die (2) hun produktie vrijwel onbewerkt het land uitvoeren naar de verwerkende industrieën in de industriële wereld.

De Liberiaanse regering heeft minder in de opbrengsten van de buitenlandse investeringen gedeeld dan zij aanvankelijk had gedacht. Zoals deze studie aantoont is de Liberiaanse regering hier gedeeltelijk zelf schuld aan door het verlenen van lange inkomstenbelastingvrije perioden, de langdurige vrijstelling van betaling van invoer- en uitvoerrechten, de speciale belastingtarieven die aan sommige investeerders werden aangeboden, en door genereuze, fiscale aftrekposten toe te staan in gevallen dat de investeerder belastingplichtig was. Anderzijds hebben buitenlandse investeerders soms misbruik gemaakt van de slechte controle die de Liberiaanse Staat op hun aktiviteiten uitvoerde, resulterend in belasting-ontduiking, illegale exploitatie van natuurlijke rijkdommen van het land en het toepassen van slimme konstrukties die in het nadeel van Liberia uitwerkten, en waartegen de Liberiaanse regering - door het gebrek aan goed kader-

personeel - niet opgewassen was en is.

De ongelijke verhouding Liberiaanse Staat - buitenlandse investeerders kan met twee voorbeelden treffend worden geïllustreerd.

- De winst die Firestone-Liberia in 1951 overhield nadat belasting aan de Liberiaanse overheid was betaald was alsnog meer dan drie maal zo groot als het totale inkomen van de Liberiaanse Schatkist in dat jaar.
- De "Liberia Mining Company", s'lands eerste ijzerertsmijn, had tot 1960 inkomsten uit de verkoop van Liberiaans ijzererts die de totale inkomsten van de Liberiaanse regering overtroffen.

Een van de belangrijkste konklusies van de onderhavige studie is dat de tegenvallende resultaten van de Open Deur Politiek niet alleen te wijten zijn aan onkunde en gebrek aan kennis van de Liberiaanse Regering ten tijde van de onderhandelingen met de buitenlandse investeerders. Zij zijn ook het gevolg van een afhankelijkheid van buitenlandse investeerders die de Americo-Liberiaanse regerende minderheid vrijwillig had aanvaard en door hun afwijzing van de samenwerking met de tribale bevolking van het land. Hierdoor is de ekonomische zowel als de politieke toekomst van het land afhankelijk geworden van het totstandbrengen van een voor alle betrokken partijen aanvaardbare kombinatie van buitenlandse investeringen, ekonomische ontwikkeling en nationale eenwording.

LIST OF ABBREVIATIONS

	-A-
A.C.S.	American Colonization Society
A.D.B.	African Development Bank
A.F.C.	African Fruit Company
Amax Inc.	American Metal Climax, Inc.
A.M.C.	Azuza Mining Corporation
A.M.P.	African Mining Partners
A.M.S.	Associated Mines Services
	-B-
B.F.G.	B.F. Goodrich Company
B.M.C.	Bong Mining Company
	-C-
CAEMS	Companhia Auxiliar de Empresas de Mineraçao
CEMENCO	Liberia Cement Corporation
CS/MF/M	Concession Secretariat/ Ministry of Finance/Monrovia
	-D-
DELIMCO	Deutsch-Liberian Mining Company
D.M.A.	Deli Maatschappij Amsterdam
D.M.M.C.	Diamond Mining and Management Company
D.P.E.A.	Department of Planning and Economic Affairs
	-E-
ECOWAS	Economic Community of West African States
E.R.F.	Emergency Relief Fund
EXCHEM	West African Explosives and Chemicals, Ltd.
	-F-
F.D.A.	Forestry Development Authority
F.P.Co.	Firestone Plantations Company
FY	Fiscal Year
	-G-
G.D.P.	Gross Domestic Product
G.I.M.	Granges International Mining Company
G.N.P.	Gross National Product
GoL	Government of Liberia
G.S.A.	General Supplies Agency
	-I-
I.A.A.C.	International African American Corporation
I.B.R.D.	International Bank for Reconstruction and Development
I.C.A.	International Cooperation Agency
I.D.A.	International Development Association

LIST OF ABBREVIATIONS (continued)

	-I- (con't)
I.M.F.	International Monetary Fund
INTRUSCO	International Trust Company
I.T.C.	International Trust Company
	-L-
L.A.C.	Liberian Agricultural Company
L.A.D.C.	Liberian American Development Company
LAMCO	Liberian American-Swedish Minerals Company
LAMCO J.V.	LAMCO Joint Venture
L.B.I.D.	Liberian Bank for Industrial Development
L.B.S.E.C.	Liberian Beach Sands Exploitation Company
L.C.C.	Liberian Construction Company
L.D.C.	Liberian Development Company, Ltd.
L.D.C.	Liberian Development Corporation
L.E.L.	Liberian Enterprises, Ltd.
L.G.D.C.	Liberian Gold and Diamond Corporation
L.I.A.C.	Liberian International American Corporation
LibCo	Liberia Company
	-L- (con't)
LIBETH	Liberian Bethlehem Iron Mines Company
LIBINC	Liberian Operations, Inc.
L.I.O.	Liberian Iron Ore, Ltd.
L.I.O.C.	Liberian Iron Ore Company
LIRAMCO	Liberian Rubber Articles Manufacturing Company
LISCO	Liberian Iron and Steel Company
L.M.C.	Liberia Mining Company
L.P.M.C.	Liberian Produce Marketing Corporation
L.P.R.C.	Liberian Petroleum Refining Company
L.R.C.	Liberia Refining Company
L.R.P.C.	Liberian Rubber Processing Corporation
L.T.C.	Liberia Trading Company
	-M-
M.L.C.	Maryland Logging Company
M.M.A.L.	Mines Management Association of Liberia
M.P.E.A.	Ministry of Planning and Economic Affairs
M.P.M.C.	Monrovia Port Management Company

LIST OF ABBREVIATIONS (continued)

	-M- (con't)
M.R.U.	Mano River Union
	-N-
NA/MFA/M	National Archives/ Ministry of Foreign Affairs/ Monrovia
N.E.E.P.	Noord Europeesche Erts- en Pyriet Maatschappij
N.G.D.C.	National Gold and Diamond Corporation
N.I.O.C.	National Iron Ore Company
N.P.A.	National Port Authority
N.R.C.	Nordmann, Rassmann and Company
N.S.A.	National Security Agency
	-O-
O.A.U.	Organization of African Unity
	-P-
P.R.O.	Public Relations Officers
	-R-
R.C.M.	Rubber Cultuur Maatschappij Amsterdam
R.I.A.	Robertsfield International Airport
	-S-
SCOGO	Special Commission on Government Operations
S.E.B.	Stockholms Enskilda Bank
S.R.C.	Salala Rubber Corporation
	-T-
T.T.C.	Tropical Trading Company
T.W.P.	True Whig Party
	-U-
U.A.A.C.	United African American Corporation
U.S.A.	United States of America
USAID	United States Agency for International Development
U.S.O.M.	United States Operation Mission
U.S.T.C.	United States Trading Company
U.S.L.R.C.	United States Liberia Radio Corporation
	-V-
V.O.A.	Voice of America
	-W-
W.A.A.C.	West African Agricultural Company
WASRIL	West African Shoe and Rubber Industry, Ltd.

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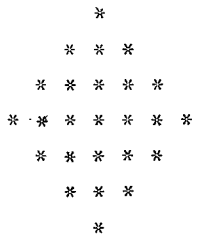
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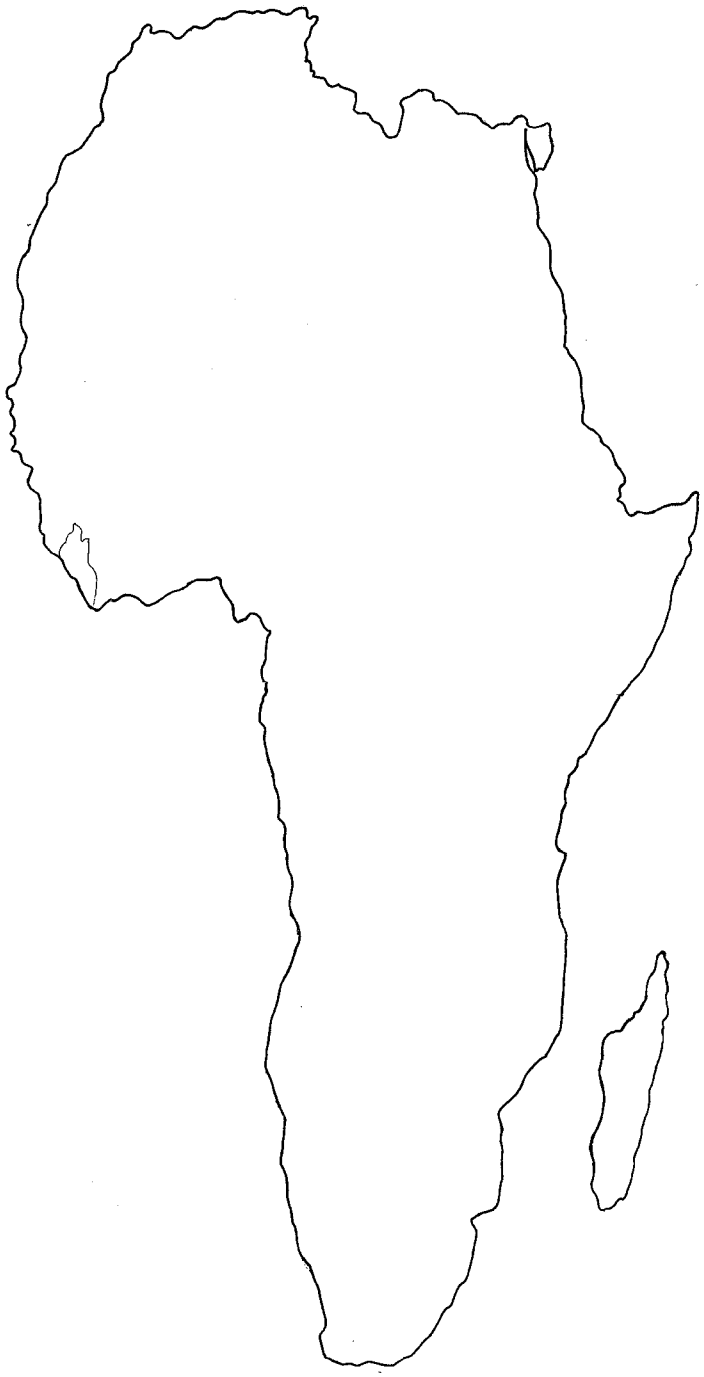
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INTRODUCTION

Liberia is situated on the southwest coast of West Africa and covers an area variously reported as measuring from between 37,130 and 43,000 square miles (1). Until recently, relatively little was known about it as compared to other African countries. The principle reasons for this were that its natural barriers were not overcome until the present century and because its area had never been formally colonised by any European or other external power.

During the European trade expansion which preceded the actual colonisation of Africa in the eighteenth and nineteenth centuries, the area was covered with tropical rain forests which made penetration from the north practically impossible while the dangerous surf of the Atlantic Ocean long prevented any attempt to establish frequent or permanent contacts with the coast. The most important fact, however, that led to its comparative isolation was the arrival of freed slaves, free men and "persons of colour", i.e. mulattoes, from the United States of America in 1822 and the subsequent founding of the Republic of Liberia by these emigrants twenty-five years later.
Despite both external and internal threats to its souvereignty, the political independence of the first black governed country in Africa was maintained throughout the next century. The cost of this survival, though, was tremendous. On the one hand, internally, "black colonialism" resulted in a wide gap between the descendents of the emigrants from the U.S.A. (and later also from the West Indies) and the aboriginal population - who outnumbered the former group by more than fifty to one - through an oppressive system of legalised political, social and economic discrimination, while on the other hand the contacts with economically more advanced nations were limited to a small amount of trade, sporadic foreign investments and loans in times of financial distress.
These loans were often obtained on terms prejudicial to the Government in Monrovia and, in combination with economic and financial mismanagement, aggravated rather than relieved the financial problems of the country. Added to this was an incapacity and unwillingness to make full use of the country's potential. All this led to the continuation of a situation of economic underdevelopment or, as a prominent Liberian once said:

"Liberia has never had the advantages of colonialism" (2)

During the last quarter of the nineteenth century, European colonial imperialism threatened the very existence of the Negro Republic, it considerably reduced the territory which the Liberian Government claimed as belonging to the Republic, whereas the Liberian Government on two occasions failed to put itself under the official political protection of the U.S.A. Both in 1893 and 1908 the U.S. Government refused to agree to a Liberian request to establish a Protectorate over the Negro Republic.

The U.S. policy with respect to China around the turn of the

century, notably the Open Door Policy which opened up this country to European and American trading and to other economic influences and prevented further seizure of territory by imperialistic European Colonial Powers, seemed an ideal means for the Liberian leaders to guarantee the political independence of the country while simultaneously it would provide them with the necessary funds to finance the economic development of the republic. However, they failed to realise such an official U.S. policy with respect to Liberia. The opening of the country to foreign capital was a controversial issue nearly as old as the Republic itself. It was partly responsible for the country's first coup d'état and the death of the deposed President, Edward Roye, in 1871 and 1872 respectively. From the beginning of the present century, the Liberian Government began to grant an increasing number of concessions to foreign investors, notably during the Administration of President Arthur Barclay (1904 - 1912). It was he who, upon assuming the Presidency in 1904, said:

> *"We can only save and develop our hinterland by the help of the European trader".* (3)

in which group he also included the white Americans.

Internal Liberian politics and the outbreak of the First World War subsequently prevented the opening up of the country to foreigners though during the 1920's an important concession was granted to a foreign investor. In 1926 a one million acre concession agreement was signed with a U.S. company, the Firestone Tire and Rubber Company. In 1930, however, a Committee of the League of Nations recommended the abandonment of the policy of the "closed door" in favour of the "open door" to the western nations. Significantly, the only Liberian on the three member commission was former President Arthur Barclay.

During the Administration of President Edwin Barclay (1930 - 1944) the Door was set ajar. One of the first decisions he made was to repeal the famous Ports of Entry Act which had restricted the trading activities of foreigners to a limited number of coastal towns. Furthermore, in his First Inaugural Address he stated:

> *"We shall encourage the investment of reproductive foreign capital and shall it accord such facilities that while the investor may be satisfied, the economic status of our people will at the same time be improved."* (4)

Though he tried, President Edwin Barclay was not able to establish an active Open Door Policy. His Administration faced numerous problems, economic as well as political, and the independence of the country was more than once in danger during the 1930's. After he had succeeded in removing both the internal and external threats to the country's political survival, the Second World War broke out.

In 1943, William Tubman was elected President of Liberia and only a few people could have realised at the time that historic changes were going to take place in, at that time, the only

independent republic on the African continent. In order to be able to emerge from its almost continuous state of depression, the economy needed infrastructure, modern managerial and technological know-how, trained manpower and, above all, capital to finance the acquisition and upkeep of these assets. Virtually all of these were lacking at that time, and it was Tubman's firm belief that, unaided, Liberia would not succeed in overcoming its difficulties.

In the early 1940's an effort to use domestic savings as a source of capital would have been futile. The mobilisation of private domestic savings had never been promoted by encouraging the development of appropriate financial institutions, and in 1943 there was only one bank in the entire country: The Bank of Monrovia, a foreign owned establishment (a Firestone subsidiary). As Government expenditures had in the past nearly always exceeded Government revenues, public domestic savings had usually been negative, making borrowing from abroad imperative. These foreign loans, however, had endangered the country's souvereignty more than once. Moreover, under the terms of the 1926 Loan from Firestone which had accompanied the concession agreement, the Liberian Government was not free to borrow without the written consent of the U.S. investor.
Thus, domestic financing of the economic development of the country being ruled out by the failure of his predecessors, William Tubman could not use foreign loans either. Since, at that time, Liberia was the only independent country in West Africa, regional economic cooperation was also out of the question.

Liberia was, however, free to invite private foreign investment capital into the country. Tubman, therefore, decided to resort to foreign investors as his last chance for getting help. At that time he could not foresee that there was to be a tremendous increase in bilateral and multilateral technical and financial assistance to underdeveloped nations after the Second World War and especially after the 1960's. In his Inaugural Address on January 3, 1944 he officially announced that:

> *"We shall encourage the investment of foreign capital in the development of the resources of the country, preferably on a partnership basis, and we shall accord to investors the necessary protection and fairness of treatment."* (5)

Through the presence of foreign investors Tubman hoped to obtain the financial as well as the political blessings of the Governments of their countries, and for a number of reasons he particularly thought of American businessmen and the U.S. Government.

First, as a young Senator in the Liberian Legislature, William Tubman had already become aware of the advantages of investments by a company from a powerful nation. He had been instrumental in having the law passed in 1926 which allowed the Firestone Tire and Rubber Company to establish the largest rubber plantation on

earth in Liberia. It had been through this investment and its inseparable loan of $ 5 million to the Government of Liberia that Liberia had been spared further French encroachments upon its territory as the American company, in addition to its main plantation in Montserrado County, had started a smaller one in the eastern part of the country, in Maryland County, close to the Cavalla River which forms the border with the then French colony of Ivory Coast. In this way, France could not continue its colonial expansion which had already reduced the original size of Maryland County by nearly one half. Tubman, who came from this county, will no doubt have appreciated and remembered this.

Secondly, Liberia had benefited indirectly from Firestone's presence through its role during the Second World War as America's most important supplier of natural rubber. This had resulted in the construction of an international airfield near Harbel, the Firestone Plantation, by the U.S. Army. Originally meant to speed up the shipment of rubber to the American war industries, the airfield became a vital link in the transport of military supplies to the battlefields in North Africa and the Far East. The Defense Area Agreement concluded in 1942 between the U.S. and Liberian Governments confirmed Liberia's strategic importance and resulted in American military personnel being based in Liberia and in the construction by the U.S. Army of two roads, one from Monrovia to the international airfield, Robertsfield, and another from Monrovia to Lake Piso, in the southwestern part of the country, although work on the latter was discontinued as soon as Robertsfield was able to handle all the traffic.

Thirdly, although they were motivated differently, both the U.S. Navy and the Liberian Government strongly desired a harbour on this portion of the West African coast. Insisting upon this matter during his two meetings with U.S. President Roosevelt in 1943, President Edwin Barclay had obtained the promise that American funds would finance the construction of a port and for this purpose an official agreement between the two governments had been signed on December 31, 1943. William Tubman had followed these negotiations very closely as President Edwin Barclay had taken him, as President-elect, with him on his visit to the U.S.A. in 1943.
This matter of a port had become more important after the discovery of large quantities of high-grade iron ore by a Dutch company during the 1930's in an area about 45 miles north of Monrovia. At that time all loading and unloading of cargo and of passengers still had to be done by small boats that went to and from the larger ships anchored a few miles offshore. The outbreak of the Second World War and the lack of harbour facilities had prevented commercial exploitation of the ore, one of the purest iron ores found in the world. During their visit to the U.S.A. Barclay and Tubman had already explored some possibilities to use this wealth, and when the latter was inaugurated in 1944, a geological mission from the U.S.A. was already visiting Liberia.

Fourthly, on the eve of Tubman's inauguration, President Barclay put an end to Liberia's ambiguous monetary system in which both British and American currencies were used by declaring the U.S. dollar sole legal tender in the country. By granting the right to freely export capital (dollars) from Liberia to any part of the world, Tubman expected to attract many American businessmen. The first group of investors did in fact consist almost entirely of U.S. businessmen. Later, partly as a result of the dollar shortage in Europe, investors from the Old World began to show an interest in Liberia.

One of the greatest obstacles which Liberian Presidents before William Tubman had encountered in their attempts to open up the country to foreign capital had been the relations with the tribal population. These were characterised by an enormous gap between those who governed and those who were governed.

Since the creation of the Republic in 1847 the political power, and before the arrival of the Firestone Company in 1926 also the economic power, had always been in the hands of a small minority, originally called the Pioneers or the Settlers, later referred to as Americo-Liberians. The tension between this group on the one hand and the tribal population on the other had only increased and become more widespread as a result of the disputed acquisition of tribal lands by the Monrovia based Government, the forcible annexation of tribal lands and communities, the imposition of allegedly unjustified and discriminatory taxes, retaliatory expeditions of Government forces to revolting tribal people, the exclusion of indigenous people from public offices and, until the beginning of the present century, from citizenship. Not until 1907 were tribal people granted citizenship by an amendment of the Constitution. In general, the attitude of the ruling Americo-Liberian elite when dealing with their "uncivilized subjects" was one of superiority. This, and a system of "apartheid" created by the Liberian Legislature which consisted of different laws for the coastal counties where virtually all Americo-Liberians lived and the Hinterland - which covered the territory of the Republic beyond these coastal counties and which was inhabited by tribal Liberians - explains the notorious resistance put up particularly by the Gola in the area west of the St. Paul River, and by the Kru and Grebo in the eastern part of the country. This resistance against the authority of the central government was not broken until the 1930's during the Administration of President Edwin Barclay.

The opening of the country to foreign capital, the "Open Door Policy", could well be regarded as one leg sustaining President Tubman's policy of development of the country, the other being the "National Unification Policy".
This characteristic of Tubman's general policy was not very original either. In 1904 President Barclay had already stated:

> *"We cannot develop the interior effectively until a satisfactory understanding with the resident populations is arrived at."* (6)

Tubman was very well aware of the clashes and struggles between the tribal people and the Americo-Liberians as he grew up in one of the most turbulent parts of the country, Maryland County. Here the Grebos and Krus fought numerous battles against the suppression and domination of the central government. As a young man he had, on more than one occasion, participated in military campaigns of the Government to put down uprisings of these peoples in his county whilst his uncle had been devoured during one of these revolts. In his first Inaugural Address he said on the subject of Internal Policy:

> *"(...) we shall engage in and strive at the assimilation and unification of our various populations composing the body politic. Liberia must be a place for all Liberians to live in alike - all to stand equally privileged, responsible and protected by like administration of law. All clases of our people must be made to fuse and coalesce into a solid whole."* (7)

The task before him was a heavy one. The country's fortunes and misfortunes had always been determined by not more than 30 families, although they never ruled simultaneously (8).

President Tubman, although an Americo-Liberian like all his predecessors in the highest office in the country, introduced more changes than anyone before him, though he embraced the idea of national unification out of sheer economic necessity. His farsightedness made him realise that in order to succeed in his Open Door Policy he needed some kind of Unification Policy. Further, to make full use of the non-Americo-Liberian labour potential in the country he had to accord these unprivileged peoples certain rights. In doing so he would win additional political support also. But he never went as far as giving them the same rights as the Americo-Liberians were enjoying, both in the legal and in the practical sense. He never allowed the free and full exercise of the freedom of association for the tens of thousands of unskilled rubber tappers, all tribesmen. He did not respect the freedom of the press: he subsidised pro-government private newspapers from public funds but did not allow opposition publications. He feared that an uncontrolled increase of the power of the aborigines would form a threat to the dominance of the settler-elite, which it undoubtedly would have done. Therefore, he said in the same Inaugural Address in 1944:

> *"What is termed the "Americo-Liberian population" is diminishing. It needs vigorous new blood of our own race from without to assist in the Herculean task set before them as the bearers of the torch of Christianity and civilization to their uncivilized brethren.*
> *I am therefore wholly inclined to the view that we should use every legitimate means at our disposal to encourage the immigration of our kith and kin to Liberia from the United States."* (9)

This outward oriented search for a solution for Liberia's economic and social problems was typical of President Tubman, his predecessors and the ruling class of Americo-Liberians of which they were the exponents. They all feared a stronger participation of

the tribal population of the country in the economic and political affairs of the country.

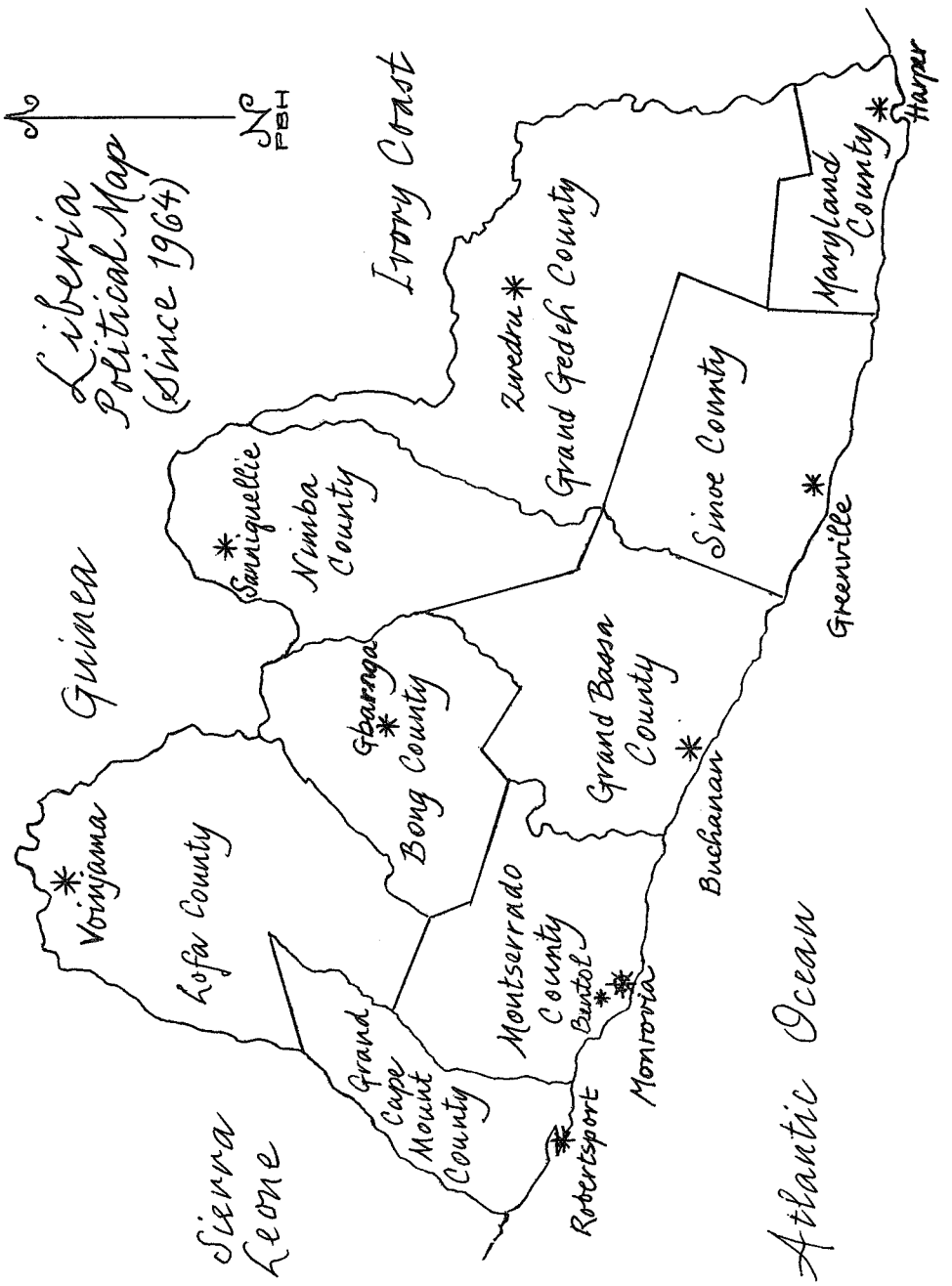
In 1945 an amendment to the Constitution granted the tribal people of the Hinterland representation in the National Legislature for the first time in the history of the country: one Representative for each of the three Provinces which constituted the Hinterland. (see Map 1)
They remained excluded, however, from any representation in the Senate. On the other hand, Tubman granted the franchise to Americo-Liberian women during this first term of office (1944 - 1952). In 1951, a political party organising mainly Kru people was still prevented from contesting Tubman's candidature in the presidential elections of that year. With the Administrative Reform of 1964 the tribal population was given a fairer representation in the National Legislature although it was still far from proportionate to their numerical importance. Besides, its effect was partially offset by a geographical increase of coastal counties to the detriment of the Hinterland (see Map 2). Significantly, the real property requirement for eligibility to vote was maintained. This change coincided with political developments in neighbouring areas and the subsequent withdrawal of the colonising powers, France and Britain, and took place after the arrival of the first large group of foreign investors. Among these investors were the Liberia Mining Company, The Liberia Company, the African Fruit Company, LeTourneau of Liberia, Munarriz Industrial Works, Juan Jesus Ramos Associates, Limpex Palm Oil Company, B.F. Goodrich, the Deutsch-Liberian Mining Company and the Liberian American-Swedish Minerals Company.

During his long reign of more than 27 years, President Tubman had already become a controversial personality: admired and hated, sincere and oppressive, lauded as a patriot and accused of selling the country to foreigners, a chauvinistic defender of Americo-Liberian interests and an ardent supporter of the cause of national unification. Some authors, such as Robert A. Smith. A. Doris Banks Henries and Lawrence A. Marinelli, devoted eulogies to him, while others such as Albert Porte, Tuan Wreh, Robert W. Clower and J. Gus Liebenow did not attempt to hide their criticism and, in some cases, their disgust at his policies and practices (10).

It seems justified, however, to say that: whatever modern Liberia is today, it owes to Tubman although this president could never have been as successful if his predecessors had not done what they did. Specifically meant here are Presidents Artur and Edwin Barclay.
After 1944 the country experienced an economic growth unknown in its history and during the "investment boom" of the 1950's Liberia even had the fastest growing economy in the world, after Japan. Today, this West African country has the largest mercantile fleet in the world, it hosts the world's largest rubber plantation and latex factory, it has become Africa's main exporter of iron ore and ranks number 3 on the world list of iron ore


Liberia
Political Map
(Before 1964)
PBH
Voinjama
Voinjama District
Kolahun
Kolahun District
Zorzor District
Zorzor
Sierra Leone
Western Province
Saniquellie
Saniquellie District
French West Africa
Grand Cape Mount County
Bopolu
Suehn Bopolu District
Gbanga District
Gbanga
Salala
Salala District
Central Province
Tappita
Tappita District
Tchien District
Tchien
Robertsport
Montserrado County
Eastern Province
MONROVIA
Marshall
Grand Bassa County
Webbo District
Buchanan
Rivercess
Sinoe County
Maryland County
Greenville
Sasstown
Grand Cess
Harper
Atlantic Ocean

MAP 1


Liberia
Political Map
(Since 1964)
Guinea
Ivory Coast
Sierra Leone
Atlantic Ocean
Voinjama
Lofa County
Saniquellie
Nimba County
Gbarnga
Bong County
Zwedru
Grand Gedeh County
Grand Cape Mount County
Montserrado County
Bentol
Robertsport
Monrovia
Grand Bassa County
Buchanan
Sinoe County
Greenville
Maryland County
Harper

MAP 2

exporters. It has attracted more than 1 billion dollars' worth of foreign investments including the largest Swedish investment abroad after 1945 as well as the largest German investment in black Africa.

Exports rose from $ 9 million in 1943 to $537 million in 1979 while Government revenues went up from $ 1.5 million to approximately $ 200 million in the same period. Employment in the monetary sector of the economy increased from some 30,000 (in 1944) to about 150,000 (in 1979), whereas Government jobs, which did not number 1,200 in 1944 skyrocketed to nearly 40,000 in 1979. Nearly 9,500 of these were divided over twenty public corporations. None of these public corporations existed in 1944 whereas the number of ministries had risen from seven to eighteen. Government jobs became (necessarily) increasingly available for tribal people and - extremely important in the long run - the school population, which stood at only 12,000 in 1944, grew to more than 235,000 in 1978.

In international affairs and politics the country also broke its seclusion and in the early 1960's emerged as the leader of a group of moderate African countries, the "Monrovia-Group", through an active diplomacy and the hosting of conferences on regional economic and political cooperation. It played an important role in the creation of the Organization of African Unity, the African Development Bank and, more recently, the Economic Community of West African States. In 1975, Liberia was one of the few African countries whose Heads of State received the Prime Minister of the Republic of South Africa, Vorster. In 1979, Liberia hosted the Summit Meeting of the Organization of African Unity and President William Tolbert was elected Chairman of the Pan-African organisation.

Apart from its role in African affairs, Liberia took part in world affairs when, in 1960, it was elected to the Security Council of the United Nations Organization, the first Black African country ever to occupy a seat in this body. In 1969 a Liberian lady, Angie Brooks Randolph, was chosen to preside over the 24th General Assembly of the United Nations. Another Liberian was President of the World Baptist Alliance from 1965 until 1970. He was William Tolbert, the country's Vice-President at the time. During the 1970's, Canon Burgess Carr, also from Liberia, was the Secretary-General of the All African Council of Churches.

Over the years the Open Door Policy has increasingly become subject to criticism, notably as a reaction to the behaviour of the two oldest investors in the country, the Firestone Company and the Liberia Mining Company. This happened in spite of the fact that an important indirect effect of the foreign investments was the increased financial and technical assistance to the Lone Star Republic by the Governments of the countries of origin of these investments or, sometimes, by the investors. This had already begun in 1926 with the $ 5 million loan which the Firestone Company had granted to the government of President King.

At times these were far from selfless engagements as in the case just mentioned of Firestone or in the examples of the construction of the ports of Monrovia and Greenville when the U.S. and the German Governments, respectively, granted the Government of Liberia multimillion dollar loans to facilitate the export of products by the Liberia Mining Company and the African Fruit Company, owned respectively by American and German interests. Even at the end of the 1970's the Liberian attitude towards Firestone is one of a love/hate relationship which occasionally renders the U.S. rubber company the national scapegoat. Though indeed in the past the company has played, and continues to play a dubious role, it would be very unfair to look only at its record since activities were made possible and in some cases even encouraged by the political environment.

The awareness among Liberians that the diffusion of the wealth generated by the business activities of the concessions had been highly uneven was suppressed during the Tubman era. It was activated with the swearing in of William Tolbert as Liberia's new President upon Tubman's death in 171. President William Tolbert soon declared:

> *"Our minerals, forests and other natural resources are being steadily depleted. Our environment is being polluted and yet, our people receive comparatively insufficient direct or indirect, immediate or future compensation."* (11)

and within a few years the renegotiation of the illustrious 1926 Planting Agreement with Firestone had started and a general policy of "Liberianization" introduced. This policy officially aims at replacing expatriates in foreign-owned companies by qualified Liberians. Yet President Tolbert praised the Open Door Policy on various occasions for being successful and incessantly confirmed his Government's commitment to keep the basic principles of the Open Door Policy intact.
Although he failed to effectuate the opening of the Wologisi mines in Lofa County - the Wologisi Iron Concession having been signed as early as 1967 - which cannot be said to have been due to lack of incentives provided by the Liberian Government, Tolbert was successful in stimulating a real influx of logging companies. At present over 40 companies are exploiting the country's rich forests.

At the end of the 1970's the opponents of the Open Door Policy - whose number was on the increase - became increasingly vociferous in their protests against the huge profits reaped by the mining companies, the rapid dwindling of the forest reserves, and the exploitation of labour on the rubber plantations. Unfortunately, the knowledge of many Liberians of the exact role foreign investors have been and are still playing in the national economy is very often based upon fragmentary information, popular beliefs, distorted facts and also class interests, since loyalty to the Government or identification with a certain group of citizens is, in Liberia, very often incompatible with a critical mind. As a result, misunderstanding and ignorance prevail,

the more so, since no comprehensive study of the country's Open Door Policy was ever carried out. Moreover, what was written on this topic or on subjects related to it, is either outdated or deals only with one major company.

Tarpeh, from Liberia, wrote two very informative studies: one article on Firestone, covering only the six year period from 1966 through 1971, and a very voluminous and detailed work on the Liberian American-Swedish Minerals Company (the LAMCO Joint Venture) 1963 - 1976. The German investments in the Deutsch-Liberian Mining Company (Delimco), today called Bong Mining Company, were very ably studied by Coale from the U.S.A. (1977). Carlsson from Sweden, in 1980, published a very readable comparative study on Liberia's four iron ore mining companies and the gold mining companies operating in Ghana.

Two Liberians, Sherman and Duncan Grimes, both wrote unpublished theses on "Foreign Investments and Economic Development" and on "Economic Development in Liberia". respectively, which today have historic value chiefly since they date from 1948 and 1955, respectively.

More informative and comprehensive studies were carried out by McLaughlin and by the Northwestern University Group (Clower et al), both from the U.S.A., but their discussions on the foreign participation in the Liberian economy date from the early 1960's. In spite of this limiting aspect, the work of the Northwestern University Group in particular is to be considered a standard work since it is the first Economic Survey of Liberia ever published (1966). Another standard work on the Liberian economy is Brown's, though it hardly concerns the activities of foreign investors since it was written before the Tubman Administration (1941).

More recently, Hinzen and Kappel, from the Federal Republic of Germany, in a book on the Political Economy of Liberia published two specific studies which dealt with foreign investments. One dealt with the iron ore mining industry and was written by Carlsson, and the other was on Firestone, by the present author (1980).
Two authors, Akpan, a Nigerian, and Kappel, a German, published papers on the Liberian Economy during the 19th and 20th centuries although their works do not center on the role of foreign investors (12).

The present study is the first which analyses, from an historical point of view, the introduction of an Open Door Policy in Liberia and which includes virtually all concession agreements granted to foreign investors by the Government of Liberia for the exploitation of the country's natural resources. The occasional elaborate discussion of the preparation of concession agreements, the comparison of the various agreements, and the study of the companies' operations are mainly based on authentic material found in the National Archives of the Ministry of Foreign Affairs and

in the library and files of the Ministry of Finance, notably of the Concessions Secretariat in Monrovia. Unfortunately, however, during the course of the research which he conducted in Liberia during the years 1976 - 1979, the present author was faced with the fact that much information, both on the foreign companies and on the general economic and financial affairs of Liberia, was already lost.

The present study aims at analysing critically what is often said or suggested to be the main cause of Liberia's economic and financial performance during the past decades: the "Open Door Policy", and at investigating the diffusive aspects of the fruits of this policy, whether direct or indirect.
As indicated before, the National Unification Policy appeared to be necessarily complementary to the Open Door Policy (13) and a comprehensive study of the effects of the Open Door Policy should include an evaluation of the National Unification Policy. Dealing with the latter in depth, however tempting and interesting, was intentionally avoided since it would have necessitated supplementing the inquisitiveness of the author by that of specialists from other disciplines, such as sociologists and political scientists. However, from time to time, a discussion of some of these aspects had to be included. If this limitation has resulted in any omissions in this study it is sincerely hoped that others will be motivated to start where the present author found it necessary to stop.

Any examination of foreign investors' participation in and contribution to the economy of a developing country must concentrate on the following basic questions which were used as starting points in the present study. In the first place, what is the advantage of having foreign investors instead of domestic entrepreneurs stimulate the economy? In other words, what can these foreigners offer which apparently is lacking in the host country? Secondly, what was legally envisaged by the Government of this country when it invited the foreign investors: what were the latters' duties and obligations, their rights and their privileges, as laid down in official agreements? Thirdly, as there might have been omissions, shortcomings, or anachronisms in the agreements between the investors and the Government, how were they repaired? Fourthly, what was the foreign companies' actual contribution to the national economy, and, last but not least, have there been any unexpected or undesirable side effects of these foreign investments?

In addition to the above, the Liberian invitation to foreign investors was accompanied by specific, explicitly stated objectives. These will be used in the present study as yardsticks to determine whether the impact of foreign investments was in conformity with the goals set and the expectations cherished.

The first criterium is based on President Arthur Barclay's statement that European funds, know-how and entrepreneurship (including those from the U.S.A.) would contribute to the

development of rural Liberia, inhabited by tribal people, i.e. the Hinterland (see above). In other words, which development took place in rural Liberia as a result of the operations of foreign investors?

The second criterium is based on a statement which President Edwin Barclay made in his Second Inaugural Address (1936):

> *"It cannot be supposed that we will continue to submit to undue economic and political exploitation. Our people (...) must have an effective share in the benefits which accrue from the development of our resources, a reasonable return from their labour and a monopoly of the avenues of employment within the Country. (...)* (14)

It will therefore focus on the relationship between the Gross Domestic Product and the Gross National Product of Liberia.

The third criterium concerns an often repeated wish of President William Tubman: the equitable sharing of benefits of foreign investments between the concessionaires and the Liberian Government:

> *"You possess technological know-how and capital. We possess considerable natural resources which we are willing to share. Working together can be of immeasurable benefit to both of us. We in Liberia believe that business is entitled to an equitable share of the profit it makes. (...)* (15).

This criterium will therefore concentrate on the revenue generating aspect of the foreign investments and special attention will be paid to the problems underlying the diffusion of these benefits.

The fourth and last criterium is the transfer of technology which results from the operations of a company from a developed country in a country which is technologically and economically less developed. It seems logical that an invitation to foreign investors to fill a gap in another country can only be explained at the same time or justified when long-term objectives are formulated and pursued by the host country to develop its manpower and to create and develop the necessary infrastructure and institutions - handled by its own people - whose absence or underdevelopment prevented the exploitation and use of the country's productive capacity by its nationals.

In other words, the ultimate goal would lead to a situation in which foreign capital and manpower were no longer needed.

Chapter 1 briefly describes the population of the region where in 1822 the first settlers landed and explains the reasons why the black colonists in 1847 decided to create the independent Republic of Liberia.

In Chapter 2 the background and origin of Liberia's Open Door Policy is established for the first time. As early as the 1820's - the creation of the colonies of Liberia, Mississippi in Africa, and Maryland in Africa which later merged into the Republic of Liberia- the colonists lacked sufficient political protection to enable them to focus their attention on the economic development of the region which they claimed as the republic's territory. Both internal and external threats to the country's sovereignty, political independence and territorial integrity resulted in 1864 in the Ports of Entry Act which limited the number of coastal towns where foreigners were allowed to trade or undertake other economic activities to six. External economic conditions, internal political strifes and lack of sufficient qualified manpower were the reasons why, after a favourable start by the first settlers - who engaged with zeal in a limited number of economic activities - the economic trend was a downward one. In general, the following generation lacked the capability and the enthousiasm which characterised the pioneers.
On various occasions the country was nearly bankrupt whereas the territory which the leaders of the republic claimed was considerably reduced by imperialistic European colonial powers. Several times they attempted to establish a Protectorate over the country. As this book shows for the first time, it was the U.S. policy around the turn of the century with respect to China, resulting in the Open Door Policy of President William McKinley and his Secretary of State, John Hay, which lies at the basis of the Liberian Open Door Policy.

Chapter 3 is entirely devoted to the Firestone Plantations Company. In 1926 the famous Planting Agreement with Firestone was signed. The U.S. rubber company soon controlled the Republic both politically and economically. The latter even became during the 1940's and 1950's known as the "Firestone Colony" or "Firestone Protectorate".
After providing a historical background of Liberia's production and export of rubber, it is explained why Harvey Firestone decided to come and invest in Liberia, it clearly establishes the fact that Liberia did not need a $ 5 million loan from this company, which loan affected its financial as well as its fiscal freedom, and hence its political sovereignty, and furthermore it shows that not all Liberians were equally happy with the arrival of the rubber giant. Already at the time of its establishment in Liberia this company was financially stronger, economically more important, and politically more powerful than the Government of Africa's only independent republic.
After a discussion of the most important features of the 1926 Concession Agreement, the conflicts with the Liberian Government and the subsequent modifications of the Agreement,

Firestone's financial contribution to Liberian Treasury in the 1926 - 1977 period is discussed. It is the almost classical story of the opposing interests of the company's shareholders and those of the host Government. One of the most mysterious aspects of Firestone's financial operations in this respect concerns the company's rubber pricing policy. The reluctance of the company's owners and management to provide the necessary information to evaluate this policy, and their defiance of the Liberian Government by refusing to co-operate in this respect, is also shown in this chapter. Firestone's contribution to the economic development of Liberia would have been far greater if a rubber processing industry had accompanied or followed the establishment of the rubber plantations. However, as is explained on the basis of hitherto not published documents, plans to create a tyre factory in Liberia failed, despite the generous privileges which the Liberian Government offered to the rubber company. The last section of this Chapter discusses the new, revised, concession agreement which in 1976 was signed with Firestone.

Soon after it began to be exported, rubber dominated Liberia's exports. During the 1940's rubber even constituted over 90% of total exports. This explains the attempts of the Government to diversify the export of agricultural products. On an increasing scale the Tubman Administration began to grant concessions to foreign companies for the production of agricultural products other than rubber. This is discussed in Chapter 4. The first of the companies which signed an agreement with the Liberian Government was the Stettinius Associates-Liberia Inc., a company created by a former U.S. Secretary of the same name who had developed great interest in the development of Liberia. In 1947 President Tubman agreed that the overall development of the country would be entrusted to this company. Significantly, the specific objectives of the company created for this purpose, The Liberia Company, were almost identical with those of a Five-Year Development Plan launched by President Tubman in 1946 but which had not been implemented owing to lack of funds and shortage of manpower. Due to circumstances further explained in this Chapter the objectives of the company became less ambitious during the 1950's when notably the development of coffee and cocoa plantations was envisaged. Conditions for these products seemed good, expecially for coffee since Liberia is one of the few countries in the world where coffee grows wild. However, both projects failed and nowadays the operations of the company in Liberia are restricted to a relatively small rubber plantation in the interior of the country, in Nimba County. A German attempt to grow cash crops other than rubber also failed. In 1952 the African Fruit Company started the development of banana plantations but already gave up after five years. In 1973 the Germans even withdrew from Liberia and sold the company to a Liberian company which transaction and related circumstances revealed a struggle for power within the ruling elite, the Americo-Liberians.

The other concessions which were granted in the same period were not successful either. Robert LeTourneau, from Texas, U.S.A., obtained a large concession area but never started operations on a large scale. Juan Jesus Ramos Gonzales, from Spain, shared his fate. Somewhat different was the outcome of attempts to develop oil palm plantations.
Palm products may be considered traditional Liberian products. In fact, it was one of the early settlers who introduced palm kernels in international trade around the middle of the 19th century. Thus one may wonder why the opportunity to export these products had not been taken earlier. In 1966 and 1967 two concession agreements were signed which had the large-scale cultivation of oil palm plantations as their first objective. The first involved was the Getty Oil Company from the U.S.A. and the second agreement was signed by a joint undertaking of U.S. and Liberian investors. Although it is too early to refer to these projects as failures, results so far have been very modest. Nevertheless, the outcome of these companies is of extreme importance since the production of oil palm products seems to offer an excellent opportunity to diversify the national economy.

Chapter 5 deals again with the rubber sector: four foreign-owned rubber plantations and one foreign-owned rubber processing factory (this processing is done for export purposes only and does not alter the primary product character of the product exported). U.S. capital dominates in this sector though particularly since the late 1950's Dutch investors showed a considerable increase of activities in this respect. Original documents related to the preparation of the concession agreement which in 1954 finally was signed with the B.F. Goodrich Company reveal that President Tubman's advisors did not always agree with the generous conditions which characterized some concession agreements. However, the outcome of the negotiations with B.F. Goodrich confirm the impression that power was truly concentrated in the hands of William Tubman.

The following three Chapters deal with the mining sector. Chapter 6 focuses attention on the gold and diamond mining in Liberia whose importance is often under-estimated. Illegal activities of foreign companies combined with a lack of control and supervision by the Government are the main reasons why Liberia has benefited little from these natural resources. The search for oil had already in 1956 resulted in a concession granted to a U.S. investor. The concession area covered over 1.5 million acres. It was, therefore, larger than the 1926 concession to Firestone, which was much criticised on account of its size. However, both this and another attempt (in 1964) to turn Liberia into an oil producing country failed. The search for minerals other than gold, diamonds, and iron ore concludes this Chapter.

Chapter 7 deals with two iron ore mining companies behind which there was one man: Lansdell Christie, a former U.S. Army

officer who had served in Liberia during the Second World War. He obtained a concession agreement for the exploitation of the rich iron ore deposits of Bomi Hills, discovered by a Dutch company in the 1930's, and organised the first iron ore company in Liberia: the Liberia Mining Company. The mining operations proved extremely profitable and within a few years the $ 10 million which had been invested had been earned back. Total profit income for the private owners of the mining company eventually totaled nearly $ 140 million within the 1951 - 1977 period. The Liberian Government had virtually given away these natural resources and as years went by resentment against the unfair distribution of benefits between the concessionaire and the Liberian Treasury grew as in the case of Firestone. A large part of this Chapter is devoted to the numerous disputes which gradually began to characterise the relations between the two parties. The final part of the Chapter deals with the Mano River iron ore deposits which, since 1958, have been exploited by the National Iron Ore Company. This company is 50% owned by the Liberian Government which made a $ 5 million cash payment to finance its participation. The other 50% is partly owned by Liberian shareholders and by the Liberia Mining Company. The problems which the management of the mining company, the Mine Management Associates Ltd.- a company especially created for this purpose by Lansdell Christie - encountered were many and resulted in only $ 2.5 million income for the Liberian Government-shareholder. As against this meagre income for the Liberian Treasury, total sales income of the mining company amounted to more than a quarter billion dollars in the 1962 - 1977 period.

Chapter 8 discusses the operations of two iron ore mining companies which are chiefly financed with European capital in contrast to the two iron ore mining companies of the preceding Chapter which were both financed with U.S. funds. The first company, the Liberian American-Swedish Minerals Company (the LAMCO Joint Venture), turned into the largest iron ore mining company in Africa and one of Africa's largest companies. In this case there was also one man behind the original concession agreement: Lee Detwiler from the U.S.A. The original concession agreement had been signed as early as 1953 but it took another ten years before the mining venture became operational. The difficulties which had to be overcome when looking for the necessary investment capital were largely reponsible for this delay. The result was an extremely complicated organisational and ownership structure which also affected the Liberian Government's share of the substantial profits which the Joint Venture realised in the 1963 - 1977 period. Whereas iron ore worth more than 1.3 billion dollars was shipped in this period - yielding some $ 350 million profits - the Liberian Treasury's income from these iron ore deposits, located in the Nimba Mountains near the borders with Guinea and with Ivory Coast, was relatively low: about $ 130 million. This was less than the amount the banks financing the investments needed, earned on this venture. How this was possible is explained in detail in this Chapter. Also included is the dispute between the LAMCO Joint

Venture and a mining company owned by Liberians of tribal descent, the Kitoma Mining and Trading Company. The outcome of this dispute - which was in favour of the multinational company - can be considered illustrative of the opportunities offered to tribal Liberians to play a leading role in the economic development of their country.
The other iron mining company exploits the iron ore deposits of the Bong Range in the central part of the country. This company, the Deutsch-Liberian Mining Company, called today the Bong Mining Company, is outstanding in that it has the best performance as compared with the other three iron ore mining companies operating in the country. In general, the companies financed with European capital have a better performance - in terms of relations with the host Government - than those financed with U.S. capital.
The third iron ore mining company included in this Chapter is the Liberian Iron and Steel Company, another venture started by Lee Detwiler. Intended to exploit the iron ore deposits of the Wologisi Range, the company never went into production, for reasons which are explained in this Chapter. At the end of the 1970's the concession was held by Japanese investors.

Chapter 9 deals with the forestry sector and its gradually growing importance for the national economy. The rich tropical rain forests of Liberia offer a great variety of trees, with an estimated 275 to 300 different species, and with timber ranging from very light and soft wood to the heaviest ebony hard wood. The chapter specifically discusses the Liberian Government's administrative and institutional incapacity to supervise the logging companies which had obtained concession agreements from it - and which numbered more than forty in the late 1970's. After a discussion of the attempts to establish a national wood processing industry, frustrated by an alliance between members of the country's political elite and the foreign investors, this chapter ends with another dispute. This controversy once again shows that participation of tribal Liberians in the economic affairs of the country was not welcomed, or tolerated, by those in power: the Americo-Liberian elite.

Although each of the preceding chapters on the performances of foreign companies has already dealt with the fiscal contribution of these foreign investors, Chapter 10 includes this again with the analysis of Liberia's fiscal performance during this era of foreign investments, starting with the arrival of Firestone in 1926. Great importance was attached to the Government's capacity to monitor the activities of the foreign investors and to its planning of the socio-economic development of the country in general. The use of foreign funds and manpower originating from international financial institutions - including commercial banks - and foreign governments played an increasingly important role in this respect. Special attention was given to the diffusion of these indirect benefits of the Open Door Policy: the development of the rural and urban areas respectively.

Chapter 11 pays attention to one of the most important aspects of the development of Liberia: the education and training of its population. The chapter begins with an analysis of the transfer of technology and the industrial and/or technological cooperation between the foreign investors and the host country. It subsequently describes the efforts of the Liberian Government to increase the productivity of the country's manpower by providing training and education. The chapter ends with a detailed discussion of the educational situation in Liberia at the end of the period under study, 1978.

The enormous change in the area of transportation and communication which necessarily accompanied the operations of the foreign investors is the subject of Chapter 12.

Chapter 13 clearly shows that Liberia changed from a predominantly subsistence economy around the turn of the century into a developing economy. The chapter begins with the development which took place with respect to the volume and value of its international trade. Since virtually all foreign investments in Liberia were supply oriented, this should not come as a surprise. This also corresponds with the development of the transportation facilities. These were, above all, geared to the export of the produce of the foreign owned and foreign managed companies. The underdevelopment of Liberia is painfully realised when the country's national accounts are analysed, first, because they are hardly available and, moreover, very unreliable, and secondly, because the structure of the Domestic Product reflects the relative importance of foreigners in the Liberian economy. The latter fact partly explains the big difference between the Gross Domestic Product and the Gross National Product which is subsequently discussed.
The last section of this chapter is a case study of the Liberian Government's policy with respect to the utilisation of the country's manpower. It discusses in detail the labour recruitment policy which was introduced when Firestone needed tens of thousands of tappers. In view of the payment to intermediaries for the recruitment of this involuntary labour, only a thin line separated these practices from slavery. The interests of the foreign rubber companies and of the Liberian politician/plantation owners maintained this system for more than thirty years until it was officially abolished as a result of international pressure.

The Final Chapter presents the major conclusions of the present study. It should be repeated here that the period under investigation ended in 1977 and that later events cannot be accounted for. This book would not be complete without the implications as to policy following the analysis. If implemented, these recommendations and suggestions for a change of policy may mitigate the economic and financial crisis the country will face in the 1980's. Owing to its vulnerability and sensitivity to changes in the foreign demand for its main product, iron ore, an economic recession began in the late 1970's to which the Government

failed to adequately react. Its impact was aggravated by increased external borrowing by the Government of Liberia, mostly commercial loans on a short-term basis, which were not invested in productive capital formation but were used rather to boost the country's international prestige since most of the money was spent in hosting the O.A.U. Summit Meeting in 1979. The outcome of these difficulties will not only be of great interest to the Liberian people, but also to the foreign investors as they may affect one of the country's most widely appreciated advantages: its political stability.

CHAPTER 1

THE PEPPER COAST BEFORE 1847:

THE GENESIS OF AFRICA'S OLDEST REPUBLIC.

The early inhabitants

According to the traditions of many African tribes their ancestors were Pygmies, or persons of small size, and memories of them still live on in numerous stories and legends. Although no trace of their existence was ever discovered in West Africa they are well-known to the peoples of this subregion. The Sousou in what is now Guinea call them "Doki", the Ouolofs in Senegal call them "Kondrong", the Malinke "Komo Koudoumi" (1) while in Liberia they are called "Jinna".

The first inhabitants of the region which is now known as Liberia may have been of small size too. No recorded history can prove their existence, but they still play an important role in the oral history and the religious life of some of Liberia's tribes. When the Golas, who are supposed to be the oldest of the Liberian tribes, travelled from the interior of Central Africa to this West African region they reportedly met these small-sized peoples, who were bushmen and who *"dwelt in caves and the hollows of large trees, and lived on fruits and roots of wild trees"*, according to one Liberian historian (2).

A second group of peoples is reported to have arrived in the region about 6.000 B.C. Though their origin is not very clear they most likely came from the Western Sudan. These newly arrived people defeated the Golas and other tribes such as the Kissi, and established an empire under the leadership of King Kumba, after whom they were called. The Kumbas comprised distinct groups which developed into different tribes after the death of their leader; the Kpelle, the Loma, the Gbande, the Mende, and the Mano, all belonging to the same linguistic group. They were chiefly agriculturalists but also developed arts such as pottery, weaving, and basket making. Their blacksmiths were able to make spears, arrow-heads, hoes, knives, rings and iron rods. These iron rods were used as a medium of exchange (3).

The third group of peoples who arrived and settled in the region which is now known as Liberia migrated to this part of West Africa quite recently. They were the Kru, Bassa, Dei, Mamba, and Grebo tribes (4). They came from what is now the Republic of Ivory Coast. Population pressure - due to the mass-emigration of tribes from the Western Sudan where the mediaeval empires had declined after their conquest by the Moroccan army - had resulted in tribal wars. The Kru arrived in the early sixteenth century. They came by sea, as did - later - a part of the Grebo. Those Grebos who took the sea-route were later

called "seaside Grebos" in order to distinguish them from their kinsmen who decided to travel by land, the safer way. Those who braved the dangerous waves still feel superior to these so-called "bush-Grebos" (5). All the peoples of this group belong to the same linguistic group.

The last group of tribes to arrive from "over land" was the Mandingo-group, comprising the Vai and the Mandingo tribes. The Vai also migrated to the West African central region in the sixteenth century and had probably the same motivation as the tribes of the third group. They crossed the western part of the actual republic of Liberia, clashed with the Gola whom they subsequently defeated, and - later - moved to the coast where they settled (6). The Vai form the first tribe of this region which was moslem, unlike the tribes previously mentioned which were all animists. It was one of the few tribes of Black Africa who developed its own script.
About the seventeenth century the Mandingos began to arrive in Liberia. They were moslems too. They too originated from the Western Sudan. They left this region after the Empire of Mali - of which they formed a part - was considerably reduced by the Emperor of Gao, Askia Mohammed, in the sixteenth century (7).

The European Traders

Documents reveal that the first white men who landed on this part of the West African coast were probably Hanno the Cartaginian and his sailors, in the year 520 B.C. Hanno the Cartaginian may have reached the coast near Cape Mount, where he encountered the Golas. Trade started, but the contacts between the two races were limited to only a few trade visits (8). It was not until the fourteenth century that further and more frequent contacts were established. About 1364 the Normans settled (temporarily) at a few places on the coast of Liberia and started trading with the coastal tribes from whom they bought ivory, pepper, gold and camwood. The Portuguese also frequented the Liberian coast as from this period and soon even controlled the trade. In fact they had a monopoly for over a century, before they were replaced by other European maritime powers (France, England, Holland).

From the 15th century onwards the Portuguese, Spanish, Dutch, English and French sailors and traders became common and accepted visitors of the West African coast. Their influence on the history of the area was considerable and their impact on the lives of the peoples of the coast quite distinct. The Portuguese e.g. named regions, mountains and rivers, and some of these names are still in use. In the Liberian area the Portuguese gave names such as (from west to east) Gallinhas River, St. Paul's River, Mesurado River, St. John River, Cestos River, Sanguin River and Cavalla River, and named the promontories Cabo do Monte (at present Cape Mount), Cabo Mesurado (Cape Mesurado) and Cabo das Palmas (Cape Palmas) (9). The coast between Sierra Leone and Ivory Coast was called

"Malagueta Coast" or "Pepper Coast" after one of its main products, the Malagueta pepper. The English and the Dutch preferred the name "Grains of Paradise", referring to the same product. Later they abbreviated this name and it became the "Grain Coast". The names of the coastal regions to the east of Cape Palmas were also based on their main commercial products: the Ivory Coast, the Gold Coast and (later) the Slave Coast. The spices, gold and ivory, sought by the Europeans were exchanged for textiles, alcoholic beverages, general merchandise and, later, when this trade degenerated into the barbarous slave trade, horses and weapons. The trade in slaves soon ousted the more common trade and by the end of the sixteenth century all European powers (of that period) were engaged in this historical and inhumane commerce, an activity that resulted in the diaspora of the Black race and the loss for Africa of an estimated 20 million people. The damage for Africa was even greater than the mere loss of a large number of its population because the captured sons and daughters of its soil were its most able and most productive workers. When the slave trade was over Africa was left with hostilities between tribes, with a disrupted social and family life and with famines. The resulting weakness and dissensions greatly facilitated the imposition of foreign rule (10).

Historical documents leave no doubt that the people of the coastal area had reached an admirable standard of living. They made many products which were of a higher quality than those produced in pre-industrial Western European countries:

> *"The traditions of the Norman traders who visited Liberia in the fourteenth century and the authentic records of the Portuguese commerce with that country before 1460 and 1560, reveal a condition of civilisation and well-being amongst the untutored natives which is somewhat in contrast to what one finds in the same coast at the present day; still more in contrast with the condition of the Liberian coast lines in the early part of the nineteenth century, suggesting that the rapacity of the Europeans, combined with the slave trade, did much to brutalize and impoverish the coastal tribes of Liberia during the two hundred years between 1670 and 1870. They seem to have been well furnished with cattle (in Northern, perhaps not in Southern Liberia), with sheep, goats and fowl, to have carried on a good deal of agriculture, and not to have been such complete savages as were the natives of the still little-known parts of Portuguese Guinea, or the people of the Ivory Coast, who were wild cannibals. (...) Having cast a glance at the principal commercial products of these countries when they were first discovered by Europeans, it may be interesting to note the trade goods which Europe was able to offer to the Blacks from the fourteenth to the seventeenth century. To begin with a negative statement, there were no cotton goods, no calicoes in the holds of these vessels such as there would be nowadays. Strange to say, it was the natives*

of the Gambia and other rivers of Northern Guinea, and Cape Mount in Liberia that impressed the Europeans with the excellence of their cotton fabrics, and actually sent some cotton goods to Portugal. (...) It is possible that no cotton goods were exported from Europe to West Africa till the end of the seventeenth and the beginning of the eighteenth centuries. Since that time the cotton goods of Lancashire, of Germany, and of Barcelona have almost killed the local industries of weaving and dyeing. (...) As early as the time of Ca'da Mosto (middle of the fifteenth century) cannon were taken on the ship and gunpowder was fired to astonish and frighten the Negroes; but there seems to have been no sale of gunpowder till the close of the fifteenth century" (11).

The Europeans were not only responsible for the naming of places, the exchange of products, the introduction of fire-arms and the carrying off of millions of Africans, but also for the introduction and spreading of hitherto unknown diseases, such as dysentery, syphilis and certain parasites (12).

In the region which is now called Liberia the (slave) trade thus contributed to the impoverishment of and the hostilities between tribes. Up till the present day the inter-tribal relations are affected by the events of this period. The Golas, Krus, Kpelles and Kissis were notorious slave traders conniving with unscrupulous Europeans who looted the coastal areas. Besides this, the northern tribes of the Mano and the Gio were feared because of their cannibalism, a practice which was also not uncommon among the Greboes and the Krus. It was in this environment of slave trade, suspicion, fear and open discord and hostilities that the first colonists arrived, aboard an American ship, in 1820. They came from the U.S.A. where their African ancestors had been sold to white masters. With the arrival of these black and coloured people an experiment in "black colonialism" started.

The arrival of the colonists

Between 1794 and 1808 the U.S. Congress passed several Acts with respect to American involvement in the international trade in human beings. Some of these Acts prohibited American citizens from engaging in the international slave trade, others outlawed the importation of new slaves (Slavery itself was not to be abolished until after the civil war, in 1865).
Subsequently, white Americans in various parts of the country in the 19th century began creating societies that encouraged and financed the re-settlement of freed slaves and of coloured people in the continent of their black ancestors. Among these societies were the American Colonization Society, the Indiana Colonization Society, the Colonization Society of New York, the Young Men's Colonization Society of Pennsylvania, the Maryland Colonization Society and the Mississippi Colonization Society. The motives behind these efforts were often far from philantropic. Personal political ends, racial discrimination, feelings of fear and/or

embarrassment towards a (growing) minority of freed slaves and of "persons of colour" (the offspring of inter-racial relations) were combined with liberal, humanitarian and religious ideals (13). In 1819 the U.S. Government appropriated $100,000 to aid African colonisation (14).
The American Colonization Society, created in 1816 as a voluntary philantropic society, in 1820 sent a first group of negroes and mulattoes - under white leadership - to the West Coast of Africa, with the financial, logistic and military support of the U.S. Government (15). The immigrants landed on Sherbro Island, but were exposed to a tropical climate and to diseases they had never come into contact with and within a very short period their number was significantly reduced. The survivors fled to Sierra Leone. This area was a British colony since 1808, and the U.K. Government tried to establish a similar settlement here (16).
A second group of colonists, also financed and equipped by the American Colonization Society and the American Government, sailed from the U.S.A. in 1821. The (white) Agent of the American Colonization Society, Dr. Ayres, and an accompanying U.S. Navy officer, Captain Stockton, left the group in Sierra Leone and sailed further along the coast. They landed at Cape Mesurado in December of the same year. There the two men negotiated the sale of Dozea Island, an island in the Mesurado river, Cape Mesurado, the mouth of the Mesurado river and an adjoining strip of land. They finally came to an agreement with the tribal chiefs. The Deed was signed by the Kings Peter, George, Zoda (also written as Yoda), Long Peter, Governor and Jimmy (none of them could either read or write), Dr. Ayres and Captain Stockton.
According to the Deed the land was bartered against

> *"Six Muskets, one box Beads, two hogsheads Tobacco, one cask Gunpowder, six bars Iron, ten Iron Pots, one dozen Knives and Forkes, one dozen Spoons, six pieces blue Baft, four Hats, three Coats, three pair Shoes, one box Pipes, one keg Nails, twenty Lookingglasses, three pieces Handkerchief, three pieces Calico, three Canes, four Umbrellas, one box Soap, one barrel Rum; and later was to be paid the following:*
>
> *three casks Tobacco, one box Pipes, three barrels Rum, twelve pieces Cloth, six bars Iron, one box Beads, fifty Knives, twenty Lookingglasses, ten Iron Pots different sizes, twelve Guns, three barrels Gunpowder, one dozen Plates, one dozen Knives and Forkes, twenty Hats, five casks Beef, five barrels Pork, ten barrels Biscuit, twelve Decanters, twelve glass Tumblers, and fifty Shoes"* (17).

This was never paid in full, however, and part of what was paid on this day, 15th December, 1821, was later even taken back (18). On December 16, 1821 Dr. Ayres in a report to his Society wrote enthusiastically that "(...) *We have purchased a tract of country containing one million dollars' worth of land* (...)" for which he had paid goods which value was "(...) *not amounting to more than three hundred dollars* (...)" (19).

After successfully completing their mission Ayres and Stockton

sailed back to Sierra Leone, picked up the immigrants who had been waiting there and went back with them - on a U.S. Navy Ship - to the area they had bought. They landed with the colonists at Cape Mesurado on January 7, 1822. However, upon return it soon became clear that the attitude of the Africans had completely changed. They would not even allow the ship to be unloaded.

The main explanation for this changed attitude of the tribal people lies within the concept of land tenureship. One of the main negotiators with Ayres and Stockton, King Peter, had traded land belonging to other chiefs and tribes on which he could never have any claim whatsoever. Secondly, ownership of land in the traditional African countries was never absolute and King Peter could never sell any land belonging to his tribe. Thirdly, part of the land bought by Ayres and Stockton consisted of a sacred area, and could never be disposed of (20). Through tenacity and threat Ayres managed to stay and when the group, which first settled on Dozoa Island, wanted to move to the mainland, he used the same means. On 24th April, 1822, he threatened with a war if the tribal people would not listen to him and give in: "(...) *I would bring ships and batter down all the towns of those who opposed us from Cape Mount to the Line* (...)" (21). A squadron of the U.S. Navy was due to arrive and he, Ayres, knew it. One day later, on April 25, the colonists hoisted the American flag on Cape Mesurado, the mainland.

The year 1822 brought many more conflicts and wars between the colonists and the natives. Most famous are the Battle of Crown Hill - where Lott Carey saved the colony - and the Battle of Fort Hill - which made a heroine of Mathilde Newport. Both have become national heroes, after whom towns and streets were named, and for whom national days were proclaimed.

The purchase of Dozea Island, named by Ayres "Perseverance Island", now known as "Providence Island", and a strip of land marked the beginning of a series of transactions and events by which a growing number of settlers acquired land along the coast and, later, further inland. The colony extended its area by purchase, conquest, deceit, friendship treaties and voluntary deedings by the native Kings ("protectorates"). This colonisation did not take place without difficulties, as *"the immigrants had never seen Africa before, the indigenous Africans had never seen them before."* (22). The emergence of problems is not surprising as the differences between the two groups, the colonists and the tribal population were vast. There were differences in clothing, language, habits, education, religion, even in colour as many of the newly arrived people were mulattoes.

The American Colonization Society had named the colony "Liberia" upon the proposal of the American General Robert Godloe Harper. The colonists build a town which, in 1824, they named "Monrovia",

in honor of the 5th President of the U.S.A.. At that time the settlement numbered approximately 100 persons.

Gradually the colony expanded as more immigrants arrived from the United States. More land was acquired from the native chiefs and new settlements were started: Caldwell, Marshall, Millsburg, New Georgia. In the last-mentioned town many re-captives, from the intercepted slave vessels, settled.

The apparent success of the American Colonization Society inspired other Americans to create similar organisations. The Maryland Colonization Society, created in 1832, sent, in 1833, a group of freed slaves and mulattoes to the Grain Coast where they negotiated for and subsequently settled on a piece of land which consisted of Cape Palmas and a surrounding area. The colony was named "Maryland in Africa" and the town Harper (in commemoration of General Harper) (23). By 1843, the colony's territory covered an area extending from about ten miles west of Cape Palmas to the San Pedro river in the east (at present part of the Republic of Ivory Coast).
In 1834, the two other American colonisation societies (the "Young Men's Colonization Society of Pennsylvania" and the "Colonization Society of New York") started a settlement at Bassa Cove, near the St. John's river (24). Meanwhile, the colonists of the colony of Liberia had built two towns in the same area: Edina and Bexley. Half a year after its creation the colony at Bassa Cove was attacked by the Krus and most of the immigrants were butchered (25).
The "Mississippi Colonization Society", a society which was mainly concerned with removing the menace to white supremacy (26), established the fourth colony. This colonisation society was able to purchase land at the mouth of the Sinoe river and in 1838 negroes and "persons of colour" were sent for the first time to this colony, which was called "Mississippi in Africa". In the same year, 1838, Governor Finley of the Colony was murdered by Krus, possibly in connivance with the notorious slave trader Canot, who sought revenge for his defeat in Trade Town by the colonists of Monrovia (27).
The settlers, however, did not only have conflicts and fights with the aborigines, whose land they had acquired. The immigrants also encountered problems with slave traders who persisted in their obnoxious activities in the vicinity of and even within their territory (28). Also the relations with the American Colonization Society were often far from good, for which the attitude of the Colonization Society's Directors was responsible, who continued to tutor the colonists. Furthermore, the settlers were not a homogeneous group (29), despite their small number and their common enemies. Lastly, repeated refusals of the British and French governments to recognise the authority and jurisdiction of this American colony on the West Coast of Africa provided a fifth source of conflicts, resulting in clashes that occurred more frequently as the trading activities of the colonists increased. The U.S. Government, however, did not allow Britain, France or any other nation to encroach upon this area and provided

military and diplomatic support to the colony each time its survival was threatened. However, despite all these problems the territory of the American colonists stretched from Cape Mount in the West to beyond the Cavalla river in the East and extended 20-30 miles inland by the end of the 1830's.

The Commonwealth of Liberia

In 1838 Liberia Colony and Bassa Cove united in the "Commonwealth of Liberia". It comprised the eight settlertowns of Monrovia, New Georgia, Caldwell, Millsburg, Marshall, Bexley, Bassa Cove and Edina. An official census held in this year showed that there were 2,247 colonists, 20 christian churches, 10 schools and 4 printing presses (30). It is interesting to note that in its year of creation the Commonwealth had more churches than schools. A central government was instituted with its seat in Monrovia. Thomas Buchanan, a (white) cousin of the President of the U.S.A., James Buchanan, was appointed first Governor of the Commonwealth of Liberia. Joseph Jenkins Roberts, a colonist and a prosperous trader, became Vice Governor. Although Roberts was a colonist, he *"was not really black; he was an octoroon and could have easily passed for a white man"* (31).
Immediately after the foundation of the Commonwealth, headed by Governor Buchanan, the U.S. Government supplied it with a much needed supply of arms, ammunition, cannon, naval boats and stores (32).

Thomas Buchanan, after whom the city of Buchanan was named, died in 1841 and was succeeded by Joseph Jenkins Roberts. The Commonwealth was now governed by a colonist. Thus an old dream of the American colonists had come true. In the same year "Mississippi in Africa" joined the Commonwealth and its name was changed into Sinoe County, the original name of the region (33). The Commonwealth of Liberia now comprised three counties: Montserrado County (Liberia County), Grand Bassa County (Bassa Cove) and Sinoe County, and had a settler-population of 2,271 (34).

The prospects for the trade in oilpalm products which the region offered were excellent and the pressure of the colonizing British and French governments on the settlers and native population and the territory was steadily increasing. In 1842 the French flag was hoisted at Garaway, between Sinoe County and Maryland in Africa. The British Navy and the Liberian authorities on more than one occasion seized others' ships. These incidents gave the colonists reasons to seek the diplomatic intervention of the U.S. Government and Governor Roberts travelled to the United States in 1844. There he discussed the status of the Commonwealth with the Directors of the American Colonization Society. Shortly after his return from this visit an American squadron paid a "courtesy call" on the Commonwealth.

Numerous colonists from the U.S.A. arrived between 1842 and 1845 in the Commonwealth of Liberia and Governor Roberts succeeded in the same period in extending the Commonwealth's territory, which by 1845 stretched from Cape Mount to Cape Palmas (from west to east).

An incident in the latter part of 1846 was the final straw that broke the camel's back. When the captain of a British ship refused to pay harbour dues in Bassa, the Colonial authorities seized the ship which act provoked the British to seize a boat of an American colonist, Stephen A. Benson - who eventually was to become the republic's second President (1856 - 1864). The U.K. Government maintained that it could not accept the authority and jurisdiction of the Commonwealth of Liberia, as this was a venture of a private organisation, the American Colonization Society. The colonists, who for years had been eager to take their fate in their own hands, for these reasons in 1847 - after consultation with the authorities of the American Colonization Society - decided to establish the independent Republic of Liberia.

The founding of the Republic of Liberia

In July 1847 a Constitutional Convention convened in Monrobia (which at that time had approximately 1,000 inhabitants (35)). The towns of Monrovia, New Georgia, Caldwell and Millsburg in Montserrado County, Marshall, Edina, Bexley and Bassa Cove - Buchanan in Grand Bassa County and Greenville in Sinoe County sent eleven delegates to the Convention: 6 from Montserrado County, 4 from Grand Bassa County and 1 from Sinoe County. It is important to mention that recaptured Africans and "natives" (the tribal peoples living in the Commonwealth's territory) were excluded as they were not considered civilised; whereas of the colonists only male citizens of the age of twenty-one and over were entitled to suffrage. Thus the eleven delegates most probably did not represent more than 2,500 - 3,000 people, of whom more than 600 had elected them (36). Although the delegates of Grand Bassa County and probably also the delegate of Sinoe County were opposed to a declaration of independence, the draft constitution was unanimously adopted by the Convention (37). Liberia was declared a Free, Sovereign and Independent Nation on 26 July 1847. On 27 September 1847, elections were held during which the decision of the Constitutional Convention could be approved or rejected. As many opponents to independence did not vote only 214 votes were cast in favour of the Constitution and 58 against (38).
The constitution which was adopted, was drafted by the American Harvard Professor Simon Greenleaf and differed only in some aspects from the U.S. Constitution (39). The Liberian flag closely resembles the American national symbol, apart from the number of stripes (thirteen on the United States' colours) and the number of stars. The eleven stripes of the Liberian flag refer to the eleven delegates to the Constitutional Convention, who signed

the Declaration of Independence. The seal shows a sailing-vessel approaching the coast, a palm tree, a plow and a spade on the shore, a dove on the wing with an open scroll in its claws and the sun just emerging from the waters. Above the emblem the national motto: THE LOVE OF LIBERTY BROUGHT US HERE and beneath it, the words REPUBLIC OF LIBERIA. (see Figure 1)

The symbols of the seal are obvious: a peace-bringing bird, the dove, arrives with a message from overseas (the United States), the granting of independence. The ship represents the arrival of the colonists, as does the national motto: THE LOVE OF LIBERTY BROUGHT US HERE. Also the spade and the plough refer to the colonists as they brought these tools with them. The palm tree may symbolize one of the main products of the region.

The territory of the Republic of Liberia in 1847 covered a much smaller area than it does nowadays. Broadly speaking, in 1847 it covered the area from Cape Mount in the west to the boundary with the colony of "Maryland in Africa" in the east and extended only some 45 miles inland (40). Everything within this territory, including all the peoples of this region, fell within the jurisdiction of this new Republic.

Art. V, Section 13th of the Constituion of 1847 stipulates that "(...) *none but persons of color shall be admitted to citizenship in this Republic*". Liberia became with this clause one of the few nations in the world that restricts its citizenship on the basis of colour and descent. Whites, whether resident or non-resident, are thus excluded from citizenship. Art. V, section 12th of the Constitution declares: "*No person shall be entitled to hold real estate in this Republic, unless he be citizen of the same.*"

Just as the whites had done in the country they came from, the black and coloured colonists who founded the Republic of Liberia did not grant citizenship to peoples they considered inferior to themselves. In the U.S.A. black and coloured people only obtained citizenship nearly one century after the country's independence - after the Civil War (1868). The Indians, the original population even had to wait until 1940 before becoming citizens of the U.S.A. In Liberia, the indigenous population was granted citizenship in the 20th century - although in both countries the granting (and full exercise) of actual civil rights (e.g. franchise) took many more years.
As citizenship was withheld from the aborigines, they were also denied the right to own land. Furthermore, they were not eligible to public office nor did they have the suffrage.

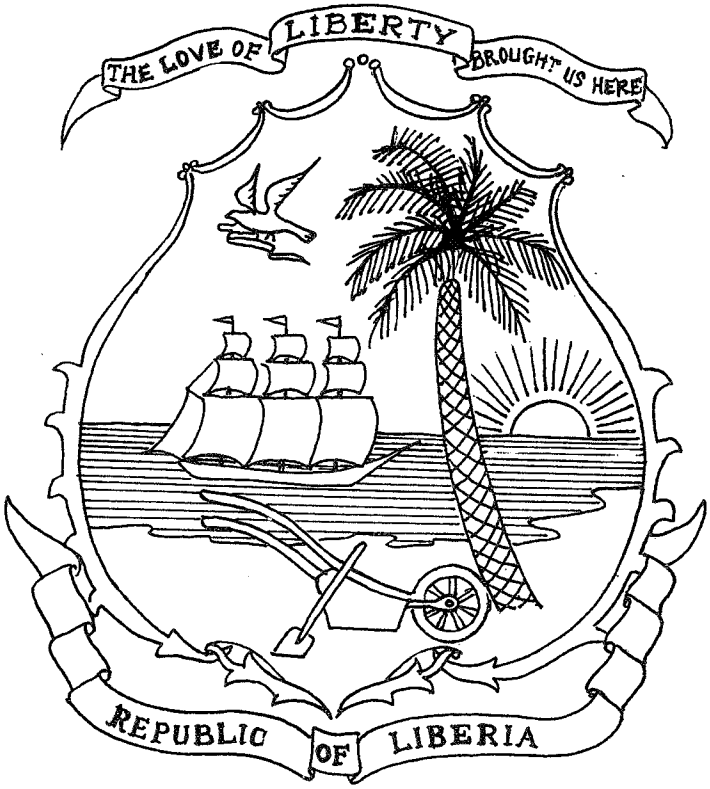


Figure 1

CHAPTER 2

THE ORIGINS OF THE CLOSED DOOR AND OPEN DOOR POLICIES 1847 - 1947

In Chapter 1 we have seen how black colonialism resulted in the creation of Liberia. This second chapter will focus on those economic achievements, financial transactions and political developments of the young republic, which eventually resulted in an "Open Door Policy" being adopted by the country's leaders, one century after the Declaration of Independence. In the Liberian context this Open Door Policy included the acceptance of foreign loans, the granting of concessions to foreign capitalists, and the opening up of the country for foreign traders.
Some events and related periods were dealt with more extensively than others. This was considered justified in view of the main object of this chapter: to explain why and how the Liberian leaders decided upon an "Open Door Policy". It is not the intention of the present author to present a full account of all developments that took place during the period covered, viz., 1847 - 1947, but to restrict himself to the main theme of this book. Extensive historical research on the country's past revealed that there still is an appalling lack of information concerning Liberia's first century as an independent nation. The knowledge available was found to be at times highly confusing and contradictory (see Annex 1). Nevertheless, this chapter will throw some light on the background of Liberia's policy to promote internal economic development through an "Open Door Policy".

Liberia's failure to start even a beginning of economic growth prior to 1947 is - as will be shown further on - due to its need to survive politically. This need prevented the implementation of a wise economic policy. The main causes of Liberia's problems during the first century after its creation were:

(1) the internal conflict within the settler population between mulattoes and blacks;
(2) the conflict between the settlers and the tribal population;
(3) the external conflicts with European Powers and traders.

The negative impact of foreign loans, incorrect collection of taxes, improper management of government funds (mainly due to a lack of qualified people) and embezzlement of public funds aggravated the problems.

Immediately after the Declaration of Independence a vicious circle developed whose financial impact led the country on various occasions to a situation of near-bankruptcy. An adequate reaction to these financial problems was prevented by the colour conflict (between mulattoes and blacks) which dominated internal (settler) politics in the nineteenth century.

The vicious circle started with the Liberian Government's need for money. This need had led to the founding of the republic, since foreign traders had refused to pay duties imposed by a Colonial Council - before 1847. However, after that year they continued to evade taxes and for various reasons they encouraged and helped the tribal population of the region claimed by the Liberian Government to rebel against the settler Government. The reaction of the Government was eventually the enactment of the Ports of Entry Law which was meant to facilitate the collecting of duties from foreign traders. This law, however, deprived the tribal people along the coast from a considerable portion of their (traditional) trade with European traders - and dissatisfaction with this law contributed to an increased armed resistance against the Government. The Government found itself obliged to spend considerable sums of money to suppress these tribal revolts. These expenditures, combined with the payment of indemnities to foreign traders and governments, weakened the position of the Liberian Treasury. To solve these financial problems the Government resorted to borrowing abroad but improper management of these funds and embezzlement of these and other funds prevented any improvement of the situation. The introduction of new taxes (to repay the loans as well as to run the Government) met with increased tribal resistance resulting in a new wave of armed conflicts between the tribal population and the settler Government. The introduction of the Hut Tax in 1910 set off a series of uprisings of tribal people in the following decade, and even in the 1930's the (last) tribal revolt was due to the resentment against this additional burden.

During the last quarter of the nineteenth century colonial imperialism (Great-Britain, France, Germany, Spain) necessitated even more expenditures by the Liberian Government. Being forced to create a "Frontier Force" (1908) the Treasury could not regularly pay the expenditures involved. Against this background it is hardly surprising that the foreign loans (1871, 1906, 1912, 1917, 1926) were never used for productive purposes. The conditions on which these loans were obtained only aggravated an already precarious financial situation.

Both the threats from within (the tribal people who not until the Administration of President Arthur Barclay, 1904 - 1912, were granted citizenship - though only in name and not resulting in their participation in the political and administrative affairs of the country) and from outside (the imperialistic European Powers) inspired the Liberian Government on more than one occasion to ask for American protection. Twice it asked the Government of the U.S.A. to establish a Protectorate over Liberia (1893; 1908). Certainly influenced by the "Open Door Policy" of the U.S. tandem McKinley - Hay (President McKinley and his Secretary of State Hay) the leading Liberian politicians of the beginning of the present century pleaded for a (political) Open Door Policy which would guarantee the country's political

independence and would free the country from the external threats to its sovereignty. A U.S. loan which, as it was explicitly recognized, would serve this goal was obtained by President Howard (in 1917) after Liberia had declared war on Germany. However, in 1921 the U.S.A. refused to honour this commitment - as the international situation had changed since the granting of the loan.

In view of this refusal and the seizure by France of some Liberian villages the Firestone rubber company was given a hearty - though not uncontested - welcome. The Liberian leaders hoped that the economic interest resulting from Firestone's investment in Liberia would provide political protection by the Government of the investor's country of origin. At the same time, the nature of this investment made some political control imperative and the Firestone Concession Agreement (1926) was accompanied by a loan from the same source.

However, also with this new investment the internal economic development - aimed at (at least verbally) by so many Liberian Administrations - did not take off. The Economic Depression of the 1930's largely contributed to this failure. During the period 1939 - 1945 the power in Liberia passed from President Edwin Barclay to President William Tubman. The latter introduced an ambitious Five-Year Development Plan for which, however, he lacked the financial means. This explains the Concession Agreement signed with a former U.S. Secretary of State, Mr. Stettinius, who had founded a company, The Liberia Company, for the ambitious role of developing the country (1947). The company's goals were virtually identical with those of the Five-Year Development Plan mentioned.

The concession agreement with Stettinius formed the third important concession agreement of the country (after those with Firestone and Christie) and marks the establishment of an Open Door Policy which, however, was not of a political nature - as so much desired by President Arthur Barclay - but had an economic character. The fact that the first "wave" of foreign investments was virtually limited to U.S. capital is explainable against the background of the historical relationship between the U.S.A. and Liberia. As from the 1960's European capitalists showed increasing interest in investing in Liberia and concluded various concession agreements with the Liberian Government. The two main causes of this change were the U.S. dollar shortage in Europe and the political decolonization of Africa. The latter phenomenon once and for all eliminated any need for an "Open Door Policy" which would provide protection against colonial imperialism. The Tubman Administration (1944 - 1971), however, continued its policy of "opening the country" to foreign capital and know-how. After 1971 the subsequent Administrations did the same. However, as will be seen later, this "Open Door Policy" was highly selective and discriminatory. It discriminated between U.S. and European investors on the one hand, and African entrepeneurs on

the other - to the disadvantage of the latter. As will be clear after reading the rest of this chapter this is explained by (i) the historical background of the introduction of the Open Door Policy, and (ii) the historical background of the founding of the Republic.

The Settler Economy

The colonists who in 1847 had founded the Republic of Liberia actively encouraged the arrival of more colonists from the U.S.A. and from the Caribbean Islands. Also (white-dominated) Colonization Societies in the New World promoted the "re-patriation" of coloured and black people. As stated before these societies were not only motivated by altruism. The rise in the number of free black people worried many whites in the U.S.A. (In 1820 the number of free black and coloured people had since 1790 quadrupled to nearly a quarter of a million - out of a total black population of nearly 1.8 million - whereas the total population of the U.S.A. numbered about 9.6 million) (1). Generally, these immigrants can be divided into three groups: 1. freed slaves and/or their descendants from the U.S.A., 2. freed slaves and/or their descendants from the Caribbean Islands (the West Indies), and 3. the recaptured Africans intercepted from slave vessels bound for the plantations in the New World by the U.S. and British Navies. The people belonging to this third group especially became known as "Congoes" as many originated from Central Africa, particularly the Congo River Basin. These immigrants were, contrary to those from the New World, not culturally uprooted. They had been torn away from their natural and social environment but had never been exposed to non-African cultures before arriving in Liberia. Liberia was one of the three places where recaptives were taken. The other two were Freetown, established in 1787, and Libreville, founded in 1849. Before the Civil War in the U.S.A. 5,722 recaptured Africans were settled in Liberia by the U.S. Government, while in the 1860's another 5,000 were landed (2).
Most of them engaged in agriculture and some of them had a successful political career, e.g. Daniel Ricks, who was elected to the House of Representatives in 1885, William Brown, Thomas Berrian, Alexander Mars and Abayomi Karnga (3).

The immigrants from the U.S.A. primarily came to Liberia to leave a racist country and/or to christianize the Africans (4). Before the U.S. Civil War nearly 19,000 persons of negro descent came to Liberia, including the nearly 6,000 recaptives mentioned above - with financial support of the U.S. Government (5). Reportedly, most colonists from the U.S.A. did not come voluntarily to Liberia although notably in 1832 and 1833 (after the Turner insurrection, 1831) and after 1847 the number of voluntary emigrants increased. Out of 11,909 emigrants who came from the U.S.A. to Liberia up to 1866, 4,541 had been born free, 344 had bought their freedom, and 5,957 had been set free so as

to enable them to leave. Notably the people belonging to the last-mentioned group were reported to be unenterprising and unmotivated colonists. (These figures do not include the 1,227 settlers who came to Liberia through the Maryland Colonization Society) (6).
During the U.S. Civil War the emigration from the U.S.A. came virtually to a standstill. After the war many black and coloured people in the U.S.A. were reluctant to leave that country as they hoped that with the victory of the Abolitionists they would be allowed the full exercise of their civil rights. (In July 1868 the black population of the U.S.A. was granted civil rights, two years later they obtained political rights as well (7). As a result the black and coloured people from the U.S.A. who emigrated to Liberia prior to July 1868 could be considered stateless persons (8). To appraise the role these colonists played in the developments which were to take place in Liberia during the nineteenth century it should be noted that they shared many of the white Americans' views about Africans, notably the idea that Africa was inhabited by savages and barbarians (9). Of equal importance is the fact that considerable number of these emigrants were the (illegitimate) off-spring of inter-racial relations. This feature was to have an important impact on internal Liberian politics. The emigrants from the U.S.A. liked to refer to themselves as *"Americo-Liberians"*.

As during the U.S. Civil War immigration from the U.S.A. had ceased the Liberian Government engaged in the "re-patriation" of blacks from the West-Indies. This was particularly encouraged by the then Secretary of State, Edward Wilmot Blyden, born on one of the Virgin Islands and emigrated to Liberia in 1850 (see below). In 1865 an important group of colonists from the West Indies, most of them from Barbados, arrived in Liberia. Among the approximately 350 new colonists were trained artisans, farmers, teachers and small traders. Most of them were literates. They and their descendants played - and are still playing - a very significant role in Liberia's history. The most well-known families of this group include the Barclay, Grimes, Weeks, Padmore, Holder, Goodridge, Clarke, Cox, Porte, Thorpe and Wiles. The majority of these colonists settled in Montserrado County where they built the town of Crozierville. Some returned to Barbados after a while, others went to Sierra Leone, and a few settled in other counties of the Republic (10).

Upon arrival in Liberia every male immigrant from overseas was granted 10 and in some cases 25 acres of land by the Liberian Government. If he was accompanied by his family the new colonist would receive even more. Furthermore, he was able to buy as much land as he wanted for one dollar an acre. Thus, in view of Article V, Section 12th of the Liberian Constitution, these emigrants from the U.S.A. and the West Indies were upon arrival in Liberia immediately eligible for citizenship of the new Republic.

Of the colonists notably the Americo-Liberians (which group also included those from the West Indies) did not care to engage in agriculture - though every immigrant received some farmland. Their resentment had various reasons. First, having been forcibly employed on plantations in the U.S.A., they found manual work on farms of their own incompatible with their new freedom. Secondly, while in the U.S.A., they had developed a taste for American food and the products of the Liberian soil were generally not very popular with the early settlers. Furthermore, many of these colonists were mulattoes of light complexion who argued that their skin could not stand the blazing African sun. Last but not least, the tools supplied by the American Colonization Society were often unsuitable to the Liberian environment and discouraged the few who did make an attempt (11). Consequently, Americo-Liberians engaged in trade and politics.
These two activities were in fact inter-related. They coincided with an early arrival in Liberia (before 1832), literacy, and free-born status (12). Thus, prosperous traders became high-ranking government officials, cabinet ministers, and sometimes even Presidents of the Republic. It is significant that Liberia's first five Presidents were all wealthy traders: Roberts, Benson, Warner, Payne, and Roye. The last-mentioned deposed in a bloody coup d'état in 1871, marked the end of a period which is often called the period of the Liberian Merchant-Princes (13).

Failure to adjust to changing circumstances resulted in declining export activities by Liberians from the late 1870's. In particular, inadequate reactions to the emergence of the steamship and to the increased competition of substitutes, e.g. beet sugar, but also the growing economic nationalism of the European trading partners, as well as the new trade patterns following the European colonization of Africa, in combination with a lack of diversification of the Liberian economy, greatly contributed to this decline. European trading firms, like the Woermann and Hedler companies from Hamburg, established on the Liberian coast since 1850, and the Dutch H. Muller Company, established in 1855, took over, despite the acceptance in 1864 of the Ports of Entry Law by the Liberian Legislature. This law limited the trading activities of foreigners to six Liberian ports.

From the 1860's onwards Liberian farmers showed an increasing interest in the cultivation of coffee, which originally grew wild in the Liberian forests -like cocoa - , and of sugar. During the last decades of the nineteenth century coffee even became the country's main export product (14). Large plantations developed, especially north-east of Monrovia, along the St.Paul River, in the coastal centre of the country, along the St. John River, and in Sinoe County, along the coast. The high quality of the Liberian coffee not only resulted in the export of increasing quantities, it also led to the export of coffee seeds and (young) coffee plants. Notably to Brazil, Venezuela, Costa Rica and

coffee plants, notably to Brazil, Venezuela, Costa Rica and Jamaica in the Western Hemisphere, to Sri Lanka and to Java in Asia, to Australia, as well as to other African countries (Gabon, Sierra Leone) (15).
The emergence of these profitable coffee plantations coincided with the arrival of a large number of recaptives many of whom were apprenticed to Americo-Liberian families (16).

An economic recession characterised the last decade of the nineteenth century. Among the causes were poor marketing methods with respect to the trade in the main agricultural export products, coffee and sugar, backward production methods, stronger competition of coffee producers in Venezuela and Brazil, and a domestic labour shortage. The last mentioned problem plays a crucial role throughout Liberia's economic history. The Liberian historian Abayomi Karnga already commented that

> "(...) *One of the main reasons which may have accounted for the instability of agriculture and other pursuits in Liberia is the fact of their being started on cheap labour, and in some instances even on ill-directed free labour.* (...) (17).

The former includes the cheap labour supplied by both recaptives and Liberian tribal people whereas the latter is nothing else but forced labour.

On various occasions members of the dominant elite ill-treated local labour. The descendants of ex-slaves in many instances treated the Liberian tribal people like slaves, thus providing free labour. On one occasion in Liberia's history the country's President and Vice-President even resigned in order to avoid impeachment because of their involvement in a Slavery Scandal (18).
As a result, when the nineteenth gave way to the present century the Liberian economy was in serious difficulties. The economy was characterised by an imbalanced structure, most people (the tribal people) participating in a subsistance economy. The productive capacity of the Liberian economy was extremely low due to the lack of infrastructure in the country and the lack of trained and educated people. The Liberian Government lacked the means to change this as the Treasury was nearly always empty. The use of an alternative source of financing of these badly needed changes - foreign financing - was prevented by a disagreement which sharply divided the settler community. This conflict coincided with another one, the "colour-conflict" between mulattoes and blacks. The death of one of Liberia's nineteenth century's Presidents resulted directly from these conflicts (19).

The closing of the Door: The Enactment of the Port of Entry Laws.

In 1847 the settler Government claimed a territory which consisted of a coastal strip, 200 miles long and extending 45 miles inland (see Chapter 1). The colonists' ambitious plans are reflected by the gradual expansion of the Republic's territory. In 1850 the Sherbro and Galinhas territories, west of Cape Mount, were bought. The purchase was facilitated by financial assistance obtained in England (20). Seven years later an eastward expansion added a coastline of 200 miles, a settler population of some 900 Americo-Liberians, and a tribal population numbering an estimated 60,000 people (21). This was the territory of the State of Maryland in Africa which black colonists from the U.S.A. had created as an Independent State in 1854. However, in 1856 they encountered such great difficulties with the tribal people in this area (the Grebo people) that they appealed to Monrovia for assistance. After the victory of the Liberian forces the territory of the independent State of Maryland in Africa was formally annexed by Liberia - with the consent of the Marylanders (22). Thus, in 1857 the coastline of the Republic of Liberia extended from the Sherbro-Galinhas territories in the west to the San Pedro River in the east, a distance of about 460 miles. Ten years later the territorial limits of the republic even covered a coastline of an estimated 600 miles, extending approximately 50 miles inland (23).

The main European powers had recognised the Republic of Liberia. Great Britain did so immediately after the Declaration of Independence. France soon followed. In 1855 the German Hanse towns of Lubeck, Bremen and Hamburg, and Denmark established official relations with Liberia. In 1858 Belgium followed. In 1862 the U.S.A. recognised Liberia. The fact that this country which had contributed so much to the founding of Liberia and from which most colonists originated did not recognise Liberia until fifteen years after its creation can be explained by the embarrassment a coloured Liberian ambassador would have provoked in a country where the capital is located in slave territory. In the 1860's Italy, the Netherlands, Norway, Sweden, Portugal, Austria and the North German Confederation signed treaties recognising Liberia (24).

The territorial expansion of Africa's only independent republic met with resistance both from the African tribes living in this region and from European, notably British, traders who had established trading posts in this area. Furthermore, although the settler Government claimed a certain territory, it lacked both the financial and the military means to protect its interests and to enforce its laws in the area involved. The following may serve as an example. In 1848 the Liberian Legislature had passed a law authorising the introduction of a Government monopoly on the importation of certain goods, such as tobacco leaves, salt,

earthenware, and muskets or other firearms. This law affected primarily the tribal population who were the main buyers of these products. Eventually, difficulties with foreign traders caused this law never to be implemented (25).

Already in 1851 President Roberts complained about the behaviour of certain foreign traders whom he accused of inciting the African tribes to rebellion against the Liberian Government which claimed jurisdiction over the territory in which they were living (26). In 1852 he reported that foreigners were trading with some Liberian tribes, notably the Bassa and the Krus, and supplying them with weapons (27).
At the end of the 1850's the Liberian Government showed increasing irritation at British trading activities involving tribal people (Vai, Mano) in the western part of Liberia, in the Galinhas territory. These traders refused to pay the customs duties and other fees introduced by the Liberian Government. One British trader who notoriously refused to recognize Liberian authority was one John Meyers Harris, in the north of the Galinhas territory. Harris was supported by his Government through the authorities in neighbouring Sierra Leone.

This is explained by the fact that the British and Liberian Governments had become involved in a boundary dispute over the Galinhas territory. The Liberian Government, from 1864 onwards represented by Secretary of State Edward Wilmot Blyden, in vain tried to settle the dispute (28).

The foreign Governments, notably the British, played a strange role in Liberian affairs. They came frequently to the rescue of the colonists when Liberia's own means proved insufficient to enforce its laws with respect to foreign traders and/or the rebellious tribal people. In 1850 the British Government gave Liberia an armed schooner to patrol the coast. Nine years later it gave another, replacing the first one. Ironically, in 1860 this gunboat was used to seize the boat of Harris (29). The French Government also gave the Liberians a gunboat (30).
The U.S.A. intervened several times militarily, e.g. in 1851 and 1863, to fight the Bassa. In the first case (1851) the U.S. intervention took place when the Government of the U.S.A. had not yet recognized Liberia as an independent State. However, as from the 1860's the support of the settler Republic by notably Great-Britain and France changed into attempts to add the territory of the republic to their colonies in West Africa.

Customs revenues had always been the most important revenue item of the Liberian Treasury - despite the evasion of the republic's revenues laws by foreign traders (31). Its financial problems had induced the Liberian Government to introduce various other taxes. Thus, e.g. a tax on the export of labour was enacted (32). However, the Government lacked the means to enforce these taxes.

Consequently, both tribal people and foreign traders defied the Liberian Government by constantly evading its laws. As a result means were sought to have these laws respected, to control labour exports, and to collect customs duties. Thus, in 1864 the Liberian Legislature accepted the "Ports of Entry Law" which restricted the export of labour and the trading activities of foreigners to six coastal towns: (from east to west) Harper, Greenville, Buchanan, Marshall, Monrovia, and Robertsport. All six towns were Americo-Liberian settlements. Whereas the protection of the financial and political interests of the State contributed to a large extent to the introduction of this law, the desire of leading Americo-Liberian politicians to protect their trading activities also highly motivated the enactment of this law. The Ports of Entry Law only restricted the activities of foreign traders but did not apply to Americo-Liberians who thus obtained a monopoly position. Last but not least, a widely displayed inferiority complex of leading Americo-Liberians - with respect to foreigners - cannot be omitted in the explanation of the acceptance of this law. Each of the first five Presidents of the Republic in their respective Inaugural Addresses overemphasized the theme that *"(...) the Negro is capable of self-government (...)"* (33).
As from the start of the Republic the activities of the colonists to build a new nation had been characterized by the rejection of foreign (white) participation. The clause of the Liberian Constitution which excludes white people from citizenship may serve as one of the most illustrating proofs of this view. The superiority complex which the colonists displayed with respect to the African tribes excluded the latter also from participation in the building up of the country. Also in this case the Constitution adopted by the settlers shows this exclusion of African tribes who were not granted citizenship of the country on whose territory they were living. Thus, it is only logical that the Americo-Liberians continuously sought the active participation from black people abroad - through emigration - in the building up of their country (34).

The origin of the "Ports of Entry Law" of 1864 goes as far back as the Colonial Period (1822 - 1847), already characterized by the protection of the interests of the wealthy Liberian traders. This was facilitated by the composition of the Colonial Council (the local representation of the American Colonization Society) in which the colonists-traders were well represented. In the election of members of the Council in 1840 most candidates were succesful traders (35). The Council mainly served the interests of the Merchant-Princes, and restricted trade by tribal people of the region and by white foreigners. This led inevitably to wars with the tribal people, e.g. in 1832 with the Dey and the Gola, and in 1835 with the Bassa, who resented these laws which restricted their trading activities and deprived them of a considerable amount of traditional trade with European traders. In 1839 the Council had created "Ports of Entry" to facilitate the collection of customs duties (36).

Initially some of the settlers worked as commission agents for foreign traders but as early as the 1830's it was reported that foreign traders were only allowed by the Colonial Council to operate in the colony when they had employed colonists as their local agent (37). It was even reported that in the 1830's trade in the colonies was exclusively reserved for the colonists (38). After independence the first Port of Entry Law was enacted in 1849. The operations of foreign traders were limited to four Ports of Entry: Monrovia, Marshall, Buchanan, and Greenville. However, on certain conditions foreigners were allowed to trade at other places along the coast. Following British and French protests the law was for its greater part repealed during the following two years (39).

The 1864 Ports of Entry Law was of course resented by European traders and by the tribal people, trading with each other since the Americo-Liberian traders had established a monopoly with this Act. Legally, they controlled the trade between the Ports of Entry and the rest of the coastline. The resulting abuses - their buying prices - upset the tribal people who again revolted. In July 1868, March 1869, and in March 1871 the Vai clashed with the armed forces of the Republic which had come to punish Vai traders who had not respected the Ports of Entry Law (40). In April 1879 the Grebo people living between the Cavalla and San Pedro Rivers took up arms, rejected the Liberian authority over this portion of the Liberian territory (later annexed by France) and placed themselves under the protection of Great-Britain. In 1886 a more westward living section of the Grebo tribe revolted too. In both cases the resentment of the Port of Entry Law lay at the root of these events (41). Ironically, the need for more revenues set in motion a vicious circle which resulted in increasing expenditures for the Liberian Treasury to quell a rising number of tribal revolts (42) whereas the Law which had incited these tribal people to rebel had a negative impact on the development of the Liberian trade - which (through the levying of customs duties) constituted the main source of Government revenue. The financial impotence of the Liberian Government was thus perpetuated.
The economic recession in tribal villages along the coast, and the repression of tribal resentment of the Ports of Entry Law by the authorities in Monrovia (on various occasions coastal villages were burned or bombarded by the settler Government) (43) may have contributed to the various changes as to the number of Ports of Entry. The Liberian Government however also used these changes as to Ports of Entry as a political weapon, punishing or pleasing tribal people. It is characteristic of the popularity of the Liberian Government with the tribal people that the latter preferred to contact the British Government when they desired to have some of their villages added to the Liberian Ports of Entry. Notably the Kru did so (44). By the turn of the century, however, the number of Ports of Entry had risen to only ten (45).

The Roye Administration

The territorial expansion of the Republic was not limited to the coastal area. President Benson (1856 - 1862) is said to have organized the first expedition into the interior, in 1858. He was greatly in favour of expansion of the settler Republic into the interior and later claimed that during his first term of office, from 1856 to 1858, the Republic's territory increased by forty per cent (46). This included the annexation of the Independent State of Maryland by Liberia.
In 1868 a former Secretary of the Treasury, Benjamin J.K. Anderson, travelled far into the interior, to "Mandingo-country", north-west of the St. Paul River. It is significant that he was the first Liberian "citizen" to reach that far in the interior, twenty-one years after the creation of the Republic. His expedition was financed by two U.S. bankers, from New York, whose financial assistance had been obtained by Edward Blyden (47). Anderson's elaborate report which he presented after his return had two (related) consequences which in the context of the present study are worth mentioning. First, in 1869 a fully Liberian-owned company was established, the "Mining Company of Liberia", to exploit the mineral wealth whose existence Anderson's expedition had revealed to the outside world. Subsequently, the company was granted a concession by President Payne. However, the company never started any mining operations due to the lack of capital and the absence of infrastructural facilities. Secondly, Anderson's "Journey to Musardu" and the subsequent extension of the Liberian territory into the interior aroused for the second time in the decade of the 1860's heated discussions between the advocates of two different - opposing - views. The controversy was over the participation of foreigners in the development of the country and over the extension of Liberian authority into the interior. (In 1869 The Department of the Interior was officially created).
The "colour conflict" which separated the leading mulattoes from the (large) majority of colonists of darker complexion coincided with the two different views. Internal politics of Liberia centered around this "colour issue" and "economic development and trade policy issue".

This division between the two groups of colonists dated from at least the period of Independence. In the early 1850's two political parties had been established. The mulattoes had organized themselves in the "True Liberian Party", and the "black" colonists had created the "Old Whigs". During the following decade both parties changed names. Thus, the "True Liberian Party" became the "Republican Party" (48). In 1869, very significantly, the black colonists organized themselves in the "True Whig Party", *"(...) to liberate as it were, the people from Liberia from practices of discrimination based on what resembled caste distinction which were prevailing concepts and ideologies of the then Republic Party. (...)" (49).*
The Republican Party was in favour of restricting the economic

activities of foreigners in the Republic - their dominance had resulted in 1864 in the Ports of Entry Law - and was opposed to the territorial expansion of Liberia into the interior. In both cases the commercial interests of wealthy mulatto traders/politicians explained this point of view. The trade with the tribal people of the interior was indeed controlled by the mulatto colonists (50). This group of energetic colonists dominated internal political affairs of the Republic - since their arrival in the country (prior to 1832) and up to the 1870's. However, gradually the second group of colonists (those who had arrived in the Colony between 1832 and 1843) became more important - with the gradual disappearance of the members of the first group. An important characteristic of this second group of emigrants was that less than one third of them could "write", "spell", or "read and write" to some degree (51). This partly explains the decline of economic activities of the colonists after a period of steady economic expansion, as well as the political developments after 1870.

The 1869 presidential elections, one of the most fiercely contested elections in Liberian history (52) - which against an historical background is not without political significance - were won by the candidate of the True Whig Party, Edward James Roye. He was reported to be a pure descendent of the Ibo tribe, born in the U.S.A. and an American College graduate who, though he had not come to Liberia until 1846, was one of the wealthiest men in Liberia in 1869 (53). Like Edward Wilmot Blyden, one of his closest friends, he resented the mulatto settlers. Roye had won the presidential elections with the slogan *"Internal expansion and economic development"*, and had been greatly impressed by the outcome of Anderson's expedition. His views were clearly expressed in his Inaugural Address to the Liberian Legislature, on January 3, 1870:

> *"(...) We must adhere to the binding requirement of the constitution; but such laws should be enacted from time to time in the progress of our development as shall encourage and invite foreign capitalists to make investments in the country. (...)" (54)*

His policy was based on the construction of railroads which he supposed

> *"(...) will have wonderful influence in the civilization and elevation of the native tribes. The barriers of heathenism and superstition will disappear before the railroad and its concomitants as frost, snow, and ice dissolve before a summer's sun. (...)" (55).*

He saw the future of the country closely linked with that of the Liberian tribes. The improvement and the incorporation of these tribes, and the formation of friendly alliances with tribes from the interior (certainly he thought here of the people Anderson had met) were declared goals of his Administration. However, he too looked abroad for the building up of Liberia. He sought external assistance for his ambitious plans from *"the thousands of Negroes now in exile, who are looking for some permanent home" (56)*. Not surprisingly therefore he stated that *"It shall be the constant endeavor of the administration to stimulate immigration" (57)*.

He also wanted the general education of the people, through the creation of a school system which was to reach *"beyond our settlements and embrace the numerous aboriginal population under our jurisdiction" (58).* Another of his ambitious plans was the establishment of a National Bank.

As Liberia lacked the financial means to finance the expansion into the interior and the economic development aimed at, the Roye Administration looked abroad for the necessary means. Roye's predecessor, President Payne had attempted the same, after succeeding Warner in 1868 and discovering that the Treasury was nearly empty. President Roye inherited an empty Treasury. He is even reported to have loaned money to the Liberian Treasury to enable the financing of some essential Government services (59). In these years the effects of the economic recession were clearly felt by the Liberian Government. The trading activities had declined as a result of the Ports of Entry Law which had resulted in substantial losses for the Liberian Treasury - the Government being dependent on international trade for most of its revenue. In 1871 a £ 100,000 loan (approximately $ 500,000) was obtained by Liberia from a British bank of which the Consul-General for Liberia in Great-Britain, David Chinery, was an agent. The negotiations were conducted by two Liberian representatives of President Roye, his Secretary of the Interior and the Speaker of the House of Representatives. President Roye was in London at the same time to settle the boundary dispute with the British over the Galinhas territory. He agreed with the severe terms of the loan. Thus, he pledged Liberia's future customs revenues to guarantee the repayment of the loan. He also accepted that large deductions were made from the loan before it was given to Liberia. The loan was placed at a rate of 70 per cent, had to be repaid within 15 years, and carried an interest rate of 7 per cent per year. Further, an advancement consisting of three years interest payment was withheld by the British.
The deductions and unfavourable loan conditions were among the chief reasons why not more than £ 20,000 ($ 100,000) of this loan eventually reached Liberia. According to some authors only an amount of £ 8,000 ($ 40,000) found its way into the Liberian Treasury (60).

When the terms of the loan became known in Monrovia a wave of protests emerged. At the same time another issue had upset the Americo-Liberian community in Liberia. President Roye interpreted a proposed amendment of the Constitution in such a way that he was allowed to stay in office for another two years. In October 1871 the dispute over this issue and the dissatisfaction with his handling of the financial affairs of the country resulted in riots, street fights between supporters of the two rival political parties, the Republican Party and the True Whig Party, and the shelling of the President's residence (61). Reportedly, President Roye himself started the actual fighting by flinging hand grenades to the crowds in the streets of Monrovia (62).
In fact, the underlying cause of the fighting was the "colour-

conflict", the struggle for political power between the mulattoes and the people of darker complexion. President Roye was arrested and the Liberian Legislature subsequently declared him deposed. True Whig Party supporters were arrested on a large scale, some were murdered (among whom the Secretary of the Treasury, Findley) (63). After the arrest of President Roye the affairs of the country were taken over by a junta of three men: Reginald A. Sherman, Charles B. Dunbar, and Amos Herring. General Reginald A. Sherman declined the nomination to become President of Liberia (64) and Vice-President Smith probably served Roy's unexpired term (65).

New (presidential) elections were organized and as most leading officials of the True Whig Party had been jailed the Republican Party won these elections. In January 1872 the presidential power was handed over to a former (Liberia's first) President, J.J. Roberts, one of the leaders of the Republican Party. The following month the deposed President, Roye, died under mysterious circumstances (see Annex 1). One of the two commissioners who had obtained the British loan, William S. Anderson (Speaker of the House of Representatives), refused to return to Liberia after hearing about the coup d'état against President Roye unless the new Government would guarantee his safety. As President Roberts failed to do so, Anderson stayed away, and also refused to hand over a portion of the British loan which he still kept back, thus contributing to the large amount of loan funds which never reached the Liberian Treasury (66).

Edward James Roye was known as a shrewd trader and ship-owner who in a relatively short time had amassed a fortune. Unfortunately, it has never been proved whether the outcome of the 1871 Loan was intentional though it would not have been the first time in Liberia's short history as an independent nation that Government funds failed to reach the Government Treasury. In February 1864 the Liberian Legislature proved that President Benson had embezzled Government money. Also President Payne, and his Secretary of the Treasury, Benjamin J.K. Anderson were found guilty by a committee of the Liberian Legislature to have stolen public finds. In the case of President Payne an impeachment procedure was even considered (67).

In the history of Liberia the Roye Administration represents the climax of the "colour-conflict" between mulattoes and blacks. But the inauguration of the first "black" President of Liberia and the coup d'état against him by mulattoes represents a much wider interest than this racial conflict. The "Roye-affaire" symbolizes the struggle between the supporters of an "Open Door Policy", who seemed to have won in 1869, and the advocates of a "Closed Door Policy" who regained their lost power over the affairs of the republic less than two years later. The views of the latter group, the "Republicans", were partly motivated by their (financial) interests. But the encroachments upon the

territory Liberia claimed by European Colonialism in the following decades of the nineteenth century, combined with the gradual dying out of this energetic and dominant group of colonists, shifted the emphasis from the economic-financial character of a "Closed Door Policy" to the political protection which would result from an "Open Door Policy". Simultaneously it was hoped by those who favoured such an "Open Door Policy" that an opening up of the country to foreign traders and investors would contribute to, if not result in, the much needed economic development of the country. Liberia has never suffered from a lack of leadership but the few able Liberians proved to be too small in number to stimulate internal economic development. Regrettably, internal politicizing and the lack of capital prolonged the country's stage of underdevelopment. The scramble for Africa, which did not overlook the Negro Republic, aggravated the already existing political and economical problems.

The 1870 - 1900 Period: European Colonialism and the Scramble for Liberia

In 1874 the three years for which interest had been paid in advance (under the loan of 1871) had elapsed. The Liberian Government, finding itself in great difficulties to honour the financial obligations of this loan asked the British Government to revise the terms. This coincided with pressure put upon the Liberian Government by the British to reach agreement in the dispute over the Galinhas-territory. In 1875 the question was temporarily shelved after a U.S. navy ship had visited Monrovia. In 1879 a German trading ship was attacked by coastal tribal people and the German Navy came into action, bombarded the Liberian coast, and forced the Liberian Government to pay indemnities for the goods stolen and lost, amounting to about $ 5,000. In the same year France proposed to take over all of Liberia's public debts in exchange for establishing a Protectorate over the country. Subsequently, when the Liberian Government (diplomatically supported by the U.S.A.) turned down this proposal, it claimed jurisdiction over an area with a coastline of 90 miles, east of Cape Palmas. France also claimed other portions of the Republic's territory, notably a part of Cape Mount, and the area of Petit Dieppe (Grand Bassa) (68).

During the early 1880's Liberia was increasingly subjected to (territorial) pressure of colonial European countries which were eager to absorb a portion or the whole of the Negro Republic. These were the years of growing European imperialism in Africa, a phenomenon which was highlighted by the 1884-1885 Berlin Conference. In 1882 the British Governor of Sierra Leone, Sir Havelock, came to Monrovia, accompanied by four gun-boats. He demanded the immediate recognition of British authority over the disputed area between the Sherbro and Mano rivers. It was not the first time British gun-boats arrived in Monrovia

to settle a dispute. They had already done so in 1869 (69). The boundary dispute did not end until 1884 when the Havelock-Blyden Treaty was signed, which ceded all territory west of the Mano river to the British. Edward Blyden, who as Secretary of State had been involved in the 1860's in the settlement of the dispute, also led the Liberian discussions in 1884 - then as Secretary of Interior.

This boundary conflict with the British had important political repercussions in Liberia. When the British simply annexed the disputed area in 1883 President Anthony Gardiner of Liberia resigned in protest against this overt demonstration of British imperialism. Edward Blyden was accused of having accepted a bribe from the British after having accepted the British annexation of the area (70). However, in 1885 President Hilary Johnson agreed to the annexation and in that year the Havelock-Blyden Treaty was ratified by both Liberia and Great-Britain. Henceforth, the Mano river formed the boundary between Liberia and Sierra Leone. It had cost Liberia approximately $ 100,000 to obtain and defend the area it thus lost (71). Eventually, in 1903 when the Anglo-Liberian Boundary Treaty precisely defined the boundary areas of Liberia and Sierra Leone, it was agreed that Liberia would receive £ 4,750 as indemnities for the loss of this territory (72).

In the same year Liberia lost over 10 per cent of its territory to the British it was "offered" protection by Spain. In 1885 this country offered a Protectorate over Liberia in exchange for an important loan (73). Also in that year France repeated its "offer" to establish a Protectorate over Liberia (74). In 1886 the Germans followed, but were also unsuccessful in establishing a Protectorate over Liberia (75). Six years later France annexed the area east of the Cavalla River over which Liberia claimed jurisdiction. The Liberian Government was too weak to react and it lacked the support of other (powerful) Governments. Therefore, it had no choice but to accept. The following year Liberia asked the U.S.A. to extend a Protectorate over the country. Thus, it was hoped, protection against British and French encroachments could be obtained. The Liberian delegation, composed of G.W. Gibson (afterwards President of Liberia), C.B. Dunbar, C.R. Branch, and T.J.R. Faulkner, was told by the U.S. Government that it was impossible for the U.S.A. to comply with this request. However, U.S. diplomatic intervention resulted in promises of the British, French, and German Governments to respect the independence of Liberia (76).
If the Liberian Government had the idea that it had now obtained a solid guarantee against external threats to the political independence of the Republic, the first decade of the twentieth century showed that its problems in this respect were far from over.

The commission created in 1893 which was sent to the U.S.A. also asked the Government of that country to assist in the re-organization of the Liberian Customs, Treasury, Post Office, Education, Agricultural and Police Institutions by sending U.S. officials who would administer these affairs in the country for an indefinite period. Furthermore, U.S. investors were invited to invest in Liberia. In both cases the commission was unsuccessful (77) but notably the last instruction which was given to the Liberian delegation by President Joseph Cheeseman shows that important changes had taken place in Liberia. The number of Americo-Liberians who supported the idea of opening up the country and to have it developed with the aid of foreign investors had clearly increased. President Cheeseman, too, was in favour of foreign investments. Edward Blyden, one of the country's most outspoken advocates of foreign investments, was appointed ambassador to Great Britain by him and allotted the task of encouraging British investors to come to Liberia (78).

The gradual increase of European economic interests in Liberia

In the very early 1880's the dominating view on the economic development of the country was still characterized by the emphasis on the leading role Liberians themselves should play in this development process. However, signals of a forthcoming change became gradually visible. In 1881, during the Administration of President Gardiner (1878 - 1883), the Legislature allowed more coastal villages (inhabited by tribal people) to be added to the list of Ports of Entry (79). In the same year the unsuccessful Mining Company of Liberia (see above) was succeeded by the Union Mining Company. The latter company also was completely Liberian-owned. It was granted important privileges but also failed to be successful owing to the lack of sufficient capital (80).
The Presidential elections of 1885 also showed that the political equilibrium - fragile as it was - was still controlled by the opponents on the matter of foreign participation in the economic development of the country. The rivalry between the two presidential candidates is illustrative in this respect: Hilary R.W. Johnson, son of a famous settler (Elijah Johnson) who in 1884 had become the first Liberian President born on Liberian soil, and Edward W. Blyden, born in the West Indies, and arrived in Liberia in 1850. Johnson and Blyden initially had been friends and school-mates, but they had become ennemies because of their different political views. Blyden, who claimed to be of Ibo-origin (81), favoured an opening up of the country by foreign investors whereas Johnson was against such a policy. Blyden was definitely one of the most remarkable and outstanding Liberians of the nineteenth century but he was also a controversial person who did not always take decisions which were easy to explain. Though he advocated an "open door policy" he had accepted the nomination of the (mulatto-dominated) Republican Party - which traditionally favoured a "closed door policy".

He lost the elections during which Johnson was re-elected President of Liberia (82). In 1883 Johnson had been nominated Presidential candidate by both the Republican Party and the True Whig Party. After his election he declared himself a supporter of the True Whig Party. His re-election in 1885 shows that the latter party represented a majority, although opposing views existed within this party.
In 1885 President Johnson, allowed by the Liberian Legislature to seek a foreign loan, but afraid of the threat which such a foreign loan might become to the Republic's independence, declared himself against such a loan (83).

Gradually, however, the balance of opinion shifted to the opening up of the country with foreign participation. This explains why the late 1880's saw the granting of some concessions to foreigners. In 1887 an Englishman was granted a concession to collect and prepare caoutchouc. In 1889 three other Englishmen were also granted concessions to collect and prepare wild rubber. In 1894, during the Administration of President Cheeseman (1892 - 1896), another Englishman was given exclusive rights by the Liberian Government with respect to the entire rubber sector of the country (84).
All these concessions were characterized by the fact that they were trading activities limited to the collection of wild rubber in coastal areas. Only in the late 1890's foreign traders expanded their activities into the interior of the country. In 1898 the Liberian Rubber Syndicate, an English company which had bought the 1894 concession, started the collecting of rubber in the area around what is nowadays Kakata. In 1904 the Monrovian Rubber Company - which had succeeded the Liberian Rubber Syndicate - started the building of a series of permanent buying stations, the first rubber buying station being located on the St. Paul River near Boporo. Subsequently built stations in the interior were at Mount Barclay, Kakatown, Sikombe, Putu, and Woffeke (Maryland County) (85).
The Liberian Rubber Corporation, an English company which finally held the concession after it had changed hands several times, controlled and managed Liberia's rubber sector in the first decade of the twentieth century. Political power had passed into the hands of Arthur Barclay, a colonist from the West Indies. (He was born in Barbados and had come to Liberia in 1865. The authorization of the Liberian Rubber Corporation was now needed for any private person or company to trade in rubber in Liberia. The Liberian Government had accepted this situation as half of the company's royalties (eightpence per pound of rubber traded) went to the Liberian Treasury and were used to pay Liberia's public debt, the other half going to the English owners of the company (86).

The changing structure of the political power in Liberia led to more concessions being granted to foreigners. In 1889 a concession had also been granted to an American to construct a railway system. Though the attempt failed and though the Liberian Government made a second attempt in 1894, by

re-activating the first concession (of 1889), the concession never materialized (87).
In 1901 an English company acquired the Union Mining Company. Its name was changed into the "West African Gold Concessions, Ltd.". The Chairman of the company, one Colonel Powney, travelled in the interior of the Republic and in 1904 and 1906 obtained from President Arthur Barclay important other rights. Again the name of the company was changed, this time into the "Liberian Development Chartered Company". The company was granted mining rights in Montserrado and Maryland Counties, and general banking, railway, telegraph, and other rights throughout the country by President Barclay (88). Later, Colonel Powney's mining company merged with the rubber monopoly mentioned above. The resulting company was the "Liberian Development Company" whose Chairman, Sir Harry Johnston, played an important role in the obtaining and spending of the 1906 Loan.
Since the 1880's foreign trading activities of German and Dutch trading houses had also increased. In short, foreign traders, bankers, investors, as well as scientists and politicians showed an increasing interest in Liberia. The result of these growing interests and activities was an improved knowledge of the country. During the 1880's a Swiss Professor, J. Büttikofer, travelled extensively in the interior. Upon his return in Europe he published his famous "Reisebilder aus Liberia". This was the first and for a long time the best book ever written on Liberia's fauna. Managers and employees of the German trading house of Woermann, of the Monrovia Rubber Company, of the Liberian Rubber Corporation, and of the Liberian Development Chartered Company contributed much to an increased knowledge of the flora of Liberia. This information was systematically presented by Otto Stapf of the Botanical staff of the Royal Gardens, Kew, Great Britain, and by Alexander Whyte. The latter had been hired by the Liberian Developemnt Chartered Company for the specific purpose of making an investigation of Liberia's flora (89).

These developments did not take place without (political) difficulties. In 1900 President Coleman was forced to resign because of dissatisfaction over his policy to extend Liberian jurisdiction further into the interior (90). His successor, President Gibson (1900 - 1904), had to face serious political unrest. In 1901 he was threatened by a mob because of the involvement of a number of Liberians, of whom were Government officials, in the English-owned "West African Gold Concessions, Ltd." The Liberian shareholders were accused of selling the country and of accepting bribes from the English owners (91).

The Administration of President Arthur Barclay (1904 - 1912)

The Administration of President Arthur Barclay represents a political turning point in the history of Liberia which brought to an end the conflict between mulattoes and black emigrants. During his Administration the Liberian Constitution was changed,

giving citizenship to the people of tribal origin, and a system of "indirect rule" was introduced. (Despite these changes he was not able to prevent several serious tribal uprisings since the Ports of Entry Law of 1864 remained in force. In 1910 he added new reasons for the tribal people to rebel by introducing unpopular taxes, notably the Hut Tax). In 1907, the same year in which the word *"Negro"* replaced the word *"Colored"* in the Constitution's clause which defined eligibility for citizenship of the Republic, the Naturalization Act of 1876 was repealed. This old Act required "alien" Africans to spend at least four years in the Republic before they could be granted citizenship. The (restrictive) Act had been passed during the (second) Administration of President Payne when the Republican Party dominated and controlled Liberian politics. In 1907 the naturalisation period was reduced to one year (92).

In the early 1900's when there were approximately 12,000 Americo-Liberians in Liberia, exclusively living along the coast (93), the Liberian economy and public finance were again in great difficulties. In the first year of the Administration of President Arthur Barclay there was a Public Debt of $800,000 (most of which resulted from the pernicious 1871 Loan) (94). This compares very unfavourably with the $8,000 debt of the Government in 1850 (95). For this reason President Arthur Barclay in 1904 proposed a modest $107,000 Budget to the Legislature (96).
In 1903 Arthur Barclay had been elected President on the slogan *"Internal Development"*. He had very outspoken ideas about the country's economic history and future, the contribution to it of the colonists as well as the - discarded - role of the Liberian tribes. The country's labour problem always played a crucial role in the economic as well as the political activities of the settlers. Arthur Barclay was not the first Liberian President who acknowledged the responsibilities of the settlers when he stated with respect to this problem:

> *"The question of remuneration has also something to do with the trouble. Many farmers buying goods at high prices desire to make a profit out of the laborer and so the goods paid in return for labor are much higher than the ordinary market prices which of course the native labor knows and feels he is being ill treated. Some men it is charged will not pay at all, or find some fault and dismiss laborers when the work is practically done, without remuneration." (97).*

In his first Inaugural Address to the Liberian Legislature he vehemently attacked the closed door policy of his predecessors and notably the Ports of Entry Law of 1864:

> *"(...) Liberia was purchased for us from its native inhabitants by the Europeans"* (Barclay included white Americans in this group as well, see footnote 33 - the author.) *"The colony was founded by the*

European. Its expense paid by the money of the European, until it declared its independence. They lavished their money on the establishment of schools, churches and other agencies for the elevation of successive bodies of Negro colonists (...). It was a European, too, who made possible, the annexation of the State of Maryland in Liberia to the Republic (...) (But) By Organic law we shut him out from citizenship, and denied him the rights of holding real estate in fee simple. (...)
The European having stood shoulder to shoulder with us in the organization and building up of this State naturally expected his reward. Shut out from privilege and property, but one thing remained with which to compensate him for his services, that was <u>Commercial Freedom</u> (...) But our policy of Commercial Freedom to the European lasted but fifteen short years." (98)

Barclay refers here to the 1850 - 1864 period, as the first Ports of Entry Law (enacted in 1849) had been repealed during the following two years (see above). He expressed open disagreement with the 1864 Ports of Entry law while continuing:

"(...) In 1863, on a suspicion that Europeans incited the natives to rebel, but probably at the dictation of Liberian traders, then all-powerful with the electorate, the Port of Entry bill was passed.(...) The restrictive policy has been persisted in for forty years. Are our traders richer than they were in 1864? Has the national capital increased? Did the exclusion of the European trader prevent native wars? (...) He is still our banker. He still furnishes capital for our business enterprises. His money is still being poured out to build churches, to pay ministers, serving not only native but also Americo-Liberian congregations. He is still founding schools and colleges for our youth. (...)" (99)

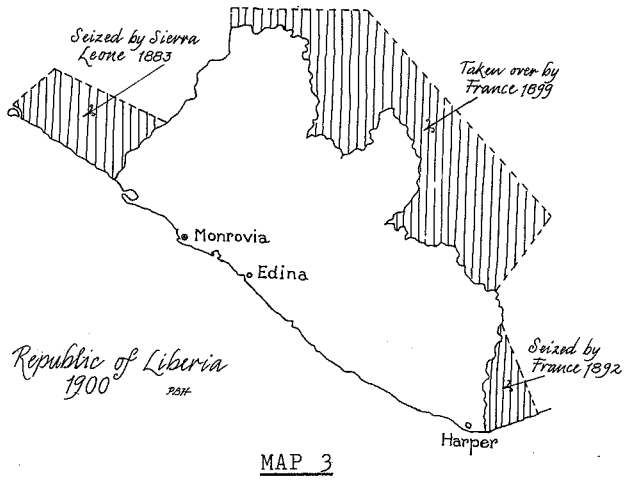
Concluding, he ends with the most surprising admission of this Inaugural Address, accepting Liberia's economic dependance, stating:

"(...) We can only save and develop our hinterland by the help of the European trader. (...)" (100)

However, during his eight-year Administration President Arthur Barclay was not successful in realising (parliamentary) support for a basic change.

In his 1904 Inaugural Address President Barclay repeatedly indicated that he was aware of the U.S. policy with respect to China around the turn of the century, notably the Open Door Policy which opened up this country (China) for European and American trading and other economic influences and prevented further seizure of territory by imperialistic European Powers. It is highly probably that President Barclay wanted something similar with respect to Liberia. Between 1883 and 1900 Liberia had seen its territory considerably reduced by European colonial

powers such as France and England (see map 3). As Secretary of the Treasury and Secretary of State Barclay had been involved in the settlement of the British seizure of Liberian territory (in 1898 and 1903) and he was also well aware of the pressure France exerted on Liberia's boundaries. In 1897 a third European Colonial Power, Germany, had still tried to establish a Protectorate over Liberia. Americo-Liberians had always been oriented towards the U.S.A. and events in this country were usually closely observed by the ruling elite of the African Republic. A significant example forms the assassination of the President of the U.S.A., William McKinley, after which some Americo-Liberians named children after the murdered President. (The most well-known of these Liberians was McKinley Alfred DeShield, who was born in 1907, and who was Secretary-General of the True Whig Party from 1943 till his death in 1978).
In 1908, after new border conflicts with France, President Barclay sent a mission to the U.S.A., composed of C.B.Dunbar (who in 1893 had been on a similar mission to the U.S.A.), Vice-President J.J. Dossen, and former President Gibson, asking for a formal protection. However, the mission failed to obtain both an Arbitration Treaty with the U.S.A. and U.S. assistance in obtaining similar Treaties with notably France and Great Britain (101). Liberia was afraid it would share the fate of the Congo Free State, which had disappeared from the Community of States, as President Barclay stated in an address delivered in the same year (102).



MAP 3

Meanwhile, the economic and financial conditions had deteriorated in Liberia. Like one of his predecessors (Roye), President Barclay strongly advocated a policy of internal economic development, but like his predecessor(s) he inherited an empty

Treasury and an unfavourable economic climate. Like Roye, Barclay resorted to foreign financing and in 1906 he concluded in England a six percent £ 100,000 Loan ($ 500,000).
The 1906 Loan was secured from a British consortium headed by the banker Erlanger through the intermediary of Sir Harry Johnston, the Chairman of the Liberian Development Company, Ltd. President Barclay had granted this company a concession with unprecedented rights and privileges for reasons of promoting internal economic development and as well as in order to obtain a guarantee enabling the Liberian Government to secure the English Loan. The Liberian Development Company Ltd. was granted a monopoly with respect to the prospecting for minerals and gold/diamonds in the counties of Montserrado and Maryland. Furthermore, the company had acquired a near-monopoly for the construction of a transportation and communication network in the country, the establishing of a National Bank, the importation of equipment and machinery for the construction industry and the exploitation of natural resources, for all industrial enterprises, for the leasing of land, for fisheries, as well as the guaranteeing of loans in general. Significantly, the English company was also allowed the establishing of a Police Force which was to protect its properties (103). The latter privilege followed logically from the company's scope of operations - virtually covering all aspects of economic development - whereas the region involved covered the whole of the Republic's territory over which the Liberian Government claimed jurisdiction but which it did not control effectively. Also the Liberian Government had no control over the Liberian Development Company Ltd. which had no obligations towards the Government (104).

The conditions of the 1906 Loan were very prejudicial to the interests of Liberia too. An amount of £ 30,000 had to be paid annually as interest until the entire loan was repaid. Furthermore, two Englishmen were put in charge of the customs revenues of the Republic as a security to the British financers, thus endangering the Republic's sovereignty.
The absence of any improvement in the country's public finances, economic development, and/or infrastructural facilities only contributed to leading the Negro Republic further downhill. The payment of the domestic debt took $ 150,000 whereas an amount of nearly $ 200,000 was transferred to the Liberian Development Company Ltd. An amount of $ 35,000 was given as a loan to the company by the Liberian Government (!) whereas the rest, an amount of about $ 160,000 was to be spent on the construction of roads by the company. Eventually, the company constructed 15 miles of automobile roads in the Careysburg District, placed a small launch on the St. Paul River and bought two cars. Then it announced that the funds were exhausted (105).
Contrary to its objectives the 1906 Loan increased Liberia's political and economic-financial dependence. In 1911 the Public Debt had soared to almost $ 1,400,000 (106). The vicious circle was continued by President Arthur Barclay by negotiating another loan. In 1911, the last year of his Administration, he obtained

a loan of $1,700,000. The conditions of this loan, however, were even worse than those of the 1906 loan. Barclay acted - most remarkable - contrary to his own statements and beliefs, since in 1909 he had stated that:

> *"Loans will not under present circumstances help the Republic unless they be invested in reproductive works, likely to lead to a large increase in revenue, through the development of the country. Obtained purely to assist the revenue by increasing receipts they are simply ruinous, and will augment, not ease, the financial strain" (107).*

Shortly after the 1906 loan was received Liberia was forced by the British Government to appoint additional British Customs Officers and to create a "Frontier Force" with a British Major as its commanding officer. The financial consequences of this decision is best illustrated by the fact that the amount spent on the Frontier Force exceeded those for health and education (108). Liberia's deteriorating financial situation increased the country's political vulnerability. Yet, as early as 1904 the British Government had (again) tried to establish a Protectorate over Liberia. In 1907 Liberia officially ceded an area of approximately 2,000 square miles to France and accepted the Cavalla River as the official boundary between Liberia and the neighbouring French Colony. Ironically, as the Liberian Government did not know the exact course of this river the loss of territory later proved to be far greater than was initially thought.

The Liberian negotiator of the Franco-Liberian Boundary Treaty, Edward Blyden, in 1905 proposed an "Anglo-French Protectorate over Liberia". This proposal of Blyden, however, was his personal view and did not have the support of the Barclay Administration (109). Four years later Blyden, who was known for his pro-British point of view, was accused of involvement in a coup attempted by the British Major of the Frontier Force, Major Cadell (1909) (110). In the same year the Kru in the eastern part of the country (Garawe) hoisted the British flag during one of their numerous revolts against Liberian authority (111). At Cape Palmas the Prophet William Harris raised the British flag too (112). Edward Blyden, who visited Cape Palmas in 1909, is reported to have told the Krus and Gregoes that the Republic was on its last legs. He advised them to ask Great Britain to annex the country (113).
The introduction of the Hut Tax (one dollar per hut) in 1910 failed to ease the financial situation but led to an increased political instability.
Everything seemed to work against the Liberian Government. It had been forced to create and pay for a Frontier Force to protect itself against seizure of its territory by European Powers but it could not pay the military regularly owing to an empty Treasury. The Frontier Force was sent into the interior of the Republic to collect taxes which had been introduced to fill the Treasury but the soldiers of the Frontier Force started to loot the (tribal) villages when the Government failed to pay them

their salaries. The resulting increase in the tribal resistance against the Liberian authorities led to increased expenditures for the Government and to political instability which was skilfully exploited by the European Powers who during the 1910's were even asked by the tribal population to take over power in the Republic.

In 1910 the famous Grebo rising climaxed a long history of "discrimination, oppression, and lack of protection under law". They asked to be placed under the protection of Great-Britain. The U.S. Government sent the U.S.S. Birmingham to Cape Palmas for the primary purpose of preventing European intervention. Finally, it cost the Liberian Government £ 25,000 and six months of fighting to quell the rebellion (114).
In 1912 the Kru at River Cess revolted, in protest against the restrictions imposed by the - still prevailing - Ports of Entry Law. The Bassa in the Buchanan area joined their fight against the Government. The latter reacted by burning the principal villages along the coast. The impossibility of the Liberian Government and hence its refusal to pay indemnities to German traders who had been attacked and looted by the rebellious tribal people resulted in three German gun-boats being sent to Monrovia. This forced the Liberian Government to pay the compensation demanded with (part of) the proceeds of the 1912 Loan (the Loan Agreement which Arthur Barclay had negotiated was ratified in 1912) (115).
In 1915 the Kru rebelled again, this time against the collection of the Hut Tax. In at least 8 villages the Union Jack was hoisted. Again Liberian tribes asked for British protection (116). Also in subsequent years the Kru protested against Liberian authority and killed tax collectors. It was reported that villages along the coast were deserted, the tribal people fleeing into the interior of the country where the absence of roads made it difficult, if not virtually impossible, for the military of the Frontier Force and for tax collectors to chase and find them (117).

The prevailing view of Americo-Liberians with respect to their tribal compatriots continued to be one of contempt and superiority. The latter were still referred to as *"wild savages"* and *"uncivilized population"* (118). The highest authority in the Republic, the President, formed no exception in this respect (119). Initially, this may appear strange since only during the Administration of the same President Barclay the tribal people were granted citizenship, 60 years after the founding of the republic. However, this citizenship was granted for fear of (further) French encroachments upon the republic's territory. By granting citizenship to the tribal people of the Hinterland the settler Government's protection of the territory it claimed turned into a defense of its citizens (120). In reality little changed. Only formal citizenship was granted since active participation in the affairs of the country was neither encouraged, facilitated nor even made possible.

The First World War and Its Aftermath

In 1912 the precarious financial situation of the Liberian Government resulted in a reduction of the salaries of civil servants by 33⅓ per cent and the discontinuation of the debt service (on the 1906 Loan) (121). One could say that the 1912 Loan was a necessity, although it would have been an illusion to believe that it provided a solution to Liberia's problems. The sole purpose of the new loan was the amortization of all debts and financial obligations of the Liberian Government (122). The price Liberia had to pay in order to secure the loan - the largest amount it ever borrowed - was heavy. The Government gave up part of its sovereignty. A General Receiver of Customs who also acted as the Financial Advisor to the Republic was appointed by the President of the U.S.A. Due to his appointment the powers of the Liberian Secretary of the Treasury were limited. Part of the public revenues was assigned to the General Receiver, who paid the debt service, the salaries and expenses of the Receivership, the Customs Service and of the Frontier Force. Also three Receivers were appointed, one each by Great Britain, France and Germany (each paid $ 12,500 a year) (123). Again the future customs revenues of the Republic plus Head Moneys were pledged. The 5 per cent interest Loan had a maturity of 40 years and was provided by U.S., German, British and Dutch bankers, the last-mentioned being represented by the French Government. The debt service on this loan was close to $ 100,000 a year which represented approximately 40% of the then Government Revenues (124).
The participation of American, British, German and Dutch bankers in the 1912 Loan followed logically from these countries' political and economic interests in Liberia described and analysed above. The British interests were the largest. It is therefore not surprising that the British took the lion's share of the $ 1.7 million loan to Liberia. German interests came next. In the Liberian ports most of the foreign ships were German as this country was Liberia's main trading partner in the beginning of the twentieth century. In 1908 for example, out of 347 steamers that called at the Port of Monrovia 233 were German (125). Subsequent events were highly influenced by external factors. The outbreak of the First World War, the British blockade of Liberia, and the subsequent drop of the country's trade, greatly affected the course of Liberia's history.

After the first World War had started Liberia carefully maintained a neutral policy in view of the vital nature of its (trading) relations with Germany. The British reaction to this policy, a sea-blockade of Liberia, virtually eliminated all trade with Germany and hence affected the Liberian economy significantly. In 1913 Liberian exports still totalled $ 1,288,915 but they fell to $ 618,536 in 1917, a decrease of more than 50 per cent (126) (see further Chapter 13). The accompanying loss of revenues created new financial hardships for the Government.

Therefore President Howard of Liberia (1912 - 1920) declared war on Germany in 1917 (following the example set by the U.S. Government in the same year) Monrovia was shelled by a German gun-boat, in September 1917, as a retaliation for the Liberian decision. There was no possibility for Liberia to defend itself against this attack. (One of the results of this attack was a Legislative decision, in 1920, to build as soon as possible a new capital in the interior (127). Like many other decisions of the Liberian Legislature, this Act was never implemented (128). Following these events President Howard signed a Loan Agreement in 1917 with the Bank for British West Africa, the only bank in the country (after a German Bank had ceased its operations following the Liberian war declaration). Thus an amount of $ 100,000 was obtained. But even the new loan did not change much. For a second time contacted for a loan, the British Bank introduced several conditions which were unacceptable to the Liberian Government. Among others, it demanded the appointment of Bank officials to Government positions (129). Shortly thereafter, President Howard was successful in securing a commitment of the U.S. Government for a $ 5 million Loan.

At the end of the decade the arrears of interest on the 1912 Loan amounted to $ 189,000, the debt to the Bank for British West Africa had exceeded the $ 100,000 ceiling established by the 1917 Loan Agreement and amounted to $ 100,646.35, the Government owed the U.S. Government $ 35,000, the arrears of salaries to the Frontier Force had increased to $ 118,544 while there existed an internal floating debt of $ 600,000 (130).

In 1920 a Liberian mission which included the country's new President, Charles King (born in Monrovia, but from Sierra Leonean parents)(131), agreed with the U.S. Government to place the control over Liberia's expenditures and native affairs in the hands of 13 Americans. The Frontier Force would also be placed under U.S. control. In 1921 the number of Americans was increased from 13 to 22. The Liberian Legislature ratified the Agreement in 1922 although many protests were heard against these conditions (132). However, later the U.S. Senate refused to ratify the Loan Agreement, thereby paving the way for Firestone to enter Liberia. When Harvey Firestone, supported by U.S. Government officials, showed interest in establishing a rubber plantation in Liberia, President King was very enthousiastic and, after some years of negotiations, Firestone was granted its famous concession (see Chapter 3 for details). However, the nature of the Firestone investment, a reaction to the restrictive British Stevenson Plan, made it imperative for the rubber company to have some political control over the Liberian Government. This explains why the 1926 Planting Agreement was tied to a Loan Agreement through which Liberia lost complete control over its Public Finance and part of its national sovereignty. Its Public Debt which stood at some $ 2 million during the negotiations and which for almost 90% carried an interest rate of 5 per cent (or less) per year was thus replaced by a 7 per cent interest loan with a maturity of 40

years. The $ 5 million Loan was placed at a rate of 90%. It could be said that with the arrival of Firestone in Liberia this country had (finally) become a U.S. Protectorate - not under the political umbrella of the U.S. Government but under the financial umbrella of a private U.S. company.

The Opening of the Door: The repeal of the Ports of Entry Law

The 1926 Plantation Agreement with the Firestone Tire and Rubber Company gave the U.S. rubber company virtually unlimited rights over an area of 1 million acres for a period of 99 years. The accompanying Loan Agreement resulted in a complete dependency of the Liberian Government on an American Financial Advisor to the Liberian President. The Advisor, appointed by the U.S. Government, had to approve the Liberian budget, every year, and the Liberian Government could not borrow any money without his consent. President King was severely criticized by his opponents for this concession agreement. They claimed that the agreement was a violation of the alien land law clause of the Constitution (because of its long term), that it restricted the powers of the National Legislature (because of the tax exemptions which were granted), and that it ousted the jurisdiction of the Liberian Courts (because of the arbitration clause) (133). Indeed, one of the country's oldest disputes, whether or not to make use of foreign capital in the development of the country, was re-vived again as a result of the Firestone Concession Agreement. Also during the 1927 Presidential Elections the "Open Door Issue" played an important role, the presidential candidate of the People's Party (an opposition party), Thomas J.R. Faulkner, favouring the establishment of an *"Open Door Policy" (134).* President King, who won the elections which were characterized by an unprecedented electoral fraud (135), the following year in England and in continental Europe declared that this country now had an Open Door Policy (136). His ideas were not uncontested. Notably the exclusive character of the Concession Agreement signed with Firestone was incompatible with the classical idea of an Open Door Policy.

The defeated Presidential candidate, Faulkner, accused the King Administration of permitting slavery, slave trade and forced labour within the borders of the Republic. A Committee of the League of Nations was established and examined the accusations. The Committee was composed of Dr. Cuthbert Christy, an Englishman, Prof. Charles S.A. Johnson, a black American, and a former Liberian President, Arthur Barclay.
In 1930 President King and Vice-President Yancy resigned because of their involvement in the "Slavery Scandal" which became publicly exposed after the report of the Committee. A third high-ranking Liberian, Postmaster-General and former Superintendent of Sinoe County (137), Samuel A. Ross, had died in January of the same year (138).

One of the recommendations of the Committee of the League of Nations, presented in its final report was:

> *"(...) the abandonment of the policy of "closed door" in favour of the "open door" to the Western nations. (...)" (139).*

Another Committee of the League of Nations, appointed to study the problem raised by the Liberian Government's request for Assistance, made the same recommendation (see also Chapter 10) (140).

Indeed, during the Administration of President Edwin Barclay (1930 - 1944) the Door was set ajar. Immediately after having been inaugurated as King's successor, Barclay repealed the famous Ports of Entry Law of 1864 as well as the Transportation Act, which both restricted the economic activities of foreigners in the Republic. After having been duly elected, in 1831, President Edwin Barclay, a nephew of former President Arthur Barclay, stated in his First Inaugural Address (January 1932):

> *"(...) We shall encourage the investment of reproductive foreign capital and shall it accord such facilities that while the investor may be satisfied, the economic status of our people will be at the same time be improved (...) (141).*

His following statement is equally worth mentioning. Whereas he agreed with his uncle, former President Arthur Barclay, on the necessity of the utilisation of foreign investments in the development of Liberia's resources (as Secretary of State Edwin Barclay had been one of the chief negotiators with Harvey Firestone) he had a different view on the relations with the tribal people:

> *"(...) Closely connected with the matter of foreign investment is the question of internal stability. For the full and effective employment of capital internal peace and tranquility are conditions precedent. (...)" (142).*

This view explains his "pacification" of the two major areas of tribal resistance to the Monrovia-based Government, the Golas in the west-central part of the country, and the Kru in the eastern coastal region.

In the early 1930's concession agreements were signed with Dutch, Danish, Polish, and German investors. In 1936 a Liberian Counselor, Doughba Carmo Caranda, declared in Freetown that:

> *"(...) the Open Door Policy is indeed the basic policy of President Edwin Barclay.(...)" (143).*

However, the following year President Edwin Barclay withdrew the concession agreement with the German investors, upon pressure of the U.S. Government. The Door was Open, but not for any investor. (See also Chapter 7).

The role of President Edwin Barclay in Liberia's economic history is grossly under-estimated by Liberian authors and politicians. Political reasons account for this false presentation of the reality. In 1955 former President Edwin Barclay was somehow connected with an attempt to assassinate President Tubman, and the latter very likely may have manipulated the presentation of the nation's history with respect to the Barclay Administration in order not to praise his political enemy.
Though he tried, President Barclay was not able to establish an active Open Door Policy. His Administration had to overcome numerous (political) problems and more than once the independence of Liberia was in real danger in this period, even to the extent of a small group of Leading Liberians, mostly retired Government officials, petitioning President Barclay to invite the U.S.A. to take over the administration of Government - which President Barclay refused to do (144). The League of Nations, asked by him to come to the rescue of the country, attempted to impose a Plan of Assistance which would have meant the end of Liberia's sovereignty. In 1934 the League of Nations finally withdrew its offer of a Plan of Assistance (145). The Firestone Company imposed political and financial hardships and in 1931 persuaded the U.S. Government to break off diplomatic relations with Liberia (146).

The aftermath of the "Slavery Scandal" was a major Kru revolt which turned into one of the most serious insurrections in Liberia's history. The Government's suppression of the revolt was unprecedented. A Commission appointed by President Barclay after protests of the Governments of the U.S.A., Great Britain, France, Germany against the atrocities committed by the Frontier Force reported the killing of 159 tribal people. The majority of them were burned to death in their huts (147). Reportedly some 44 villages were burned down (148). The atrocious acts of the Frontier Force (heads of victims were carried around on poles or cutlasses) caused the Government of Great Britain to break off diplomatic relations with Liberia. On the other hand, some 12,000 natives were reported to have taken refuge in the bush, leaving their villages and farm-lands, in order to escape the brutal and oppressive treatment (149). In the League of Nations voices were even heard to expel Liberia from this organisation (150).

The fact that it was only during this Administration of President Edwin Barclay that the whole of Liberia's Hinterland was "pacified" greatly contributed to the (successful) policy of his successor. The revolt of the Kru (of Sasstown) in 1931 was not the only problem with tribal people with which President Barclay had to cope. He was, however, the first Liberian President who established control of the Liberian Government over the left bank of the St. Paul's, where the Gola's authority had been unchallenged until the early 1900's, by a policy of victimizing systematically the Vais and Golas between the St. Paul and Mano Rivers (151). It is not surprising therefore that Liberian Presidents hardly toured in the interior. In the beginning of the

twentieth century the Presidents Arthur Barclay and Daniel Howard had visited the Gbo Gola section and the Gola and Vai areas respectively, but none of these visits were far from Monrovia. In the 1920's President King had travelled from Sierra Leone to Monrovia, guarded by two hundred soldiers, and carried in a hammock (the tribal population was by law obliged to supply carriers). After disarming the tribal people President Edwin Barclay travelled fairly extensively in the interior of the country (152).

Barclay did not only remove this (tribal) obstacle for his successor. Another obstacle hindering the establishment of an active Open Door Policy had been the absence of a well-equipped port. This had prevented the exploitation of the rich Bomi Hills iron ore deposits by the Dutch company which he had granted a concession. During the Second World War President Barclay obtained the promise of the U.S. Government to construct a modern port in Monrovia. This War, which had been preceded by the Great Economic Depression, had contributed to the economic difficulties in which his Administration found itself. Just before he handed over power to William Tubman, President Edwin Barclay made the U.S. dollar sole legal tender in Liberia, and brought a U.S. Geological Mission to the Republic. Thus, William Tubman found his way paved for him and he certainly was not original when in January 1944 he said in his first Inaugural Address:

> *"(...) We shall encourage the investment of foreign capital in the development of the resources of the country, preferably on a partnership basis. (...)" (153)*

although later on it was pretended by Liberian authors of school books, as well as by politicians, that he had invented the "Open Door Policy".

In 1945 President Tubman granted an important concession to Lansdell Christie for the exploitation of the Bomi Hills iron ore deposits. Christie, a former U.S. Army officer who had served in Liberia during the Second World War, was granted exclusive exploration rights in an area of about three million acres and exclusive mining rights in respect of all minerals except gold, diamonds, and platinum in an area of maximum 25,000 acres (to be chosen from the exploration area). The concession was given for a period of 80 years. This concession agreement, too, met with the disapproval of a number of Liberians who notably criticised the terms of the agreement, which they found too generous for the concessionaire. In Chapter 7 it is described how President Tubman silenced these critics with jail sentences and dismissals from public posts.

Like his predecessors Edward Roye, Arthur Barclay and Edwin Barclay, President Tubman looked for a loan to finance the country's much needed *"internal development"*. His proposals in this respect were presented in a Five-Year Development Plan (1946 - 1950) but he failed to obtain the funds needed to implement the Plan. The following year, in 1947, he signed a

concession agreement with a former U.S. Secretary of State, Edward Stettinius. The general objective of the company established, The Liberia Company, was the development of the human and material resources of the country. Its specific goals were virtually identical with those of the (defunct) Liberian Development Company, Ltd. of Sir Harry Johnston and strikingly resembled the objectives of the Five-Year Development Plan which could not be implemented (see for more details Chapters 4 and 10).

In the same year, 1947, the term *"Open Door Policy"* was for the first time used by the Tubman Administration. The Press Release of September 1947, issued after the signing of the agreement with Stettinius expressed the hope that

> *"(...) people of all races and nations who have either skills or funds to employ in any specific projects for the development of Liberian resources will come in (...). Liberians will always come first to the extent of their available contributions but the policy of the open door is to be followed.(...)" (154)*

Consequently, formally at least, Liberia had an Open Door Policy in 1947, a century after the creation of the Republic. The numerous threats to its political independence had made previous Administrations seek political protection in the form of an *"Open Door Policy"* for which the policy of McKinley-Hay served as a model. The failure of foreign loans to benefit Liberia and the failure of the Liberian Government to implement a policy of *"internal development"* are to be mentioned as the main causes for the introduction of an (economic) Open Door Policy with the primary object of attracting foreign investors *("of all races and nations")*. Not without danger though, (loss of sovereignty) as Liberia invited and subsequently had to deal with companies which were bigger and more powerful than the underdeveloped Republic. It should, however, be borne in mind that in 1944 virtually all of the country's revenues and expenditures were controlled by the U.S.A., and that the republic was economically and financially dominated by the Firestone Plantation Company and the Bank of Monrovia, respectively. This bank, a Firestone subsidiary, had in 1930 become the only bank in the country after the withdrawal of the Bank for British West Africa. Last but not least, Liberia's Frontier Force was under the command of a U.S. Army officer. Thus, it was not a coincidence that three important investors Firestone, Christie, and Stettinius, all of them came from the U.S.A. The Government of that country had in 1942 obtained a military base in Liberia, and later granted a loan with the proceeds of which the Port of Monrovia was constructed and a railway built. This made the exploitation and exportation of the Bomi Hills iron ore by Christie's "Liberia Mining Company" possible. The decision of President Edwin Barclay to adopt the U.S. dollar as the (sole) legal tender in Liberia as from December 31, 1943 symbolizes very clearly the political orientation of the first African Republic, as well as its financial and economic dependence.

The British and French absence in post-war Liberia is remarkable. A very attractive investment climate did not change this. The situation is partly to be explained - until the 1960's - by these countries' financial and economic, as well as political, involvement in vast areas of Africa. Thus, investors from these countries benefited from the political protection which the colonial system provided. After the "wave of independence" of the 1960's this situation on the whole did not change fundamentally as in most cases this independence had a political rather than an economic character. Liberia's main investment and trading partners after Nr. 1 (the U.S.A.) became, eventually, Germany and Sweden.

This limited effectiveness of the "Open Door Policy" - designed to attract investors from all over the world - is to a lesser extent due to the fact that in Liberia the Door was not wide open for foreign investors than to the fact that those for whom the Open Door Policy was meant did not make full and optimum use of it. It should be mentioned here, however, that the Liberian Government conducted a selective Open Door Policy - a contradiction which reveals a basic policy of the elite in power in Liberia and to some extent detracts from the sincerity of this Government to develop the country. Simultaneously it points to an important effect of the activities of the foreign investors whose presence was encouraged. These investors contributed significantly to a continuation of the position of authority of the country's elite. Excluded by the Liberian Constitution to become citizens of the Republic, white investors were not able to get involved in internal politics of the country. Black investors of neighbouring countries, eligible for citizenship, did have this possibility, and the Liberian Government - always dominated by Americo-Liberians - feared of becoming an unimportant minority in the country they and their ancestors, had created. Such a situation would be far from imaginary once the political and economic power of the African triban population would be left free to develop. This explains the discrimination of foreign black (African, not black American) investors. President Tubman did not allow investment incentives to be given to the numerous black entrpeneurs from neighbouring countries. They all had to pay import duties when importing the necessary equipment. They were never granted tax holidays. Virtually unlimited control over large areas was never given to them. The Tubman Administration aimed at *"the European trader"* as already in 1904 President Arthur Barclay had done. Despite the foregoing, the end of the "century of survival" gave way to an era of "internal economic development", a goal which already in 1870 had been cherished by Liberia's leaders. Whereas in that period the internal struggle was won by the advocates of a "Closed Door Policy", the supporters of an "Open Door Policy" were more or less firmly in power in the second half of the twentieth century, a fact which is amply illustrated by President Tubman's remaining in power for 27 years.

CHAPTER 3

FIRESTONE 1926 - 1977

Historical Background

The production and export of rubber in Liberia started in the late 1880's with the collection of wild rubber by a British company, and was marked by the establishment of a rubber plantation in the early 1900's by the Liberian Rubber Corporation, also a British company (see chapter 2). During the administration of President Arthur Barclay (1904-1912), it gained new impetus during the second decade of the present century.
After the First World War, rubber prices on the international markets dropped sharply and the Government of Great Britain, the country which at the time dominated the world production of rubber, introduced measures which restricted the supply of rubber on the world market. This resulted in a higher price of this commodity. These measures, known as the Stevenson Plan, came into force on January 1, 1922.
U.S. interests, however, were adversely affected by this protectionist scheme as a penny per pound increase in the price of rubber meant a financial loss of $8 million for the U.S. industry. The American economy at this time absorbed approximately two thirds of the world's rubber output, and the U.S. industries, notably the automobile industry, required increasing quantities of this raw material (1). What the U.S.A. needed, therefore, was a supply of rubber which would be cheap, independent, and guaranteed. One of the rubber manufacturers from Akron, Ohio, Harvey S. Firestone became indignant with the British Government which effectively manipulated the rubber price that he introduced the slogan *"America must grow its own rubber"* (2). He obtained the support of President Harding and of the Secretary of Commerce, Herbert Hoover, started lobbying in the U.S. Congress, and after spending some thousands of dollars had a law passed appropriating $500,000 for the financing of a survey of rubber producing countries (3).

After refraining from the establishment of a rubber plantation in nearby Mexico because of its political instability and inadequate labour supply, after also having failed to obtain a concession in the Philippines where the trauma over the American domination in the preceding century prevented a large American investment, and after having been rejected in the Dutch East Indies where the Dutch authorities gave in to the British pressure not to co-operate with Firestone (4), the latter turned towards West Africa. In the only independent country in that region, Liberia, he found a tropical and very humid climate - ideal for the growing of rubber -, a seemingly abundant and cheap labour force, and a Government which was eager to offer a concession in exchange for U.S. protection against colonial neighbours who were impatient for expansion and were looking for a pretext to annex the tiny republic (see Chapter 2).

In December 1923 the first mission arrived in Liberia, and after further examination of the soil and the environment the negotiations between Firestone and the Government of Liberia, led by President Charles King, started in early June 1924. Firestone originally proposed to lease the abandoned Mount Barclay rubber plantation for a one year soil experiment. During this period a rental of one dollar per acre was to be paid for the use of this area of 2,000 acres (5), with an option for renewal for 99 years. In case the results of this experiment proved favourable, he proposed to lease one million acres for a period of 99 years while paying a rental of 5 cents per acre during the first six years, on the condition that the Liberian Government would give reasonable cooperation in securing sufficient labour for the efficient operation of the plantation. He further offered to construct a port near Monrovia at a maximum cost of $300,000 which amount was to be repaid by the Liberian Government at a rate of six percent interest. In his reply President King stated that the yearly rental for the Mount Barclay plantation should be $ 15,000 instead of the $ 2,000 offered, that the concession area was to be not larger than 500,000 acres on which a rental was to be paid of 6 cents per acre per annum, and that a 5% rubber tax, which would go into effect after a period of 15 years, should be levied on the produce of the plantation. These conditions, however, were not acceptable to Harvey Firestone and he rejected them.
In the second half of June of the same year a tentative compromise was reached fixing the rent for the Mount Barclay plantation after the first year at $ 6,000 a year. A rubber export tax of 2½ percent was agreed upon whereas the rent for a one million acre concession area was determined at 5 cents per acre annually for the first six years. After this agreement had been reached Firestone took over the Mount Barclay Plantation.
On January 13, 1925 the three draft agreements were discussed by the National Legislature (the Mount Barclay Lease, the Lease of one million acres, and the Harbour Agreement). When the approval of the Legislature had been obtained, and Firestone submitted the final Agreements for approval he had inserted a clause (the famous "Clause K"). This clause stated that the one million acre lease would be dependent on the condition that the Liberian Government would take a $5 million loan from him, on the same conditions as the $5 million loan which President Daniel Howard had obtained from the U.S. Government in 1918 but which had been rejected by the Congress of the U.S.A. in 1922 and which had aroused many objections in Liberia as it would have turned this country into an American administrated territory with only nominal political independence (6).
Firestone's proposal aroused widespread protests, both inside and outside the country (7). The internal opposition against this $ 5 million loan was led by the Secretary of the Treasury, Jeremiah J. Harris, and the Attorney-General of the Republic, Louis Arthur Grimes. The former denied the need for a new loan in his Annual Report for the Fiscal Year 1925:

> *"It would be well to mention that during this period the revenue has shown a steady increase and well deserves to be styled the "Recording Breaking Period" in the financial history of the Country. That for the first time has*

the Government ever realized such an appreciable increase in her revenue without the aid of a foreign loan. The customs receipts as well as the internal revenue have exceeded the pre-war days of 1912 and 1913." (8)

Indeed, the total revenue for the Fiscal Year 1925 had soared to almost $ 1 million and Liberia was gradually recovering from the effects of the 1914 - 1918 War. This improvement in the financial situation was also reflected by the trend in the Public Debt, which had decreased in the years preceding the Firestone Loan Proposal though it still stood at some $ 2 million. In 1926 the total Public Debt of the Republic had again decreased and amounted $ 1,873,722.66 of which $ 1,185,200.00 was owed by European bankers under the Loan of 1912 when Liberia had borrowed $ 1.7 million. This loan, however, had a maturity of 40 years (9). In the absence of expenditure data it is not possible to get a clear picture of the country's financial situation at the time, but given the amount of Public Debt, its decreasing trend, and the 40 years' maturity of its main component, the 1912 Loan, it is clear there was no need for a new loan of $ 5 million.
The Attorney-General of the Republic, Louis Arthur Grimes, vehemently opposed the proposed loan, seriously objected to certain conditions of the Loan Agreement as proposed by Firestone, qualified some of its Articles as unconstitutional, and further stated that *"(...) the proposal impresses me as exceedingly singular."* (10).
It became clear that Harvey Firestone wanted more than just a concession agreement that would satisfy the demand of his industry: he also wanted to have some control over the Liberian Government which owed more than one million dollars to mainly British bankers. The nature of the investment made political control imperative as he wanted to avoid his investments being endangered by European powers that sought to expand their colonial empires. This desire was in line with the practices of European powers of military occupation and subsequent colonization for the safeguarding of investments and the guaranteeing of supplies of raw materials. The independent supply of rubber, a need which had arisen from the British Stevenson Plan, would indeed be jeopardized by a European occupation of the territory. In April 1925 the French colonial army seized ten Liberian villages and added the Zinta sector to its West African colonies (11). For those reasons Firestone insisted that Liberia should take a loan from him which would be used to repay the European creditors. This would amply serve his two purposes of eliminating a situation that could become a pretext for European Governments to interfere in Liberian affairs while at the same time giving him some control over the Liberian Government. As an independent supply of rubber was in the interest of the American industry, both the rubber manufacturing and the automobile industries, he obtained the active support of the Secretary of Commerce, Hoover.
The U.S. State Department also supported Firestone's plans as it was particularly interested in a port on the West African coast as a coaling station for naval use (12). Harvey Firestone knew this

and he proposed the construction of a port merely to get the approval and support of the U.S. State Department. He did not really need a port to export the rubber from Liberia (hence he quickly abandoned the plan when the estimated cost of construction of the port exceeded the amount of $ 300,000). It is significant that when Firestone decided not to build this port in the 1930's, the U.S. Government entered into discussions with President Edwin Barclay on the construction of a port which would be pre-financed by the U.S. Government.

Under pressure of the U.S. State Department the Liberian Government, represented by Edwin Barclay (Secretary of State at the time), continued its negotiations with Harvey Firestone which in September 1925 resulted in three agreements with the Firestone Plantations Company, as well as an agreement with the Finance Corporation of America. As the Liberian Government rejected the idea of granting a one million acre concession to a foreign industrialist and taking a loan from the same source because this would concentrate too much power in one hand, a compromise was reached whereby the Finance Corporation of America would grant the $ 5 million loan. The fact that this corporation was a wholly-owned Firestone subsidiary, especially created for this purpose, makes this decision fully incomprehensible.
After some minor modifications had been made the agreements with the Firestone Plantations Company were signed by the representatives of the Government and of the Firestone Company on October 2, 1926. When the bill granting the Firestone Concession was introduced in the National Legislature for approval it met with tremendous opposition. However, President King, former President Arthur Barclay, Secretary of State Edwin Barclay, and Senator Tubman staunchly advocated the bill, support for it was rallied even by threatening opponents with impeachments. Among those threatened with impeachment was Senator Van Pelt who opposed the proposal but who ultimately voted in favour after pressure had been exterted upon him. It is worth mentioning that former President Arthur Barclay and Senator William Tubman had been hired meanwhile by Harvey Firestone as his company's lawyers in Liberia (13). Eventually, the bill granting the Firestone Company unprecedented privileges in Liberia was passed, and *"the greatest concession of its kind ever made"*, as Harvey Firestone qualified it (14), was realised.

The Loan Agreement between the Liberian Government and the Finance Corporation of America was signed on September 1, 1926. It received the approval of the Legislature in December of the same year, and came into effect on July 1, 1927 (hence it is sometimes referred to as the 1927 Loan). Liberia's Public Debt of which almost 90 per cent carried an interest rate of 5 per cent or less (15) was eliminated and replaced by a $ 5 million loan which was placed at a rate of 90 per cent, had an interest rate of 7 per cent, and a maturity of 40 years.
This loan put the country virtually under the control of American

administrators and supervisors appointed by a Government on the other side of the Atlantic. Thus, Liberia was put on an equal footing with other countries (in this context). Several countries in Latin America had been put under the control of U.S. administration too (in particular Haïti, and the Dominican Republic). Among those appointed by the U.S. Government was an (American) Financial Advisor to the President of Liberia who controlled the Republic's finance, had to approve the Nation's budget every year and was entitled to an annual salary of $ 12,500, to be paid by the Liberian Government. The Liberian Government was now forbidden to contract new loans without the written consent of the Finance Corporation of America, i.e. Firestone.

If the Government of President King had thought that with his loan of $ 5 million it would have some money available for productive use, after repaying its debts, reality soon proved it wrong. The first tranche amounted to $ 2,253,000 of which the Government received $ 2,027,700 (90 percent). Most of it was used for debtservicing (in reality a re-financing of the external debt). A very small portion of the loan was used for infrastructural improvements: only $ 168,169.73 was used for development proposes ($ 11,730.39 for "Special Sanitation" and $ 156,439.34 for Public Works etc.). The rest of this first tranche was squandered (16). One of the Articles of the Loan Agreement stipulated that after the refunding of the old debt the second tranche of the loan, amounting to $ 2.7 million, could be realized only if the total of the Customs Revenue and Head Taxes would exceed the amount of $ 800,000 for two consecutive years. At the time of the signing of the agreement, however, the Customs Revenue and Head Taxes were $ 384,881 and $ 20,947 respectively (16). The revenues of the Government had to be deposited in a bank, the "United States Trading Company Banking Department", another Firestone subsidiary. Liberia had to pay 1½% commission on its deposits in this bank (sic!), and 1% of the amounts transferred to New York for debt service. The latter arrangement cost the Liberian Government some $ 10,000 a year (17).

THE FIRESTONE PLANTATIONS COMPANY

Under the first of the three agreements the Firestone Plantations Company, a company organized and existing under the laws of the State of Delaware, U.S.A., and a wholly-owned subsidiary of the Firestone Tire & Rubber Company, for 99 years leased the Mount Barclay Plantation at a rental of $ 2,000 for the first year and of $ 6,000 per annum thereafter.

The second agreement granted the company the right to lease, also for a period of 99 years, an area of land of 1 million acres, to be selected anywhere within the boundaries of the country, for the production of rubber or other agricultural products or to engage in any operation other than agricultural upon the lands held under this agreement (to be called afterwards "the Planting Agreement").

In the third agreement the Firestone Plantations Company obligated

itself, upon acceptance of the other two agreements by the Liberian Government, to construct a port near Monrovia, within five years, whereas the Government accepted the obligation to repay a sum not exceeding $ 300,000 for the construction of this port. The agreement is vague as to whether this meant that the cost of construction was not to exceed $ 300,000 or whether this sum would be the maximum amount refundable by the Government of Liberia. It was considered very unlikely at that time that such an amount would be sufficient to finance the construction of a port. However, as early as 1928 it became clear that Firestone would give up this venture because of the high costs of construction (18).

The 1926 Planting Agreement

Under the Planting Agreement the company was also granted the exclusive right upon the lands selected to construct highways, railways, or waterways, the right (though not exclusive) to develop for its own use natural water power and hydro-electric power, as well as the right to construct and establish highways, roads, waterways, railways, telegraph lines, telephone lines and wireless stations outside the 1 million acres concession area and to construct and use powerlines over any public land in order to convey power from one tract of land which had been selected to any other tract selected.
Exemption was granted from the payment of any internal revenue or any other imaginable charge on the products of the plantation, on all the machinery, tools supplies, and buildings which the company would establish, with the exception of the Emergency Relief Tax, a tax on vehicles, the payment of a rental to the Government at the rate of 6 cents per annum per acre selected and upon a minimum of 20,000 acres after five years (to be paid in advance each year), and of a revenue tax, starting six years after the acceptance of the agreement, equivalent to 1 per cent of the value of all rubber and other commercial products shipped from the plantation, calculated on the price of these products prevailing in the New York Market at the time of arrival of the shipment in New York. The company also acquired the right to cut and use all timber upon the lands covered by the agreement whereby it was agreed that it would pay a royalty of 2 cents per cubic foot to the Government for the lumber exported if it were to engage in the sale of lumber from these lands. Firestone's obligations under the Planting Agreement apart from the above mentioned ones were limited to the collection of any taxes that could become payable by virtue of the laws of the country by any person or persons carried on its payroll, the interdiction of the importation of unskilled foreign labour for the carrying out of its operations except in case the local labour supply should prove inadequate to its needs, and the restriction of the total number of white people that could be employed at one time to 1,500. The Liberian Government, on the other hand, accepted the obligations that it would encourage, support or assist the efforts of the Firestone company to secure and maintain an adequate labour supply, and that it would warrant to the company the title to all lands selected by it and would defend and protect such title for the benefit of Firestone.

In case of war or other emergency the Government had the right to use the telegraph lines, telephone lines and wireless stations outside of the lands selected, constructed and established by Firestone . These lines of communication were exempt from all taxation during the 99 year life of the agreement, except in the case that they would be used by the company for general commercial purposes to serve others (the company however was not allowed to provide public utility or common carrier services, which activity it was expressly denied when granted the right to build and operate a railroad or to use the highways and waterways, and the right to construct and maintain telephone and telegraph lines and wireless stations). The Government also reserved the right to construct roads, highways, railroads, telephone and telegraph lines and other lines of communication through any and all plantations owned and operated by Firestone, but in such cases it would be obliged to pay the company all damage which would be caused to its property.
The Government's rights to end or cancel the agreement were extremely limited: initially, i.e. immediately after the signing of the contract, the Government had the right to end the agreement should the Firestone Plantations Company have failed to notify the Government of its acceptance of the conditions of the agreement within six months after its execution by the Government, or in case the company would have failed to commence the selection of lands within one year thereafter. Once this had been done, the only way of cancellation of the agreement was in case the company would cease its operations for three consecutive years. Even in case of default by the company the Government's rights were limited. In case of cancellation of the agreement, or at the expiration of the term of the lease or of any extension thereof buildings and improvements erected by the Firestone company upon the lands selected - if not removed before the expiration or cancellation of the lease - would become Government property without any charge or condition. The company was not allowed to sell, transfer, or otherwise assign the rights it had under this agreement to any person, firm, group or trust without previously obtaining the written consent thereto of the Government. Important to note is also that tribal lands were excluded from the operation of the agreement.
If any dispute were to arise from the agreement, the Firestone company had the right to appoint one arbitrator out of a team of three, the other two being nominated by the President of Liberia and the Supreme Court of Liberia respectively, while the Government agreed to arrange with the U.S. Department of State for further arbitration if one of the parties would feel aggrieved at the decision taken by the three arbitrators (19).

Harvey S. Firestone who fought against the Stevenson Plan because a restrictive arrangement was against his principles, signed agreements with the Government of Liberia that gave him exclusive rights and that laid the basis for a situation which would become the archetype of neo-colonial exploitation. Through the Planting Agreement he acquired virtually unlimited rights over an area

equal to 4 per cent of the country's territory and nearly 10 per cent of what was considered the arable land in the country. One could say that the only rights which Firestone were denied were the rights of legal ownership. The Liberian Constitution excludes non-citizens from ownership of real estate while restricting citizenship to persons of negro descent. The granting of a 99 year lease was thus a violation of the Constitution. The arbitration clause interfered with Liberia's rights as a sovereign nation, and the exemption of existing and future taxes limited the powers of the National Legislature. The appointment of American supervisors, under the Loan Agreement, was a violation of the constitutional right of the President of the Republic to appoint persons whereas the powers of these foreigners almost turned Liberia into an American protectorate. The provision of the Loan Agreement that the Government of Liberia could contract no other loan without the approval of the Finance Corporation of America tied the Liberian Government completely to the rubber company. In addition, the agreements had many shortcomings, notably the Planting Agreement.

A serious omission was that no provision had been made for a renegotiation of the agreement, after a certain period, while adequate sanctions in case of non-fulfillment were also lacking. The Firestone company was not obliged under the terms of the Planting Agreement regularly to submit financial and technical reports and without the proper information on the company's behaviour the Government was to find itself seriously handicapped later on in its decisions and actions. The agreement did not provide any means to protect the rights of the indigenous population in the plantation area apart from Article IV-f (*"Tribal reserves of land set aside for the communal use of any tribe within the Republic are excluded from the operation of this agreement."*) and whereas no official records exist of the chasing away of people from their villages and farm lands as a result of the start of Firestone's operations in Liberia the destruction was reported of farms and villages, followed in some cases by compensation (20). For an area to be termed "tribal reserve" a collective deed had to be acquired from the Government, and although some town and clan chiefs rushed to Monrovia to have their lands registered as "tribal reserves", many others failed to do so, and lacking the legal documents entitling them to the lands they sometimes had occupied for centuries, they were ordered by the Government to leave the area which was subsequently turned over to the Firestone Plantation Company (21).
The 1 per cent export tax which the company had to pay compared very favourably with the regulation in force until 1923 when the effective duty payable on exported rubber was 6 cents per pound (22), whereas other export products were taxed much heavier than Firestone's product. E.g., the export duty on palm kernels in the early 1930's was 1 3/8 per cent, those on palm oil varied from 4.3 per cent to 25.6 per cent and on piassava was 14.2 per cent (23).
It is not well possible to evaluate the Planting Agreement and the Loan Agreement separately. Based upon a productive area of 50,000 acres with an average yield of 400 lbs. per acre, - an optimistic assumption - and fixing the price of rubber arbitrarily at 20 cents per pound, the Government would receive $ 40,320 through the

1 per cent export tax, plus $ 3,000 rental on 50,000 acres, a total revenue of $ 43,320, which amount was reported to be not even sufficient to pay the American officials appointed under the Loan Agreement since their salaries amounted to $ 53,650. If instead of this price of 20 cents per pound the rubber price of the early 1930's would be used, which was only 5½ cents per pound, the Liberian Revenue would have been only $ 13,188 (24). Even if the $ 6,000 rental for the Mount Barclay Plantation were added this would only reduce but not eliminate the unfavourable difference between revenues and expenditures under the Loan and Planting Agreement. The consideration that the U.S. officials also had to be paid during the period before the rubber trees would be productive (1927 - 1934) makes this picture look still worse. Total expenditures under the Loan Agreement (salaries, interest charges, sinking fund) were estimated at $ 260,000 a year, excluding the commissions due to the Fiscal Agent, the National City Bank of New York, or about 40 per cent of the expenditures of the Liberian Government in 1925, which had been $ 591,420 (25).

The 1930's

In 1926 - 1927 the Firestone Plantations Company started cutting trees and clearing thousands of acres, after which tens of thousands of young rubber trees were planted. As it takes seven years for a rubber tree to mature and be ready for tapping, by the time the first latex dripped from the trees the price of rubber had fallen from its level of 48 cents per pound in 1926 to 5½ cents per pound in the early 1930's. The economic depression of these years greatly affected Liberia's trade and subsequently the intake of customs duties, the main source of revenue (see Chapter 10). The deteriorating financial situation of the country made it impossible, among other things, to pay government officials and employees a single cent for six to eight consecutive months (26). Hence President Edwin Barclay refused to act in conformity with the Financial Advisor's demands in 1931 and the following year payments under the 1926 Loan were temporarily suspended. On December 23, 1932 President Barclay approved the "Moratorium Act (27).

The Financial Advisor withheld his approval of the nation's budget then and the Loan officials refused to authorize the withdrawal of Government funds in keeping with the Depository Agreement then existing, thus making it impossible for the Government to maintain the barest minimum services. The Government opposed stating that no one can be expected to commit suicide because of the theoretical legal rights of another (28). Still in the same year it opened a new depository with Messrs, West and Company, an old trading firm, to bring some relief to the situation of financial strangulation (29). In January 1933 President Barclay dismissed the (American) Supervisor of Internal Revenue.
After the Liberian Government had thus violated the Loan Agreement Harvey Firestone tried to persuade the U.S. Government to interfere directly in Liberian affairs and to invade the country, but the American Government refused because it had other priorities at the time, notably in South America (30). However, diplomatic relations

between the U.S.A. and Liberia were broken off by Herbert Hoover, the former Secretary of Commerce who in the meantime had become President of The United States of America. In 1933 the Firestone group in Liberia was alleged to have made an attempt to overthrow the Barclay Government and to have openly advocated the return to office of former President Charles King, who now stood on the company's payroll as Harvey Firestone's private attorney in Monrovia (31). A prominent Firestone official in Liberia was recalled by the Firestone Tire & Rubber Company in connection with the allegations of conspiracy (32).

The deadlock was overcome in 1935 after mediation by the American Government and after the rubber prices started rising again in 1934. In March 1935 Firestone and the Government of Liberia signed supplementary agreements to the 1926 Loan and Planting Agreements. The changes in the Loan Agreement complied to a large extent with the recommendations of the League of Nation's Brunot Commission of 1931 (33). The annual salary of the Financial Advisor was reduced to $ 9,000, also the salaries of the other Loan officials were cut, the interest rate was lowered from seven to five per cent per annum, and it was agreed that no interest would have to be paid in those years in which Government revenue would be less than $ 450,000. As it was felt that the performance of the obligations created by the "gold clause" of the Loan Agreement had become unduly burdensome to the Liberian Government after the decision of the American Government in the early 1930's to reduce the gold content of the U.S. dollar, this clause, stating that the principal and interest of the loan were payable in *"gold coin of the United States of America of the present standard of weight and fineness"*, was altered into *"payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts" (34).*

The 1935 Supplementary Agreement to the Planting Agreement granted the Firestone Plantations Company during the 90 years of this agreement (1935 - 2025) exemption from any and all taxes, duties, excises, license or other fees, wharfage and harbour dues, in short, all charges of any sort, whether existing or to be created, with the exception of documentary stamp taxes of general application, provided that the exemption from import and export duties would be restricted to the operation of the company and the development of the concession area, directly or indirectly, and that the exemption would not apply to motor vehicles in excess of one hundred and fifty. By the same agreement the company's expatriate employees became exempt from any and all direct or personal taxes.
This supplementary agreement also gave the Firestone Plantations Company the exclusive right to take by mining or any similar operation the mineral contents of the subsoil of the leased lands, on which production the royalty to be paid to the Government would never exceed 10 per cent of its value (it was thought that Firestone's Harbel plantation also covered diamond fields (35). In addition the right was granted to Firestone to construct landing facilities and operate an aerial transportation system,

although in the event the company would for these purposes make use of public lands outside its concession area a rent would be paid of 6 cents per acre per annum. Firestone remained liable to pay the 1 per cent export tax which was now defined as calculated upon the closing prices of such products, or products of similar grade, prevailing on the New York market on the date of departure of the carrying vessel from a Liberian port, without being allowed to deduct from such price any costs or expenses.

The Firestone company obtained all these additional rights and privileges by the prepayment of $ 400,000 in bonds (at par), and issued by the Liberian Government under the 1926 Loan Agreement, being its payment of rental upon the approximately 110,000 acres then held under the Planting Agreement for the rest of the term of this agreement, and by another payment of $ 250,000, also in bonds. Total payment by Firestone, $ 650,000, exceeded the total Liberian revenue for that year. However, as the Agreement provided that all bonds deliverable to the Liberian Government under the Loan Agreement were to be surrendered to the Finance Corporation of America's Fiscal Agent, the National City Bank of New York, and thereupon were to be cancelled by the Fiscal Agent and retired (36). Thus, the Liberian Government did not receive any cash payment under this 1935 arrangement while Firestone had managed to compensate legally but retro-actively for the suspension of payments which President Barclay had introduced in 1932. Though Firestone would never make use of its mining rights, their exclusive rights served the purpose of preventing others from starting mining operations and thus damaging the rubber trees. Also in this respect the company was favourably treated as according to an Act of 1924 the Government could demand a royalty of 15 per cent on the value of the products taken from the subsoil (37).

Changes During the Tubman Administration

Some minor amendments of the Planting Agreement were approved in 1936, 1937, and 1939 and disregarding here the war period when the company's need for rubber and the American military interests dictated Liberia's foreign policy, the unequal distribution of power between the tiny West African republic and the North American rubber giant became evident once more in 1949, five years after William Tubman took over from Edwin Barclay.
Late in that year the Firestone Plantations Company, a Delaware Corporation and a wholly-owned subsidiary of the Firestone Tire & Rubber Company, was liquidated and the parent company, with the written consent of the Liberian Government, succeeded to all of the assets and rights of its wholly-owned subsidiary, assumed all liabilities and obligations of this company, and became thus the effective Lessee of the extensive rubber plantations in the Republic of Liberia and the owner of all the appurtenance thereunto belonging. It subsequently entered into a sublet-agreement with a newly created company, The Firestone Plantations Company, incorporated under the laws of the Republic of Liberia, and wholly owned by the Firestone Tire & Rubber Company. The

Government of Liberia agreed with this procedure in accordance with the 1926 Planting Agreement.
It was agreed upon in this Lease Agreement of 1949, called the Assignment Agreement, that under the agreement with the Government of Liberia the Firestone Plantations Company would pay to its parent company and the effective Lessee a rental of $ 700,000 per annum though in the event the rubber and latex produced on the plantations in Liberia would exceed 70 million lbs. per year, the rental for each lease year would be calculated at the rate of one cent per pound for all rubber and latex produced (38).
While the U.S. company was allowed to deduct i.a. the depreciation of its assets in Liberia from its gross income from business operations before arriving at its profit - which of course affected its tax liability in the U.S.A. - and as the Liberian subsidiary was exempted from all taxes in Liberia this arrangement will have been beneficial for the American corporation provided that the amount of yearly depreciation exceeded the annual rental paid by the Firestone Plantations Company. A clear insight in and understanding of this issue, however, is prevented by the lack of data though it seems justified to think that profit will have been the driving force behind this legal and financial and fiscal construction. The complex structure of depreciation calculated by the parent company overseas, the - production-based - rental payment by the operating subsidiary to its parent, the start in this period of a system of retained earnings by the subsidiary which permitted the self financing of the Liberian operations impeded the work of American and, as from 1951, Liberian income tax assessors.
At first sight the introduction of a system of income tax in Liberia (in 1951) makes it even more difficult to understand Firestone's real motivations. Firestone, however, was aware of the Government's plans in this respect as there still was an American Financial Advisor, appointed under the 1926 Loan, whereas at that time the company's lawyer in the country was the Speaker of the House of Representatives, Richard A. Henries. Only two months after the approval of the Assignment Agreement by the President of Liberia and the Liberian Legislature, an agreement was reached by the Government of Liberia and the Firestone company stating that in the event the Government would levy an Income Tax of General Application the rubber company agreed to pay such Income Tax on the Net Income derived from its plantation operations in the Republic of Liberia at a rate of 12% in the years 1950 and 1951, 14% in the years 1952 and 1953, 16% in the years 1954 and 1955, 18% in the years 1956 and 1957, and 20% in the years 1958 and 1959. It was further agreed that this Income Tax would replace the 1% Export Tax (only) if this would result in a higher amount paid to the Liberian Treasury. The rentals paid by the Firestone Plantations Company became tax deductable (39).

In 1951 a corporate income tax system was introduced with tax rates of 25% on all taxable net incomes over $ 50,000, but under the terms of its contract with the Government of Liberia Firestone had been in no way obliged to accept a tax on its profits as it

was exempted from *"any and all taxes, whether present or future"* under the 1935 Supplementary Agreement to the Planting Agreement. Firestone might have been induced by the very favourable rubber market and extremely high price of rubber on the international market ("the Korea boom") to decide not to take risks in Africa's oldest republic, realising at the same time that when times are changing, it is sometimes better to change with them. Besides, as the corporate income tax replaced the one per cent export tax on rubber (if applicable) the extra payment to the Government was less than would appear at first sight.

One and a half years later another Supplementary Agreement was signed, extending the period of a tax liability of 20% from 1959 to 1964 and stating at the same time that

> *"(...) the Lessee or any subsidiary thereof will pay one income tax only, irrespective of whether its plantation operations are conducted by the Lessee or its subsidiary. The Lessee and such corporate subsidiary shall be immune from any tax upon the declaration, payment or receipt of rents, dividends and all payments or transfers made by such subsidiary to the Lessee from surplus or net income as above defined shall not be subject to any tax, assessment or deduction of any kind or character." (40)*

The problems and disputes arising out of the rightful interpretation of the Planting Agreement and various Supplementary Agreements being many, notably with respect to the payment by Firestone of consular fees (41), with the signing of the second Supplementary Agreement of 1951 to the Planting Agreement the rubber company became sujected to the payment of consular fees of general application (on imports only). (42). In the following year, President William Tubman made the last repayment to the Finance Corporation of America under the 1926 Loan and brought an end to an embarrassing situation. His contemporaries erected a monument on the foot of which they expressed their gratitude:

> *"This Monument erected by the people of liberia is dedicated to the great relief brought to the Country by the Tubman Administration in the retirement of the 1927 Loan with its humiliating and strangulating effects on the economy of the Nation".*

Ironically, this monument now (1979) stands in the public garden in front of the Harvey S. Firestone Building of Science and Technology of the University of Liberia. Most U.L. students are not aware of its historical significance, not even its existance.

Relations between the Government of Liberia and the Firestone Plantations Company deteriorated gradually during the 1950's, partly because of the influx of other foreign companies. However, not until the 1960's was there a direct confrontation or a great threat to Firestone's dominance.

The expansion of the government's financial programmes motivated the Liberian Government in the 1950's to seek yet another revision of the Planting Agreement. This resulted in the 1953 Supplementary Agreement to the Planting Agreement whereby it was agreed that the company's rate of income tax in the period 1953 - 1964 should be set at 25% (43). In the proceeding three years, however, the Government had lost several millions of dollars owing to the very liberal tax provisions of the agreements with the company, which in this period had made tremendous profits (notably during the Korea-crisis - see Table 1 below).
The Planting Agreement was again amended in 1959 when the Firestone company agreed to pay in the period 1959 - 1973 an income tax of 35% with the same provisions found in previous arrangements that if the export tax on rubber were to result in a higher amount the latter would be paid (44). It took another six years before Firestone was put on an equal footing with other firms operating in the country (in this context) and the Planting Agreement was amended to the effect that the company was to pay a 45% income tax in the years 1965 to 1973, both inclusive (the 1965 Supplementary Agreement to the Planting Agreement) (45).
This development in the Firestone - Government of Liberia relations was on the one hand caused by the loss of dependency vis-a-vis the Firestone Plantations Company as the iron ore minig companies gradually took over the position this company had occupied for so many years in the national economy, whereas, on the other hand, the growing awareness that the company had profiteered for too long without allowing an adequate share to the Government put pressure on the Government to increase the company's contribution to the Treasury. The company's other privileges, however, were not affected and Firestone continued to enjoy a considerable number of privileges of which notably the exemption from other taxes, duties, and imposts and the low charges (rental, royalty on lumber exported) yearly deprived the Government of a considerable amount.

The death of President William Tubman in 1971 marked a turning-point after which the Firestone Plantations Company was deprived of the privileges of the past, though it took the new Administration five years to accomplish this.
The deeply rooted love - hate relationship of nearly fifty years' standing between high ranking Liberian Government officials and the once dominating but still powerful Firestone company, combined with the - now openly admitted - conviction that the distribution of the benefits of the privileges had been very unequal resulted in the start of a renegotiation of the 1926 Planting Agreement with all its Supplementary Agreements. In these negotiations the Government was represented by President William Tolbert's brother, Steve Tolbert, who had been appointed Minister of Finance in 1972. The renegotiation procedures started in late 1973. However, as a result of the various tactics to delay discussions and postpone decisions, and greatly helped by the sudden disappearance from the political stage of the ambitious and tough Minister of Finance who died in 1975 when his private plane crashed, the Firestone Tire &

Rubber Company managed to keep the discussions going for some three years. A definite agreement was reached in 1976. The total concession area was considerably reduced, the rent per acre changed, but the most important "success" of the Government was that Firestone agreed from now on to pay all taxes of general application. An agreement which was classified during the renegotiations as *"anachronistic, obsolete and sometimes offensive to the national sovereignty"* (46) had (partly) come to an end (see below for a discussion of the renegotiations).

FISCAL ASPECTS OF FIRESTONE'S OPERATIONS (47)

This section is limited to the activities and financial contribution to the Liberian Treasury of the Firestone Plantations Company, and the following discussion excludes the other Firestone Tire & Rubber Company's subsidiaries operating in Liberia, all wholly owned, in particular the Finance Corporation of America, the United States Trading Company, the United States Liberia Radio Corporation, the Bank of Monrovia, the Liberian Construction Company, the Lone Star Transport Company, as well as Firestone Plantations Company's agencies for the Farrell Lines, the Elder Dempster Lines, and the Barber Steamship Lines, its participation in the Monrovia Port Management Company, and U.S.T.C.'s agency for the Ford Motor Company.

As mentioned previously the problems arising out of the interpretation of the 1926 Planting Agreement, most of them of a financial nature, were many. In fact they cropped up almost immediately after the signing of the Agreement and its approval by the National Legislature. Already in 1927 there was an exchange of letters between the Government of Liberia and the Firestone Plantations Company over the dispute whether or not the latter had to pay duties on kerosene, lubricating oil, and grease (48). Firestone had paid consular fees upon all invoices of goods shipped by it into Liberia from abroad since 1926. The exemptions granted under the 1935 Supplementary Agreement to the Planting Agreement, however, were much broader than those provided for in the original contract and after an Act had been passed on March 15, 1932, raising consular fees for certification of invoices from 1% to 1½%, Firestone in 1935 claimed that it was exempt from the payment of these fees under the Supplementary Agreement. The Government, on the other hand, held the position that the payment of consular fees was not a tax or other charge, but a payment for services rendered by the Liberian diplomatic mission abroad. In those days Liberian consuls received a percentage of these fees as part of their salaries, which may explain the attitude of the Government better than its official point of view. Eventually, Firestone under protest paid these consular fees and the question was not solved definitely until the acceptance of the Second Supplementary Agreement to the Planting Agreement of 1951 (see above).

Another disagreement arose over the payment by Firestone of the Emergency Relief Fund tax. The E.R.F. Act had been passed by the National Legislature on March 12, 1915 and was meant to bring relief to a financial situation which was deteriorating because the British subjected the country to a blockade and the Government had pledged its revenue under the 1912 Loan. To evade the consequenses of the latter commitment a new tax was created, the E.R.F. tax, to enable the Government to finance its current expenditures (though it was expressly stipulated that the tax should only remain in force for the period of the war, and for four months thereafter (49).
Firestone contested the Government's view that it had to pay the E.R.F. tax on its imports which were duty-exempted under the 1926 Planting Agreement, but paid under protest. Whereas Article II(a) of the Planting Agreement established Firestone's liability to pay the E.R.F. tax on its properties in Liberia, no mention was made of the E.R.F. tax in Article II(b) which granted Firestone duty-free imports (50). On the eve of the signing of the 1935 Supplementary Agreement, President Edwin Barclay in a letter to the Firestone Plantations Company stated that the payment in the past of the E.R.F. tax on imports had been unjustified and a violation of the Planting Agreement and that the company was entitled to a refund (paid in instalments by the Liberian Government) (51). This personal interference of the country's President is only one of the signs of amateurism which characterized the Government's dealings with the Firestone Plantation Company in these days. It was due to the lack of appropriate staff and qualified manpower as well as to the level of underdevelopment. A comparison between the rubber company and the Government of Liberia showed some remarkable results. On the Firestone Plantations in Liberia alone some 19,000 people were employed whereas the civil servant numbered less than 300 and the Company's wage bill (in Liberia) exceeded the total of Government's revenue.

The amounts involved in the disputes described above were, however, relatively small, as were most of the other payments of the Firestone Plantations Company to the Government of Liberia (prior to 1951) with the exception of the payments of 1935.
As the tapping of new trees did not start until 1934/1935 and the value of the rubber from the Mount Barclay Plantations was low owing to a depressed world rubber price, the financial contribution of Firestone to the Liberian Treasury in the 1926 - 1935 period merely consisted of the payment of a rental for the Mount Barclay plantation and of a rent of 6 cents per acre per annum on the other selected lands (in 1935 an area of 60,000 acres had been planted with rubber). Average yearly payments for rent and rentals will not have exceeded $ 10,000 and the payment of a rubber export tax, consular fees, port and harbour dues will not have materially increased this amount. Prior to 1935 official reports do not specify Firestone's payments to the Treasury, except for some port and harbour dues but the highest amount reported under this source of revenue for the 1932 - 1935 period

TABLE 1

FISCAL ASPECTS OF FIRESTONE'S OPERATIONS IN LIBERIA 1926 - 1977[1]

(in millions of U.S. dollars)

(1) Calendar Year	(2) Direct Taxes FPCo.	(3) Total Revenue Government	(4) (2) as a percentage of (3)	(5) FPCo. Income Tax Rates	(6) Estimated Profits (before taxes) FPCo.
1926-35	$0.150	$ 6.306	2	-	-
1935	0.650[3]	0.620	105	-	-
1935-51	1.200	29.165	4	-	$ 43 [4]
1946	$0.145	$ 2.337	6	-	-
1947	0.126	3.212	4	-	-
1948	0.119	3.430	3	-	-
1949	0.074	3.816	2	-	-
1950	0.052	3.872	1	-	$ 15 [5]
1951	$5.629	$12.830	44	12	$ 46.9
1952	2.372	8.852	27	14	16.9
1953	2.985	11.200	27	25	11.9
1954	2.686	11.924	23	25	10.7
1955	4.895	15.298	32	25	19.6
1956	$5.149	$17.923	29	25	$ 20.6
1957	4.472	19.416	23	25	17.9
1958	3.622	18.110	20	25	14.5
1959	6.074	24.552	25	35	17.4
1960	7.930	32.369	25	35	22.7
1961	$5.392	$32.371	17	35	$ 15.4
1962	4.508	35.567	13	35	12.9
1963	4.659	37.331	12	35	13.3
1964	3.309	40.053	8	35	9.5
1965	4.261	42.436	10	45	9.5
1966	$4.300	$46.700	9	45	$ 9.6
1967	3.700	48.100	8	45	8.2
1968	2.400	51.800	5	45	5.3
1969	8.500	61.800	14	45	18.9
1970	8.800	66.500	13	45	19.6
1971	$2.393	$69.500	3	45	$ 5.3
1972	1.406	78.100	2	45	3.1
1973	1.532	89.800	2	45	3.4
1974	4.602	108.600	4	45	10.2
1975	2.188	125.200	2	45	4.9
1976	$0.567	149.800	0.4	45	1.3
1977	2.641	172.700	2	50	$ 5.3

Notes:

(1) Firestone Plantations Company (FPCo.) only;
(2) Amounts prior to 1951 refer to payments other than income taxes;
(3) In bonds; Including $400,000 rental in advance (1935-2025);
(4) From 1939 till 1951 only;
(5) Total for 1946-1950 (both inclusive).

Sources:

- National Archives, Ministry of Foreign Affairs, Monrovia.
- Firestone Files, Concession Secretariat, Ministry of Finance, Monrovia.
- Annual Report, Department of Planning and Economic Affairs: 1965/1966; pp. 89-91.
- Economic Surveys of Liberia, 1969 through 1977.
- Tarr: 1973-1974; pp. 43-56.

was $ 10,182 (52). Altogether, the company during the first ten years of its operations in the country may have paid to the Liberian Government an amount of $ 100,000 - $ 150,000. Because of the 1935 payments by Firestone ($ 650,000 in bonds) the payments in the 1935 - 1951 period were limited to the 1 per cent export tax on rubber, documentary stamp fees, the tax on a number of vehicles (if applicable), and the - disputed - consular fees. On the basis of Liberia's rubber exports in this period it is estimated that in this period the export tax raised in the Treasury approximately $ 1 million whereas an amount of $ 200,000 for the other items seems to be a maximum. After the introduction of an Income Tax System in 1951 receipts of the Government from the Firestone Plantations soared, favourably affected by a high rubber price (See Table 1). The total of direct taxes paid by Firestone in the 1951 - 1977 period ranged between $ 105 million and $ 111 million, i.e. an average of some $ 4 million a year.

The most difficult years for the Firestone Plantations Company were before the Second World War but 1939 marked a turning point for the company's shareholders. The high demand for rubber, combined with the cutting off of other sources of supply, in the Far East, induced increased tapping in Liberia, and resulted in rubber exports of some $ 42 million in the years from 1939 - 1945. Assuming that the company's payroll totalled $ 7 million during this war period (53), and estimating other expenses (depreciation etc.) at another $ 7 million in this period - total investments being less than $ 20 million - profits will have amounted to some $ 28,000,000, or a yearly average of $ 4,000,000, which were free of all taxes except the 1 per cent export tax, averaging $ 60,000 a year. The Government's total annual revenue (from all sources) in this period amounted to one fourth or one fifth of Firestone's yearly profits (54).

Though the company's income tax payment in 1951 represented almost half of the total revenue of the Government in that year, its profits after taxes were still more than tree times the total income of the Liberian Treasury. In 1952 and 1953, too, the net income (before taxes) of the Firestone Plantations Company exceeded the Government's Total Income. An author who in 1956 wrote a public-relations book for the company reported that the activities of Firestone in Liberia were more profitable than those anywhere else (55). In the 1956 - 1964 period the Firestone Plantations Company paid over $ 85 million in dividends to the Firestone Tire & Rubber Company, which amount excludes other transfers of income such as those through intercompany sales and lending practices, whereas operations in Liberia were self financed by the Plantations Company through a system of retained earnings. Excluding the other subsidiaries of the U.S. parent company, the total profits made by Firestone in Liberia may be estimated at between $ 410 million and $ 415 million during the 1926 - 1977 period (based upon official data).
Low costs of labour were largely responsible for this result. As payments by the Firestone Plantations Company to the Liberian Government in the same period may have totalled about $ 110 million nearly three out of every four dollars earned in Liberia by Firestone were transferred to the U.S.A. (or were added to the company's retained earnings in Liberia from which its Liberian operations were financed).

The price Liberia paid for Firestone having privileges in an organizationally and institutionally underdeveloped country will probably never be known. In the 1965 - 1975 period alone the Government was annually deprived of some $ 600,000 - $ 700,000 because of the company's duty-free privileges (56). After the introduction of a Withholding Tax in 1968 the Government's accountant, the British firm of Whinney Murray and Company, audited the Firestone income tax statements and concluded that the Government had lost potential revenues of between $ 500,000 and $ 930,000 in 1967/68 and 1968/69 respectively (57). Attempts in 1978 to trace records that would show that the Government ever recovered these amounts were futile. On the issue of Firestone Plantations Company paying a rental to the Firestone Tire & Rubber Company the same British Company already in 1969 rejected this construction. The actual historical expense of owing the Plantation, i.e. depreciation, was found the only allowable expense (58). However, the Firestone Plantations Company successfully delayed the solution of this problem (59), and the question was not solved until 1976 when the title to the plantation assets was transferred to the Firestone Plantations Company.
Officials of the Concessions Secretariat of the Ministry of Finance in 1974 insisted that the Government of Liberia should send a tax bill to Firestone based on adjustment of the transfer prices governing sales to Firestone of Akron (60). Owing to the complexity of the problem and the shortage of staff within the Concessions Secretariat, as well as to political factors, the

question had never been adequately dealt with in 1978 (for a further discussion of Firestone's Pricing Policy see below). However, when in the 1960's Firestone used Liberia as as "tax-haven" the Government successfully claimed an additional assessment in 1969 whereas a further assessment was made against the Firestone Plantations Company in 1972. The following discussion of the dispute that arose from the 1969 assessment merely serves as a case-study showing some of the most striking features of the problems that may result from the operations of a large and multinational company in an underdeveloped country.

During the fiscal year 1954/1955 the Firestone Plantations Company had made a loan of $ 5,000,000 to the Compania Anonima Firestone Venezolana and in 1957/1958 another loan of $ 1,612,962 to the Firestone Tire & Rubber Company of the Philippines (all companies being wholly-owned subsidiaries of the Firestone Tire & Rubber Company of Akron, Ohio, U.S.A.).
These loans were evidenced by written debentures and were guaranteed as to principal and interest by the parent company in 1960. The loans were made from funds of the Firestone Plantations Company - retained earnings - which, however, were maintained and controlled in Ohio. Both loans were repaid in 1963/64.
When during the tax years in question, 1954/55 to 1963/64 and 1957/58 to 1963/64 respectively, the Firestone Plantations Company received interest on the Venezuelan and Philippine debenture loans the former did not include the debenture interest in its taxable income when filing Liberian income tax returns in each of these years. The Firestone Plantations Company was later to defend its decision on the grounds that this income was not income derived from its plantation operations in Liberia as defined in its agreements with the Government of Liberia and hence was not taxable, and "*in any event, it was derived from sources outside Liberia and hence was expressly excluded from Liberian Income Tax.*" (61) Furthermore, the company's lawyers added, this action was consistent with a precedent set by the Liberian Treasury Department for the year 1950 (" the old Bank of Monrovia case") (62) whereas the exclusion of such debenture interest had been allowed by the Bureau of Internal Revenues of the Treasury Department in its audit of the company's return for the tax year 1954/55.
In (February) 1963 the Bureau of Internal Revenues initiated an examination of the Firestone Plantations Company's books though it had to make (repeated) requests to the Firestone & Rubber Company in Akron, Ohio, for the submission of relevant information.
A substantial part of the information concerning the Firestone Plantations Company's operations was (and still is) not kept in Liberia. Even at the time of the final additional assessment - in 1971/72 - the Income Tax department complained that some of their requests still had not been met and that the Government lacked the information which had been withheld by the parent company's managers who, however, by now (1972) claimed that "*Insofar as the*

income would be taxable, liability for the tax years as to which returns were filed more than seven years prior to assessment is barred by section 165 of the Internal Revenue Code." (63), and thus wanted to exclude the years 1955/56 to 1960/61 from the assessment.
The Government of Liberia based its opinion and assessment on the "New" Bank of Monrovia case (1967) in which the highest official of the Treasury Department - the Secretary of Treasury - formally rejected the exact same contention as was made by Firestone-Liberia, and accused the Firestone Plantations Company of impeding the progress of the audit as, in spite of repeated demands, Firestone-Liberia had not adequately disclosed certain information when requested by the Income Tax Division of the Ministry of Finance (then still called Treasury Department) (64). It is significant to note here again that the Liberian Government felt that it was powerless against this abuse of privileges by Firestone as it did not have any sanctions under the existing Agreement with the company. The attempts by the Firestone Tire & Rubber Company to use Liberia as a tax-haven and to make use of loopholes in the tax legislation are clear: upon declaration of dividends by the Firestone Plantations Company the parent company was liable to pay additional taxes in the U.S.A. as the applicable Liberian Income Tax rates were lower than those in the U.S.A. Therefore, it was profitable to transfer income from Liberia to the U.S.A. as "retained earnings" or as loans since these could not be taxed. However, officially it had been agreed that the surplus account of Firestone-Liberia (the retained earnings of the company was in fact a capital account of that company and was to be utilised in providing working capital for conducting day to day operations and business of Firestone-Liberia in Liberia (65).

In case the U.S. parent company had financed the loans to its subsidiaries in Venezuela and the Philippines from its own, U.S., sources it would have had to pay U.S. income tax upon receipt of the interest. This multinational, or transnational, company with over 50 subsidiaries and over 100 sales offices all over the world resorted to the procedure discussed above, and only guaranteed these loans though the decision to lend these funds had been made exclusively by the top of Firestone in the U.S.A. whereas the company's employees in Liberia had not been involved in the details of drafting documents, handling funds, collecting interest, etc.
The amount of this additional assessment of income taxes - $ 441,645 plus statutory interest thereon to the amount of $ 228,371 - which was gained by the Government was relatively small but not negligable. The Government claimed from the Firestone Plantations Company $ 3,162,500 plus statutory interest of $ 2,013,500 in a further (protective) assessment made in May 1972 (in respect of the same taxable years as above) (66). The major issue was again related to intercompany transactions between the Firestone Plantations Company and its foreign affiliates. The Liberian subsidiary had carried forward its books an interest-free loan due from its U.S. parent which

had varied from $ 8 million to over $ 19 million. As explained before, except for the high rate of income tax on dividends from foreign subsidiaries in the U.S.A. the amount of the loans would have been distributed as dividends to the U.S. parent company. The position of the Government of Liberia was that at a fair rate of return on this perpetual balance, of not less than 6 per cent, should have been included in Firestone-Liberia's income tax returns.
Secondly, Firestone-Liberia had rendered free technical services and technical advice as well as assistance in the management of rubber plantations to foreign affiliates (notably to Firestone-Venezuela and Firestone-Philippines) whereas, according to the Liberians, a compensation for these activities would have been fair. A third issue involved in the May 1972 assessment was related to the deductions claimed by the Firestone Plantations Company for rentals paid to the Firestone Tire & Rubber Company in Ohio, varying from $ 730,832 in 1963 to $ 964,938 in 1971. The amounts deducted were much higher than the amount of depreciation which would have been allowed under Liberian law in respect of the "leased" assets, which was $ 200,000 per annum for the period in question.
However, the Ministry of Finance withdrew the last mentioned two issues from the (protective) additional assessment, for reasons which were not disclosed and won the first case, forcing the Firestone Plantations Company to part with over $ 4 million. In 1976 the Ministry of Finance raised another issue and disputed the company's accounting methods concerning the valuation of subsidized rice which resulted in additional assessments made for the years October 1973 - October 1975. These resulted in Firestone paying additional income taxes, under protest, to the amount of about $ 1.5 million (67).

It is little known in Liberia and therefore hardly appreciated that these businessmen from Akron were confronted with serious problems in Africa's oldest republic in the 1970's. Privileges that had slowly but steadily been taken away during the 1950's and 1960's were exposed to open and violent attacks after President Tubman had left the political scene, especially in the first half of this decade, when the Finance Ministry was run by the brother of the country's new President, Minister Stephen A. Tolbert, himself a successful capitalist. He had dealt with Firestone before when he occupied the top post in the Ministry of Agriculture in the 1960's. Minister Tolbert's attitude towards the Firestone Company, as combined with the start of the renegotiations of the 1926 Planting Agreement, made him also very unpopular with the company's managers, who were greatly relieved when they heard of his death in 1975. Having lost one of the best persons to deal with the American rubber company, the Tolbert Administration still managed to reach a new agreement with the company by which the Firestone Plantations Company is now one of the few companies in the country paying an income tax rate of 50%, after the introduction of new tax rates in 1977.

THE PROPOSED TYRE PLANT

Apart from its contribution to the Liberian Treasury, the Firestone Plantations Company's link with the national economy has ever since the company's establishment in Liberia been limited to the payment of starvation wages to its plantations workers, the importation of rice, some haphazard donations of a charitable nature - often political ones in disguise - and the remuneration of Liberian Lawyers and counsellors. In addition, the company undertook the free distribution of seeds and clones to Liberian rubber farmers - an activity which during its fifty years' existence in Liberia became increasingly important - and the purchase of their produce which then is exported, unprocessed, like the company's own production. This situation has resulted over the years in the company being an enclave within the dual economy the Liberian economy became after the influx of foreign investments, i.e. after 1926. Foreign investors allotted to Liberia the role of a supplier of raw materials which limits its position in the international division of labour.

The Government of Liberia has been well aware of this aspect of underdevelopment and has always wanted to change the country's status into one of a producer of final (rubber) products. However, in relying on the influx of foreign investments it has gradually developed a passive attitude towards the issue of the domestic financing of the industrial use of its natural resourses. Since Liberia through this attitude became dependent on foreign capital to start a rubber manufacturing industry the Liberians asserted little influence on the role which was assigned to them in the process of the international division of labour. The following case illustrates this point while at the same time providing evidence for the accusation that a foreign company may want to influence, tries to influence, or actually influences the foreign policy of a sovereign country, in this case Liberia.

In 1967 a Liberian mission visited Akron, U.S.A., to discuss with the managers of the Firestone Tire & Rubber Company the possible creation of a tyre factory in the West African Republic. Anxious as it was to succeed it offered the rubber producing and processing company extremely favourable incentives and privileges. After over twenty studies and numerous visits by Liberian Government officials to Akron the first definite proposal for the establishment of a tyre factory by Firestone in Liberia was put forward in 1969. It was concerned with the construction of a factory with a minimal annual output capacity of 125,000 tyres and involving a total investment of approximately $ 8.5 million. Among the rights granted to the company were the right to unrestricted import licenses for imports needed; exemption from customs duties, other customs charges of general application, and corporate income taxes for a period of 10 years; and the right to employ a maximum of fifteen expatriates connected with the operation of the plant.

In order to protect the new company the Government further promised an increase in the import tariff on vehicle tyres, tubes and retread materials of the same type and sizes as would be manufactured by Firestone-Liberia. The tariffs imposed in this connection were not to be less than 150 percent of the CIF-prices and would become effective on the date the first product of the factory became available to the Liberian market. The Government also promised to restrict the importation of these items prior to the production by Firestone-Liberia in order to avoid hoarding and speculation.
To offset any loss of duty revenue which might have resulted from the protection afforded Firestone-Liberia, an excise tax would be levied on all vehicle tyres and tubes and retread material and other rubber products produced by Firestone-Liberia.

There was no time limit set for this protection via Liberia's trade policy nor was there a time limit provided for the company's right to unrestricted export licenses and to its exemption from export and excise duties for the products of its factory.
For purposes of computing the company's income tax liability (after the exemption period) several deductions were granted. There would be no tax or levy on interest, dividends, royalties, rents, compensation or other income remitted to recipients abroad by Firestone-Liberia which would exceed the amount that would be fully usable as a tax credit by the recipient.
The capital of the tyre plant would be acquired in the form of paid-in capital funds and/or in the form of long-term loans.
No provision was made prescribing a maximum debt-equity ratio despite the (costly) lesson which by now the Liberian Government had learned from its experiences with other companies notably the mining companies. (See chapters 7 and 8)

The new company would have no obligations and only rights. Firestone-Liberia would not even have the obligation to use (exclusively) Liberian produced rubber. The (draft) agreement provided that the company would utilise Liberian natural rubber in its production *"to the greatest practicable extent"*. This seemingly peculiar provision resulted from the extremely high quality of Firestone's Liberian grown rubber which makes this product more suitable and economically more attractive for use in the computer and war industries (e.g. the production of electrical wires, of high quality tyres for planes etc.) and for medical equipment (e.g. surgical gloves).
Firestone's commitment though was conditional upon agreements with surrounding countries and the company put pressure on the Liberian Government to enter into negotiations with the governments of these countries. This was connected with the provision in the agreement which stated that construction of the plant would commence 18 months after the Government of Liberia would have notified Firestone of the conclusion of trade, tariff and other agreements with neighbouring countries. Notably the Government had to negotiate with the governments of the Ivory Coast and Sierra Leone. However, as no progress was made in this respect (68) this attempt to establish a tyre plant in

Liberia proved abortive. However, Firestone's attitude was not unprecedented as already in 1951 the Firestone Plantations Company had put pressure upon the Liberian Government to conclude a trade agreement with Spain (to supply the company's factory in that country with Liberian rubber) (69).

After new talks in Akron in October 1969 between the Liberian Secretary of Treasury, J. Milton Weeks, and Firestone officials, the former left the U.S.A. with the impression that Firestone agreed to build a tyre plant with a capacity of 55,000 tyres a year and involving an expenditure of $ 6 million. If the Liberian Government were to reach the trade agreements with Sierra Leone and the Ivory Coast an additional $ 2.5 million would be expended to increase the plant's capacity to 125,000 tyres (70). However, one month later Firestone communicated that it merely wanted to undertake another feasibility study (71). The correspondence which subsequently developed between the two parties showed the feelings of disappointment and exasperation of prominent liberian Government officials while the Firestone company's attitude was increasingly insulting. The climax was reached when the company's managers, now under heavy pressure from the President himself, William Tubman, submitted another proposal in May 1970 which reduced all previous proposals to the creation of a satellite (plant) of the Firestone-owned tyre plant in Ghana, with a capacity on only 47,000 tyres a year and involving a $ 3 million investment whilst employing 38 persons of whom 28 would be unskilled. It would produce only passenger-car and light truck tyres, and its raw material component...would be imported from Ghana. The Firestone Tire and Rubber Company besides the usual investment incentives with respect to import duty exemptions and a tax holiday demanded the exclusive right to import tyres into the country together with an embargo for an indefinite time period on such type of tyres as would be produced locally (72).

The indignation aroused by this proposal led among other things to the personal intervention of President William Tubman. In a letter to Raymond C. Firestone (dated June 12, 1970) which was hand-delivered in Akron, U.S.A. by his son, William V.S. Tubman, Jr., and the Economic Advisor to the President, Lafayette K. Morgan, he expressed his anger about the proposal and reaffirmed the Government's willingness to encourage the establishment of a tyre factory by Firestone in Liberia. As Firestone had stated that a 55,000 tyre factory would not be economically feasible, the Government then proposed to share in a loss that would be sustained by a tyre factory with that capacity, while maintaining the investment incentive of a tax holiday of least ten years.

The angry letter of President Tubman and the general feelings provoked by the proposal of Firestone resulted in a new, and final proposal. Late in 1970 (October) the Firestone Tire & Rubber Company proposed the establishment of a factory with a

capacity of 55,000 tyres, requiring an investment of $ 6.2 million. The conditions, however, were such that one doubted the seriousness of the proposal. Besides demanding the acquisition of the site of the plant by the Republic of Liberia and the subsequent leasing of the lands to the new company at a nominal rent for 60 years with a renewal option for an additional 60 years at a reasonable rent, the U.S. parent company also wanted the tyre plant to be incorporated as a division of the U.S.T.C. (United States Trading Company), a subsidiary of the Firestone Tire & Rubber Company (73).
This would cause the U.S.T.C. to be the sole distributor of the production of the new plant, and grant it tax loss carry forward privileges. The company also demanded a monopoly for U.S.T.C. as the sole importer of tyres in Liberia for twenty years. Further, it demanded that the Liberian Treasury should absorb fifty percent of the (expected) annual net loss of the new company until such time as the company would show a profit for two consecutive years. It must also credit U.S.T.C's miscellaneous and all other taxes due for the balance fifty percent of the new company's annual loss (!); absorb all payments, deductions, license fees, and abnormally high interest expenses of the new company during the computation of net income; grant the new company a ten year income tax holiday, unrestricted export licenses and export duty exemption, duty free privileges for at least ten years, and grant sole manufacturing and exclusive importation rights, respectively, to the new company and U.S.T.C. for ten and twenty years, for the manufacture and import of tyres and related products. With respect to any dispute arising out of its investment in Liberia, Firestone demanded that the Republic of Liberia would explicitly give up its sovereign rights and submit the dispute to the International Centre for Settlement of Investment Disputes (74).
If the Government were to grant Firestone all the privileges and incentives it demanded, the new company would commence to produce tyres, still using less than one percent of Liberia's natural rubber output because of the high quality of the Liberian grown rubber.
As the conditions of this draft agreement were unacceptable to the Government of Liberia, the tyre factory never materialised.

FIRESTONE'S RUBBER PRICING SYSTEM (75)

The Firestone Plantations Company is the principal producer of rubber in Liberia, accounting for about half of the total output. Approximately 25 percent is produced by four foreign concessionaires and the remaining 25 percent by between 5,000 and 6,000 Liberian rubber growers, including one formerly foreign rubber plantation (the African Fruit Company, see Chapter 4). Before the creation of a Government owned rubber processing plant in 1977 virtually all Liberian planters sold their produce to the Firestone Plantations Company, to one of the other foreign rubber companies, or the Alan Grant Company, a foreign owned rubber processing plant, established in the country in 1962. As no processing of any significance takes place in Liberia (see above

"The Proposed Tyre Plant") practically all rubber grown and produced in the country is exported as crude rubber (76). Because all rubber purchased from Liberian farms and plantations is valued according to the Firestone rubber pricing system at least 75 per cent of the total Liberian production is subject to Firestone's pricing policy. The lower the price fixed by Firestone, the less income taxes the company will have to pay to the Government and the less revenue Liberian rubber growers will receive (also the country's trade - export - figures and G.N.P./ G.D.P. data will be affected). Although the importance of the system of rubber pricing is obvious, the Government of Liberia has no say in this complicated issue as there is in fact no agreement nor has there been any since the early 1950's between the Firestone company and the Government as to the calculating and controlling of the rubber price.

Determining the rubber price is not done in Harbel (the main plantation of Firestone in Liberia) but depends on the decisions taken in Akron, U.S.A. In 1975 the U.S.A. company described the pricing method as follows:

> *"The selling prices for Liberian rubber are based on the average of the Noon FOB market prices quoted by the Rubber Association of Singapore for comparable grades of International natural rubber, for each of the trading days during the calendar months preceeding the month of shipment from Liberia, less one-half cent per pound. If there are no price quotations on the Singapore Exchange for latex or a particular grade of rubber, prices are established for the sale at prevailing competitive prices." (77)*

The 1926 Planting Agreement originally provided that the company had to pay a revenue tax calculated on the value of the rubber in the New York market at the time of the arrival of the shipment in New York whereas the 1935 Amendment expressly denied Firestone the right to deduct from the New York price *"any costs or expenses whatsoever"* (see above).However, in the early 1950's the revenue tax was replaced by an income tax so that it was no longer necessary for Firestone to apply New York prices. The company deliberately switched to Singapore prices and the method described above as a basis of calculating the value of its rubber. Therefore, the actual Firestone rubber pricing policy presumably originated in the early 1950's.
The Firestone Plantations Company started buying rubber on a regular basis from Liberian producers in 1943 when it introduced the "Rubber Purchase Program". Before that year the company has also bought from Liberian farms though not on a regular basis (the war probably precipitated the institutionalizing of these purchasing activities). 100 per cent of both dry rubber and latex is sold by the Firestone Plantations Company to the Firestone Tire & Rubber Company. 10 to 20 per cent of the latex is then sold by the parent company to export markets in Europe and Mexico and the remaining latex is sold to third parties in the U.S.A. Small

quantities of dry rubber are also sold by the Natural Rubber & Latex Company (a wholly-owned subsidiary) to third parties in the U.S.A.

The reality is much more complicated than it would seem to be at first sight. In fact, Firestone's rubber pricing system has two aspects: one is the fixing of the price, the other concerns the deductions made by Firestone before the final buying price (paid to the Liberian farmers) is decided upon.
The price for any grade of latex is a FOB vessel Monrovia price equal to the average of all prices received by Firestone from third party customers for the same grade during the preceding calender month, less one-half cent commission and all costs incurred in marketing and in shipping. These costs include technical laboratory charges, ocean freight and insurance, applicable terminal and tank car charges and commercial marketing and interest expenses.
As to dry block or crumb rubber, The Firestone Plantations Company is by the Firestone Tire & Rubber Company paid a price FOB vessel in Liberian ports equal to the Singapore price for comparable grades of international rubber, calculated as described above, less one-half cent per pound as commission. A further complication is that the Singapore grades are not comparable to most Liberian grades. Consequently the average price of Liberian rubber has always been lower than that from the Far East. Firestone, or any of the rubber concessions operating in Liberia never showed any interest in eliminating this lack of specification by producing Liberian rubber of an internationally accepted standard.
It was not until 1977 that the Liberian Government made the decision to buy and process the rubber from Liberian-owned farms and plantations in order to process rubber to internationally recognized standards.

Regarding the deductions made by Firestone: the one-half cent sales commission serves the purpose of covering the costs (mainly of an administrative nature) of Harbel's sales office when selling to the parent company and it probably includes a profit margin. The commercial marketing and interest expenses are charged to the Firestone Plantations Company by the Natural Rubber and Latex Division of Firestone-Ohio; the deductions for technical laboratory services are charged to the Firestone Plantations Company by the Technical Laboratory of Firestone-Ohio (these inter-company charges result in an understatement of the net profits of the Firestone Plantations Company and affect the amount of income tax received by the Liberian Government while the sales proceeds of the Liberian rubber farmers are also reduced). The shipments of rubber from Liberia are carried out by the L. and C. Marine Transport Ltd, incorporated in Bermuda but a wholly-owned subsidiary of the Firestone Tire & Rubber Company, and they are during transportation insured by the Insurance Company of North America, another wholly-owned Firestone subsidiary.

As regards the transportation of rubber within Liberia, Firestone uses the services of the Lone Star Transport Company, a subsidiary of the Firestone Plantations Company.

The Firestone rubber pricing system, in particular with reference to buying practices, is discussed in more detail below. The first example relates to the Firestone Plantations Company buying coagulum from Liberian farmers in July 1973 whereas the second example concerns the buying of latex. The choice of the date was determined mainly by the availibility of data although the continuation of Firestone's pricing practices in 1978 makes the selection of it less relevant. An advantage of the use of the July 1973 data is that they refer to a situation which is to a large extent characteristic of a longer period. After December 1973 considerable cost increases occured as a result of an accelerated international inflation (after the steep increase in the price of crude oil).

TABLE 2

COAGULUM DEDUCTIONS MADE BY FIRESTONE - PER LB. (1973)

Item	U.S.dollars
Selling Expense	0.50
Purchase Rubber Department	0.13
Factory Processing	3.44
Administrative Costs	1.07
Interest on Funds	0.13
Profit before Tax	1.27
Total of all deductions	$ 6.54

Source:

Concession Secretariat, Ministry of Finance, Monrovia.

The first deduction of one-half cent per pound for selling expenses is evidently a duplication of the one-half cent commission fee, covering the costs of Harbel's sales office, as, before Firestone arrives at a rubber price (the noon FOB market prices in Singapore less one-half cent per pound) it has already deducted these selling expenses.
The Liberian rubber producers were charged 0.13 cents per pound to cover the expenses incurred by the Rubber Purchase Department of the Firestone Plantations Company. In fact, this means that the Liberian farmer has to pay Firestone to buy his rubber. A very strange situation indeed, and it would have seemed more logical if the expenses of the Rubber Purchase Department would have been covered by the "Profit before Tax".

The charge of 3.44 cents per pound for processing costs is very high as compared to Malaysia, Indonesia, Thailand, and Sri Lanka in the Far East (almost twice as high), even though several of Firestone's cost items should be lower owing to e.g. duty exemptions (still enjoyed in 1973). This deduction of almost three and a half cents per pound may have yielded the plant an extra profit of one and a half to two cents per pound.
In purchasing crude rubber from Liberian farmers, processing it into its own grades, shipping and selling, Firestone ties up its money for about three months and therefore charges an interest based on 10% per annum. Thus, the Interest on Funds deduction is interest on the money paid by the Firestone Plantations Company to the farmers for the period between the purchase by the former and the sale to its U.S. parent company. In the light of the interest free loans the Firestone Plantations Company gave, and gives, to the Firestone Tire & Rubber Company it appears that the Liberian farmers are paying for a suppliers credit granted by the Firestone Plantations Company to the U.S. parent.
The Liberian farmers are also paying for Firestone's Income Tax as 1.27 cents per pound was deducted for "Profit before Tax". This charge also means that even before selling the rubber to Firestone-Ohio, the Firestone Plantations Company has already made a profit on the rubber purchased from Liberian producers. The "net" profit of 0.70 cents per pound, calculated on the basis of an Income Tax rate of 45%, is added to the other profits made through excessive deductions, duplication of charges, and the use of services of other subsidiaries.

There is another disputable component of Firestone's pricing system: the use of FOB Singapore prices although Singapore lies much further from the U.S.A. than Liberia. If New York prices had been used (as they were in the past, prior to the 1950's) this would have been more beneficial to the Liberian rubber growers and the Liberian Government. The choice of Singapore instead of New York prices resulted during 1972/73 and 1973/74 in net losses for Liberia of $ 175,000 and $ 832,300 respectively (78).

As far as the buying of latex is concerned, the Firestone Tire & Rubber Company made the following two deductions from the price paid to Liberian farmers, in addition to (some of) the charges mentioned in the example of the dry rubber: a deduction for ocean freight (including insurance), and one for terminal and tank car expenses. As the price for latex is a FOB vessel Monrovia price a deduction for ocean freight is very arbitrary and inappropriate. The same applies to terminal and tank car charges as they refer to unloading in New York. Another charge, the deduction of 0.5 cents selling costs relates to the costs made by the Firestone Tire & Rubber Company when selling the latex in the U.S.A. It is strangely enough the Liberian farmers who have to pay these costs. It is moreover a duplication of the 0.5 cents sales commission which is also deducted, as in the case of coagulum.

The rubber pricing system is one of the most inscrutable mysteries connected with Firestone's operations in Liberia and the company prefers to keep it that way. It is reluctant to provide Government officials or other investigators with sufficient and relevant information, which is kept in Akron, while the fluctuations in the amounts of deductions used by Firestone, due to changes in costs, further complicate an analysis. The Liberian Government has tackled this rubber pricing policy more than once but is plagued by the problems of a shortage of staff, a good filing system (79), and a lack of co-operation - if not outright obstruction - which characterizes Firestone's attitude. The latter withholds information asked for by the Government while providing excuses such as

> *"(...) which we have not been able to locate"*, or, *"We have searched our records, but (I) do not have complete details of these transactions."* (80)

These are hardly reliable statements by a large multi-national company whose efficient operation largely depends on the availibility of any type of information at any time.
Not only the Firestone officials are to be blamed for this attitude though they bear first and full responsibility for such unacceptable and insulting behaviour. Lack of a firm stand and the absence of tough disciplinary measures on the part of the Liberian Government will doubtlessly have encouraged them to ignore repeated requests (see Annex 6). (81)

The fact that Firestone for a long time refused to accept the Liberian Government as a serious (business) partner can only be explained by the political coverage which the company enjoyed in the country, a protection which started with the hiring of prominent Liberians as lawyers and counsellors and which was reinforced by the interest important Government officials acquired in the production and the subsequent sales of rubber to Firestone (see Chapter 13). The obvious conflict which resulted from the Liberian desire to maximise income from rubber sales through political actions against the company had already been won a long time ago by the Firestone Company as under the 1926 Planting Agreement or any of its numerous Amendments it had no obligation to buy rubber from Liberian farmers. This laid the foundation for the deteriorating trend in Liberian Government - Firestone relations and at the same time provided the basis for the ambivalence which became the major characteristic of the official position towards the company. As from the 1960's the latter adopted a *"low profile policy"* in Liberia, as a defensive measure against a public opinion which increasingly resented it, its pricing policy, its exploitation of labour, and its apparent omnipotence.
Liberian Government officials, thus conniving at Firestone's pricing policy, are partly responsible for depriving Liberian rubber farmers and the national Treasury of millions of dollars. The magnitude of the financial loss will be difficult, if not impossible to establish. Some isolated attempts were undertaken by employees of the Concessions Secretariat of the Ministry of

Finance in the 1970's, but owing to the appalling absence of data in Liberian Government agencies and the non-accessible character of the information at the Firestone Company's offices, any attempt in this respect is bound to fail.
The change of Government after the death of one of the main protectors of Firestone in Liberia, President William Tubman, unfortunately did not improve matters. Though the situation did change when the Tolbert Administration took over it did not differ fundamentally as the new leaders have virtually the same business interests as their predecessors (82). As a result no change in Firestone's pricing policy was introduced in the new concession agreement between the Republic of Liberia and the Firestone Tire & Rubber Company of 1976.

The renegotiation of the 1926 Planting Agreement

The growing awareness in the 1960's of the unequal distribution of the benefits derived from the country's Open Door Policy and of the abuse of privileges granted in the generous concession agreements signed under the rule of President William Tubman caused the new Tolbert Administration to embark upon a policy which aimed at reviewing all concession agreements. For a number of reasons the first concession agreement to be reviewed was the 1926 Planting Agreement with the Firestone company.
First, being the oldest concessionaire in the country and, historically, a pace-maker it was only natural that Firestone would be tackled first. Furthermore, no other company in the country had enjoyed (and to some extent still enjoyed) so many privileges and exemptions as Firestone (83). Thirdly, there also was the fact that the 1965 Supplementary Agreement to the 1926 Planting Agreement made the company liable to income taxes (45%) in the period 1965 through 1973, and it was thought possible that Firestone might claim a return to the situation prior to this Agreement after 1973. The fourth reason first of all to modify the agreement with the Firestone company was of an emotional nature: the relationship which over the years had grown between the Government of Liberia and the generation of Liberians closely connected with it and involved in business and politics on the one hand and the Firestone Tire & Rubber Company on the other.

Officially the Government sought to accomplish the following objectives in its review of the 1926 Planting Agreement (84):

(1) increase its revenues by eliminating the privileges granting Firestone exemption of payment of several dues, charges, and taxes;
(2) improve the revenues of independent Liberian rubber farmers selling their produce to Firestone by providing a fairer price of latex and dry rubber;
(3) establish basic rules to aid the future development of Liberian rubber processing and manufacturing plants;

(4) integrate Firestone's enclave economy into the national economy;
(5) stimulate the "Liberianization" of (a) services and supplies, (b) staff and other personnel;
(6) encourage the participation in the creation of viable communities;
(7) modernize and "up-date" the agreement.

The first official notice informing the company of the Government's desire to review the almost fifty year old Planting Agreement was sent in early 1974 (after the expiration of the income tax provision of the 1965 Supplementary Agreement). The unbelievable arrogance which Firestone showed by the generally negative reaction to the Government's proposals (see Annex 8, "Summary Table of Renegotiations of the 1926 Planting Agreement with Firestone 1974 - 1975 - 1976", column 4) found its climax in a list of demands put forward (85), and which provoked the rage of the Minister of Finance, Stephen Tolbert:

(1) All income tax paid by Firestone under protest, together with all interest due, should be returned to Firestone prior to the effective date of any amendments to the Agreement.
(2) Prior to the effective date of any amendments, the Government of Liberia should pay to Firestone all amounts owed on prior price support loans to local growers.
(3) Any amendments to the Agreement should be effective as from the date ratified by the Legislature, provided, however, that all such amendments covering income taxes or other similar payments should be applicable to the Plantation Company's first tax year commencing after such ratification.
(4) The Agreement should be amended to assure Firestone freedom of exchange and to provide for remittance from Liberia of dividends, retained earnings, distributions of capital and proceeds from the sale of assets.
(5) The Agreement should provide for the extension of the lease term through the granting of additional options to Firestone.
(6) The Agreement should be amended to provide that the Government of Liberia will bear the cost of maintaining all roads in the plantation area that are used as public highways.
(7) The Government of Liberia should take over the full cost of providing the buildings and other facilities for all persons on the plantation performing governmental services, including soldiers, customs officials, post office employees and others.
(8) All matters incidental to the cost and administration of the school and medical facilities on the plantation should be reviewed, and the Government of Liberia's appropriate role in these operations discussed.

Although it was not stated outright in Mr. Derr's letter it left little room for doubt that the Government of Liberia's legitimate request for the renegotiation of an almost fifty years' old

Planting Agreement was in Akron looked upon as an act of ungratefulness, and that the company's managers were ostensibly of the opinion that the company (had) already contributed enough to Liberia.
During the first meeting of Government officials and Firestone representatives, in July 1974, the emotional bomb exploded, and Finance Minister Steve Tolbert, as Chairman of the Concessions and Investment Commission and backed by his brother, the President of Liberia, demanded the withdrawal of Firestone's reply which - it was felt - had insulted Liberia. He forced the company's International Vice-President publicly to apologize for his letter (86). Apparently Firestone now understood that it was difficult to play games with the new Administration, and in particular with Steve Tolbert, himself a tough businessman-millionaire. Within a month the company conceded to a number of proposals of the Liberian Government as can be seen on the Summary Table of Renegotiation of the 1926 Planting Agreement (see Annex 8).
The items to be reviewed which Firestone continued to reject were, however, of greater importance than the changes it had decided to accept. In particular, mention should be made here of the exclusive position of Firestone in its concession area and its rights to engage in all activities (both agricultural and mining). The company did not give up these prerogatives until 1975. In the same year compromises were reached on a number of issues, e.g. the stumpage tax on rubber wood and rubber wood products, the right of the Government to buy the company's produce (under certain conditions), and the automatic termination of the Agreement. In addition compromises putting the Government in a weak position, e.g. with respect to the reversion of Firestone's facilities and infrastructure to the Government at the expiration of the concession agreement, and the Liberian desire to ship Firestone's products to overseas markets, were agreed upon. The company was emphatic in its refusal (1) to pay the export tax on rubber and all other future taxes levied directly on income, and (2) to be subject to Liberian Laws of General Application. As a result of the disappearance of Minister Tolbert, who died in a mysterious plane-crash in April 1975 (87), the discussions suffered a serious setback and the renegotiations were discontinued in June 1975.

The question was, in fact, not solved until May 5, 1976, when the (Acting) Minister of Finance, Gerald Padmore, received the message that the Board of Directors of the Firestone Tire & Rubber Company had agreed to the company being subject to the laws of general application as pertaining to the Liberian Tax Code.
Once the green light had been given it was only a matter of agreeing upon the exact wording of the final Agreement. After almost three years of preparation and negotiations the new agreement, hereafter referred to as the Firestone Concession Agreement, was signed by the Firestone company and representatives of the Government of Liberia.
The agreement, signed on August 20, 1976, was approved eight days later by the National Legislature.

The 1976 Firestone Concession Agreement

The term of the 1976 Agreement does not affect the original duration envisaged in 1926: the Firestone Concession Agreement will end on October 1, 2025. The concession area however was considerably reduced, and now covers 289,000 acres, which still is about 100,000 acres more than the area the company occupied at the time of the renegotiations (the Firestone Plantations Company in August 1976 relinquished about 69,075 acres, and currently retains 140,449 acres, "the Production Area").
The company obtained the exclusive right in its concession area to engage in the manufacturing of rubber products (the two actual products of concentrated latex and dry rubber, as well as others). The Agreement expressly prescribed that other agricultural activities and mining operations require additional agreements. The Government reserved the exclusive right to prospect for minerals and other natural resources within the Production Area, including the granting of such exclusive rights to third parties. Nevertheless, the Firestone company has a (vague) option on the exploitation of these natural resources. This option however, is subject to a time limit.
As to the construction and use of support systems, infrastructure in its broadest sense, Firestone has the right exclusively within the Production Area to *"construct, install, maintain and/or repair, at its own expense, infrastructure"*, in certain cases subject to the prior approval by the Government, and non-exclusively outside the Production Area, exercisable only after prior approval by the Government and subject to Liberian laws of general application. The company, however, was not granted common carrier privileges, in accordance with a long established policy exclusively to reserve this area of economic activities for Liberians. Farm roads within the Production Area and subsidiary lines to and units within existing support systems in accordance with applicable Government standards are excluded from Government approval.
The new agreement subjects the Firestone Plantations Company and its employees to all taxes, fees, import and export duties, excises and other charges imposed by Liberian laws of general application, thus including the payment of a rubber export tax. The same laws are also applicable regarding stumpage fees though rubber wood used in connection with the production of rubber was here excluded. The company continued its exemption from reforestation tax or any similar tax or fee, if the trees were cut for the purpose of rubber production. The rental was increased to $ 0.50 per acre per year for all public lands within the Production Area. All payments to the Government must be performed by the Firestone Plantations Company.

Lessons from the past had been the motivation for several other new provisions. For instance it was agreed that the Firestone Plantations Company would sell its rubber products at the best obtainable prices, that the company would pay fair and equitable prices when buying rubber from independent Liberian producers, and that transactions between Firestone and an affiliate would be

on the basis of competitive prices and fair and reasonable other terms and conditions. No system, however, was created at the same time to control, enforce or check on these regulations whereas it might well be that the formulation of these obligations is too broad to avoid the problems of the past. The absence of sanctions may also reduce the obligation to keep records in Liberia to wishful thinking.
The Firestone Plantations Company was also obliged to furnish free medical treatment, care and attention to all its employees and all Government officials regularly working in the Production Area, and their dependents. Contrary to common belief in Liberia, education was never mentioned in the 1926 Planting Agreement with Firestone or in any of the subsequent supplementary agreements or amendments. The 1976 Agreement, however, states that Firestone has to provide, free of charge and in conformity with the rules, regulations and standards established by the Government, primary and secondary school facilities up to and including the 9th grade equipped and staffed by the company for the dependent children of all employees and all Government officials regularly working in the Production Area. It is noteworthy that this is more than the Government had initially requested (*"the establishment of primary schools for children of Firestone employees"*). The company, however, fails to comply with both of these obligations (to provide educational and medical facilities).

The "Liberianization" policy of the Tolbert Administration is reflected in Firestone's obligation to give preference to Liberians who are qualified when employing labour, and further to provide on-the-job-training, operate vocational training facilities, and offer scholarships for qualified Liberian employees to pursue advanced studies abroad. Wages, benefits, and working conditions of the employees are intentionally vaguely described:

> *"Wages paid to and employees' benefits received by Firestone/Liberia's employees and said employees' working conditions shall be in accordance with Liberian laws of general application" (88).*

In practice plantation workers in this West African republic have very limited rights. This is due to a characteristic and typical policy of the Liberian politicians/plantation owners both in the past and in the present. This policy played and still plays a (decisive) role in the absence of trade unions in the agricultural sector despite the fact that this sector employs more labour than any other in Liberia. The Liberian Government, not wanting Firestone to act as a pace-maker in this respect, by this sub-section 11.2 of the Concession Agreement legalizes a situation which is often referred to as "exploitation of labour", and thus provides the company with a reason to maintain the same situation.
Under the agreement the Government as well as Liberian manufacturers possess the right to purchase up to 10% of the output of the Firestone Plantations Company (each, and on an annual basis) at prices described in the sections 13 and 14, respectively.

The Government's effort to change the enclave character of Firestone's position in the national economy resulted in a vague obligation of the company to use Liberian products and services. Definite improvements, however, were the Government's rights to terminate the agreement (virtually absent in the 1926 Planting Agreement) though there is still room here for further improvements, such as the provision for a periodic review, and the creation of a Technical Committee (89). The latter, if properly used by both parties, may become of great importance during the term of the Agreement, as it provides an opportunity of regular communication between the Government and the company. Each party appoints an equal number of persons on this committee, three being the minimum. However, being only authorized to meet and to recommend, the real power of the Technical Committee is limited. This contractual limitation will act as a constraint on the further development and importance of this committee. Another constraint on its optimum functioning might be the recommendations to Firestone-Liberia, a company in which the Liberian Government is not represented. (The Model Iron Ore Agreement stood model for several of the new items of the 1976 Firestone Concession Agreement, notably this creation of a Technical Committee, but contrary to the LAMCO Joint Venture's and Bong Mining Company's Boards of Directors, on which the Government is represented (see Chapter 8), the latter is absent from the Board of Directors of the Firestone Plantations Company). In December 1978 the Technical Committee was not yet functioning.

The Agreement, which with respect to its financial aspects became retro-actively effective on November 1, 1975 has, grossly speaking, two major weaknesses which are the result of Firestone's refusal to accept the Government's demands, and two other deficiencies which can be explained from the interest which Liberia's ruling class, in general, has in rubber plantations.
The lack of an obligation to produce semi-manufactured and/or final goods (whose main component is rubber) and the absence of a debt/equity ratio continue Firestone's "enclave economy" and the "primary commodity characteristic" of Liberia's rubber exports, and create a loophole which eventually may be used by Firestone.
A pricing system which is too vague and leaves too much room for arbitrarily calculated and derived deductions is the price the Liberian Government has to pay for its failure to compel Firestone to buy rubber from Liberian growers (originally included in the renegotiations). The interest which Liberian politicians have in the rubber sector of the economy and in a continued purchasing of the rubber by the Firestone Plantations Company (or by any other company, since the price continues to be determined by Firestone) will be discussed in Chapter 13. The same business interest is responsible for the refusal of the Government of Liberia to insist on provisions which would improve labour conditions on the plantations. Significantly, however, two noticeable changes had been recommended as early as 1931. In that year the Brunot Commission of the League of Nations recommended that

"The total area mentioned in the concession contract

with the Firestone Plantation Company shall be reduced, and the rent shall be raised from 6 cents to about 50 cents per acre" (90).

However, not to define the 1976 Firestone Concession Agreement as a big leap forward would not be fair. This agreement with the Firestone Tire & Rubber Company is much more impressive because of its seriousness than was the 1926 Planting Agreement, and it was much better prepared by the Government. As just indicated, certain provisions or characteristics, however, seem to indicate that it is hard to beat a multinational which can afford to buy expertise wherever it is available, and use or create loopholes where it needs them. Countries such as Liberia seem to be "bound to lose". What happened after the conclusion of the 1976 Firestone Concession Agreement may illustrate this.

The Government's relatively firm stand during the discussions with Firestone was partly motivated by its plans to use the resulting agreement as a "model agreement" during the ensuing renegotiations of existing agricultural concessions and/or the discussion of new ones, and partly - of course - by historical reasons and the personal feelings of some Government officials. A weak performance would consequently not only result in a loss of future revenues and advantages but also in a loss of bargaining power and position. Indeed, after the conclusion of the Firestone Concession Agreement the Government proceeded with the renegotiation of the agreements with some of the older concessionaires, notably The Liberia Company and the Liberian Agricultural Company (the exclusion of the African Fruit Company is not without political significance, implicating high ranking Government officials including the President of Liberia and the Minister of Finance). It seems, however, that after the personal interference of President William Tolbert both the renegotiations and the evaluation of the benefits of foreign concessions were discontinued in early 1978. This decision anticipated the conclusions and recommendations of the Parker-Commission, installed some months earlier. The motivation for this Presidential decision was the unfavourable investment climate, i.e. the continued absence of new investments.

The foreign investors, particulary in the rubber sector but also in the mining sector, succeeded in convincing prominent Government officials that they could not afford to accept new terms of their agreements, e.g. the same as Firestone's. In the light of the financial crisis which Liberia in the early 1980's is to experience very likely it seems justified to reconsider these decisions (see also Chapters 10 and 14).

CHAPTER 4

FOUR ATTEMPTS TO CULTIVATE OTHER CASH CROPS: COFFEE, COCOA, BANANAS, AND PALM PRODUCTS

THE LIBERIA COMPANY

Edward R. Stettinius, who in 1944 had been U.S. Secretary of State and also a former lend-lease Administrator (from 1941 to 1943), had become very familiar with Liberia, notably during the discussions for the construction by the U.S. Government of a port at this portion of the West Africa coast. He had developed great interest in, and sympathy for, this country which from 1936 till 1941 had been the only independent state in the whole of Africa. Shortly after President William Tubman took office in 1944 a start was made with a series of conferences between the Liberian Government and the Stettinius Associates-Liberia, Inc., a company which Stettinius had founded. Meanwhile it had become clear that the Five Year Development Plan (1946-1950) which the Tubman Administration had launched could not be implemented because of lack of funds, shortage of manpower, and insufficiency of data relevant to development planning (See also Chapter 10).
On September 3, 1947 the negotiations with Stettinius resulted in the signing of a Statement of Understanding whereby a company was created under Liberian Law, The Liberia Company, whose overall objective was *"the development of the human and material recources of the Republic of Liberia"* (1). The Liberian Government and the Stettinius Associates-Liberia, Inc. were jointly to participate in the new company

> *"in a cooperative effort to bring to bear the advantages and benefits of private resources in capital and specialized knowledge from the United States and the natural resources of Liberia with a view to improving the levels of the living of the people of Liberia and to enhance and expand their opportunities for economic and social advancement."* (2)

The same idea had been mooted already in 1944 by President William Tubman, in his Inaugural Address, when he had introduced what was to become known as his "Open Door Policy" (See also Chapter 2). When the Liberia Company was founded plans were also published for the creation of a Liberian Educational Foundation for the

> *"advancement of the higher educational opportunities of the people of Liberia, including bringing the best qualified candidates to the United States for Education, with particular emphasis on medical and technological training, and the training and the assistance in the creation of the University of Liberia."* (3)

The Statement of Understanding mentioned the following projects to be inaugurated on or before December 31, 1950:

1. Organization of a national bank to be called "The National Bank of Liberia";
2. Commencement of mining operations insofar as practicable;
3. Organization of machinery for collection, grading, processing, handling and marketing of agricultural products;
4. Organization of a company to import and export commodities and act as the official procurement agency of the Liberian Government and conduct internal trade in consumer goods;
5. Commencement of lumbering operations;
6. Commencement of fisheries;
7. Transportation and public service projects such as roads and bridges; light, power and water for public use; and radio, telegraph and telephone, and other projects as may be practicable in this period.

It was envisaged that mining operations, agricultural projects, lumbering activities, and public service and other projects, e.g. the development of a ceramics industry, not previously commenced, would be inaugurated not later than December 31, 1960.

The Liberia Company and the Liberian Educational Foundation were thus given all legal rights to promote agriculture, initiate industrial activities, exploite the country's fishing grounds, rich forests and mineral resources - though no inventory had ever been made of Liberia's forests and a comprehensive survey of the country's mineral wealth was also lacking - , create infrastructural and communications facilities, engage in commerce, organize the country's banking system, take over the duties of the Government's Procurement officer, provide medical and technological training as well as educational facilities on a higher level, and provide public services, in short, to develop the country.
By the same agreement, the 1947 Statement of Understanding, it was understood that all public service type projects inaugurated by or under The Liberia Company would be turned over to the Government of Liberia according to definite plans as soon as the Government would be able to assume the financial and managerial responsibilities thereof. The company would also undertake to provide for health and training of Liberians who are employees or prospective employees of it or any subsidiary thereof and to employ Liberian citizens wherever possible.
Applicable to all projects under the agreement, and in lieu of any special taxes or government charges other than those of normal and general character, the Government would receive 25% of the net proceeds of the Liberia Company by virtue of its ownership of 25% of its common stock. The Stettinius Associates-Liberia, Inc. would receive the balance of the common stock in the company by assigning its rights under the Statement of Understanding to it. Ten per cent would be held by the Liberia Educational Foundation. The Liberia Company was given an option on the carrying out of each of these projects. The privileges granted to the company though had to be exercised within a reasonable period of time, i.e. within two years after the completion of special arrangements for specific

land, rights, acts of cooperation, etc., applicable to the particular project, by a subsidiary of the Liberia Company in which shares would be available to *"all private useful and qualified Liberian, United States and other participants"*, the proportion of ownership retained by The Liberia Company being such *"as facts would make appropriate in each case"* (4). The duration of this concession would be 80 years.

The Statement of Understanding, which was officially approved by President Tubman on December 4, 1947, was made in good faith by both parties, no clear definition being made of "net proceeds", not providing a regulation of the financial structure of The Liberia Company in the absence of a debt/equity ratio and leaving the financing and execution of the projects entirely to the Company.

This agreement between President William Tubman and Edward Stettinius calls to mind comparable efforts of previous Administrations to entrust the development of (a part of) the country to private foreign capital, notably the agreements between President Arthur Barclay and Sir Harry Johnston, in 1906 (see Chapter 2), and between President Charles King and Harvey S. Firestone in 1926 (see Chapter 3). Compared to the concession agreements with the Liberia Development Corporation in 1906 and with the Firestone Tire & Rubber Company in 1926, however, this agreement with the Stettinius Associates-Liberia, Inc. covered many more activities, was much more comprehensive, while it also differed from the other two as it included Government participation, though this was limited to a minority share. In fact, the decisions and events of 1947 were unique. Never before in the history of the country, had a single private, and largely foreign-owned company been given so many powers and so much confidence. One century after the creation of the "independent and sovereign State of Liberia" its development was handed over. A most remarkable decision indeed, and it was to be explained and defended both inside and outside Liberia, as "the Open Door Policy". Most remarkable, however, is that whereas the Firestone investments provoked ill-feelings in the 1920's and later, there seems to have been virtually no opposition to these 1947 proposals (5). An explanation for this attitude of Liberia's ruling class might be that the Firestone company threatened the national sovereignty which was at that time not even accepted throughout the republic, and its investments were profit-oriented whereas the plans of the Stettinius Associates-Liberia,Inc. - also contrary to the activities of Sir Harry Johnston - did not primarily aim at a direct profit, but were more altruistically motivated. This characterisation, however, might be inaccurate and misleading. Edward Stettinius was of the same generation as his successor at the U.S. Department of State, Foster Dulles, and shared his antipathy against the ideology and philosophy of the non-capitalist world.

It was this anti- communist attitude which directed Stettinius' involvement in the only African republic. The Statement of Understanding therefore expressly mentioned that *"private initiative shall be employed for every project to the fullest extent available"* (6).

However, before he could realize any of his far-reaching and over-ambitious plans in Liberia, Edward Stettinius died and the whole enterprise took a different turn from that which was planned in 1947. The Stettinius Associates-Liberia, Inc. was bought by a newly organised Delaware company, the Liberian Development Corporation, in which Pan American World Airways' founder, Juan Trippe, acquired a substantial shareholding, and a new agreement was signed between the Liberian Government and The Liberia Company in December 1949, reconsidering the decisions of 1947. It was believed by the two parties that

> *"revisions in the Statement of Understanding would be desirable to conform to their experience subsequent to its execution, to limit and curtail the scope and the duration thereof as well as to reduce and limit the responsibilities and obligations of the Liberia Company under the terms and conditions of the Statement of Understanding and to clarify and define the Statement of Understanding in certain respects."* (7)

In lieu of the wide range of projects referred to in the 1947 Statement of Understanding The Liberia Company's activities under the Revised Agreement were now limited to:

1. Planting, collection, processing, and marketing of cocoa, coffee, palm products and incidental agricultural products;
2. Acting as the official purchasing agent of the government;
3. Extraction, processing, purchasing and sale of gold, diamonds, petroleum and other metals and minerals except iron ore;
4. Such other projects as have already been initiated pursuant to the Statement of Understanding; and
5. Such other suitable projects as may be incorporated in this (revised) agreement of understanding by future agreement between the parties.

In view of the agricultural activities envisaged, The Liberia Company acquired the right to lease an area of land of up to 150,000 acres at a rental of six cents per acre per year for a period of forty years, with an option to more acres if all 150,000 acres would have been brought under cultivation. The company also became entitled to 150,000 acres in accordance with its rights mentioned under (3) above, for a period of forty years too, though in this case the rental would be one dollar per acre per year. However, if the government were to grant to any other foreign company a mining lease for a yearly rental of less than one dollar an acre, The Liberia Company would be entitled to the same treatment (this provision resembles again the "most favoured nations clause" of the original Open Door Policy).
Royalties to be paid by The Liberia Company would be of general application during the term of the agreement, but were not to exceed 15% of the sales price of all precious metals, minerals or petroleum, 10% of the sales price for all semi-precious metals or minerals and 5% of the sales price for all basic metals and minerals, provided that the company would at no time be required to pay a higher royalty than any other foreign company operating in Liberia. With respect to The Liberia Company acting as the official

purchasing agent of the Government it was agreed that the company would do so at a commission rate to be agreed upon on all imports for a period of two years from the effective date of the agreement. In consideration of the Liberian Government's 25% stock interest in The Liberia Company, and the 10% stock interest of The Liberian Foundation, and the rentals and royalties to be received by the Government of Liberia, the latter agreed that in the case of each of the projects mentioned under (1) to (5) inclusive above, no taxes other than those imposed by this revised Statement of Understanding would be levied for a period of twelve years after the effective date of the agreement. Thereafter, any taxes levied, assessed or collected would be of general application.
It was also agreed that should The Liberia Company fail to exercise the rights granted for any project within two years after the date of the agreement, or should The Liberia Company cease operation on any project for two years, except in case of force majeure, the rights granted for such a project would lapse.
The following provision is worthy of note as the agreements entered into with the oldest investor in the country, Firestone, did not include such an obligation until 1976:

> *"The Liberia Company confirms that it shall be of primary concern of The Liberia Company, as stated in Article 5 of the Statement of Understanding, to advance the welfare of the people of Liberia, and the organization of each project shall be accompanied by appropriate provision for health and training of Liberians who are employees of such project, and it shall be the policy of The Liberia Company to give preference of employment to citizens of Liberia."* (8)

The only long-term economic activity undertaken by The Liberia Company under the provisions of the revised Statement of Understanding of December, 1949 was the start of a plantation for which purpose the company entered into an agreement with the Government of Liberia on August 23, 1950. Under this agreement, called "Indenture of Lease", an area was leased for a period of forty years at a yearly rental of six cents per acre, in conformity with the 1949 agreement.

Also in accordance with the revised Statement of Understanding was the exemption which was granted from any and all taxes and duties on the importation of materials and substances for use upon the lands leased, including residences, processing plants and other buildings thereon, and in the operation and development thereof. The company obtained the exclusive right to construct, maintain and operate highways, railways, tramways, waterways, natural water and hydro-electric power lines and plants, and pipe lines (regardless of whether facilities for energy were inside or outside the concession area), telephone and telegraph lines, and other communication systems, airstrips, airports, radio and radio telephone installations and communication stations, and mills, factories, warehouses and other suitable structures provided they were for the efficient operation and development of the enterprise. All trails across the area leased which had been used by the population from time immemorial should remain open to free use by the population if such use would not interfere with the efficient or economic

operation of the plantation. The Government agreed to assist the company in the acquisition, by lease or otherwise, of easement and rights of ways over privately owned land, upon payment of just rental or other compensation to the owner(s) thereof though lands set aside for the communal use of any tribe were excluded from the scope of this Lease Agreement, unless an agreement was reached between such tribe, the company and the Government, that the tribe agreed to relinquish its rights.
Lands utilized together with utilities added, and all easements and rights-of-way outside the confines of the areas granted under this Indenture of Lease were exempt from all taxation as long as they were used for the operation of the plantation.
The company agreed not to import unskilled foreign labour, unless allowed by the Government whilst the latter promised to assist the company in securing and maintaining an adequate labour supply.
The provision which was included that the company was to enforce such rules and regulations in conformity with the laws of the Republic as would protect the health and welfare and encourage the education of the peoples residing within its concession area was a novelty compared to the 1926 Planting Agreement as amended from time to time. The exclusive right to establish and operate suitable trading posts within the area leased was different from the agreements with Firestone and can be attributed to the area in the isolated interior of the Republic between Ganta and Saclepea (in the then Central Province), selected by The Liberia Company. The Tubman Government guaranteed the Liberia Company free, clear and unencumbered title to the lands granted and agreed to defend and protect such title for the benefit of the company.

In 1950 the company made a modest start with the planting of cocoa and coffee and a year later management made known its intentions of expanding the cocoa and coffee plantation to at least 25,000 acres over the next seven years. Liberia is one of the few countries in the world where coffee grows wild. In the 19th century it had been made one of the country's most important export products by enterprising colonists (see Chapter 2).

Kru labourers, formerly employed on the (then Spanish) Island of Fernando Poo, introduced cocoa to Liberia on their return during the 1910's and 1920's. It was not the first time foreign capitalists were interested in the cultivation of cocoa. In 1935 a Polish group had obtained a concession from President Edwin Barclay. The concession covered 600 acres of land in the (then) Central Province, and for a period of 99 years. The Polish investors indeed started planting cocoa but little information can be found on the outcome of this company's activities except for the fact that it did not last for long (9).
Though the 1950 Agreement already provided for a concession area of 150,000 acres with accompanying rights and privileges the Chairman of the Board of Directors and President of the company, Mr. Juan Trippe, asked for and obtained an additional five-year exemption from taxation. In December 1951 an Amendment to the Revised Statement of Understanding was agreed upon (by Trippe, Trimble, Vice-President and General Manager of The Liberia Company, and Gabriel L. Dennis, Liberian Secretary of State)

which was approved by President Tubman on December 27, 1951. It provided for a 17 year "tax holiday", provided that within seven years from the effective date of the amendment the company would have planted and would have under cultivation a minimum tract area of 25,000 acres devoted to cocoa, coffee, and other agricultural products. At the same time it was agreed that after the period of tax-exemption no tax was to exceed 13% in any one year during the remaining years of the concession agreement (as mentioned in Chapter 3 in the same year an income tax had been introduced in the country). A third change legalized by this Amendment was that, upon condition of organizing the parent company of the Liberia Company under the laws of the Republic of Liberia, the two companies, the holding company and its subsidiary, upon expiration of the tax exemption period, would be treated as one unit for tax purposes, whereby no dividends or other payments or transfers made by one corporation to the other would be subject to any tax, assessment, or withholding of any kind or character. Despite the company's failure to achieve the planting of 25,000 acres with cocoa, coffee, oil palm, rubber, or other commercial crops it remained entitled to the twelve years of tax exemption, originally agreed upon, which period expired on December 22, 1961. This necessitated new legislative activities as the Government owned 25% of the common stock of The Liberia Company, which entitled it to 25% of the net profits of the company. Another 10% was owned by the Liberian Educational Foundation entitling it to a corresponding share of net income. The remaining 65% of net profits could be taxed at a rate of 45% leaving only 35.75% of net profits with the company. The latter therefore entered into a tax agreement with the government (in December 1962) whereby the maximum tax rate was set at 40%, to be levied upon the recipients of the dividends distributed by the Liberian Development Corporation out of net income realized from sources within Liberia on or after January 1, 1963. Also if dividends paid would be less than net income, a tax would be payable by the Liberian Development Corporation being the difference between the withholding taxes and 40% of net income.

No term was set for this maximum rate of income tax, and apparently the Government has committed itself for the rest of the life of the agreement. Additional taxes were thus lost for a period of over 50 years.
By separate agreement the Government agreed to sell, and the Liberian Development Corporation agreed to buy as of December 31, 1962 the Government's 25% stock interest in The Liberia Company, which had a face value of $ 250,000, for the amount of $ 312,500. Trimble, Vice-President and General Manager of The Liberia Company had proposed to the Liberian Government, which was represented by the Under-Secretary of the Treasury, Lafayette Morgan, that the parent company, the Liberia Development Corporation, would buy the Government's share and that the company would pay a 40% withholding tax on its then 90% of the profits. The Liberian Government, being advised by the Morgan Law Firm to accept these proposals, agreed, and the Tax Agreement was signed. It should be noted that the Under-Secretary of the Treasury and his brother Lawrence Morgan owned the Morgan Law Firm. If the Government would have kept its 25% share in the company and would

have taxed the portion of net profits received by the North American shareholders at the then prevailing tax rate of 45%, it would have had 54.25% of these profits yearly. Instead, now it became entitled to only 36% of the company's profits which was even less than it would have obtained if applying the then maximum corporate income tax rate. The Government's real motivation for this sales transaction remains vague. The threatening financial situation of those days, when the Government had to find a way out of a financial crisis, may have influenced the ultimate decision to have short-term considerations of a financial nature, i.e. to increase immediate cash-income, dominate over longer-term prospects of a larger share of the company's net profits.

The Tax Agreement also provided for an allowance for amortisation calculated in accordance with generally accepted accounting principles. In no event was it to extend over a period in excess of the unexpired period of the agreement with respect to the unamortized amount of investment in coffee, cocoa, and rubber plantings and preliminary operations thereof as of December 31, 1961 while the writing off of losses on preliminary investments made prior to the reorganization in 1950 became allowed too. This was a very liberal attitude on the part of the Government and extremely beneficial to the company. By 1949, when the Liberian Development Corporation bought the Stettinius Associates-Liberia, Inc., the Liberian Government had already granted the former a favour of $ 1 million by allowing a yearly amortization on "goodwill" of $25,000 during the 1949 - 1989 period (the so-called "franchise agreement"), now again the company could benefit from the Government's liberal policy. When the company started its operations in 1950 it bought second hand machinery and equipment which was left by the U.S. Army and the company continued to write off on these assets in the 1960's and even in the 1970's. It would be very difficult for the Liberian Government to evaluate the company's claims with respect to losses prior to 1950 or the unamortized amount of investment in coffee, cocoa, or rubber as with the granting of a tax-holiday and in the absence of an income tax system prior to 1951 both the company's management and the Government of Liberia believed that in view of these circumstances the company would not have to submit financial statements etc., whereas the Government was not to ask for any. This is the main reason why so little information exists over this period. The same applies to other foreign firms with similar tax-privileges.

Under the same Tax Agreement of 1962 the company was granted deferred amortization and loss carry forward privileges, partly in connection with the abandonment of the coffee cultivation in 1956 and the poor prospects of its remaining main crop, cocoa (see below). After the growing and production of cocoa was terminated in 1966, The Liberia Company and the Government entered into a new agreement, in December 1967, whereby the period during which the latter was obligated to lease lands to the company was extended by a period of 40 years, at the rental provided in the 1951 Revised Statement of Understanding (six cents per acre per year), provided that by not later than December 31, 1987 The Liberia Company would have under cultivation not less than 7,500 acres of agricultural

products and further provided that the concession agreement would be subject to review and renegotiation by the Government on or before December 31, 2009 insofar as it would relate to the 20-year period from that date to and including December 31, 2029. Despite the latter provision, in December 1976, after the conclusion of the Firestone Concession Agreement, the Government of Liberia notified The Liberia Company that its concession agreement was to be reviewed. After preliminary discussions in January 1977 the renegotiations officially started in March of the same year. However, due to reasons explained before, the discussions were discontinued in 1978 (see Chapter 3).

Inter-company relations

In Chapter 3 we have already seen that the practice of developing a labyrinth of companies, subsidiaries, daughter companies and related companies of subsidiaries, foundations, agencies, and investments both in Liberia and in other countries was well understood by the Firestone Tire & Rubber Company. This practice is therefore not a prerogative of the Liberian Development Corporation and The Liberia Company but the structures created by these two companies may be called exemplary.

The activities of former U.S. Secretary of State and former Lend-Lease Administrator, Edward R. Stettinius, are much more widespread and comprehensive than is generally known in Liberia and outside this country. When in 1947 Stettinius organised the Stettinius Associates-Liberia, Inc., he secured the participation of Pan American World Airways through its founder and President, Juan Trippe. As a matter of fact, Trippe was married to Stettinius' daughter.
During the Second World War the air transportation company had already become involved in Liberia through the Firestone Tire & Rubber Company. In 1940 the General Manager of the Firestone Plantations Company, George Seybold, conducted negotiations with the Liberian Government - on behalf of Pan American World Airways - for the commencement of civil air services to and from Liberia, resulting in an agreement to operate commercial services being concluded in July, 1941. When Pan American Airways obtained the contract from the U.S. Government for ferrying Lend-Lease planes to Egypt it was Trippe's company which started the construction of a runway, which was to develop later on into Robertsfield, Liberia's first international airfield, using the Firestone company as its sub-contractors (the airfield was later temporarily turned over to the U.S. Air Force) (10).

After the war Pan American Airways signed a management contract with the Liberian Government to run the international airfield. Though the exact relationship between President Tubman and Stettinius is not known it is very likely that President Tubman admired the American businessman-politician and projected his hopes for the development of the country onto this man who had such important contacts both with the U.S. Government and with the U.S. business community. Not only did he in effect offer him the opportunity and the right to start developing and organizing the West African republic with the Statement of Understanding signed

in 1947, but also entrusted him - upon the other's initiative - with the drawing up of three important documents. One provided for the legal frame-work for Liberia's Maritime Program, the Liberian Maritime Law, the second was the Liberian Corporation Law which allowed for foreign companies, operating outside Liberia, to register under Liberian laws for tax purposes, and the third was the Charter of the International Trust Company of Liberia, a North American company whose two main functions were those of Maritime Administrator for the Republic of Liberia, and of Statutory Agent for foreign businesses that were incorporated under Liberian laws. In 1948 The International Trust Company was organized as part of The Liberia Company though later its ownership was fully transferred to the World Development Corporation of Washington (11). The Liberian Legislature enacted the three laws in December 1948 thereby laying another cornerstone for the country's post-war Open Door Policy.

Upon the death of Stettinius his company, Stettinius Associates-Liberia, Inc., was bought by the Liberian Development Corporation, a company in which Stettinius' son-in-law had probably a majority shareholding and whose President he became.
The Liberia Company, originally created by Stettinius Associates-Liberia, Inc., had now become a subsidiary of the Liberian Development Corporation which participated directly for 65% in the capital of its subsidiary and indirectly for another 10% through the wholly-owned Liberian Educational Foundation whose official purpose was the furtherance and support of charitable, religious, and educational institutions in Liberia.

Until 1962 when it sold its share to the Liberian Development Corporation, the Government of Liberia had a 25% interest in The Liberia Company.
Besides its previous mentioned involvement in the International Trust Company, The Liberia Company in the late 1940's bought a 8% equity interest in the country's first iron ore company, the Liberia Mining Company, and acquired a share in the Monrovia Free Port Management Company after the first modern port of the country had been completed. It build and operated in the 1950's a cold-storage plant on Bushrod Island, not far from the Port, as well as a small but at that time modern hotel situated nearby. The company created its own trading company, the Liberia Trading Company, which in turn was linked to another trading company, the Inter-Continental Trading Company. Presumably the latter company had been created for the purpose of acting as the purchasing agent of the Liberian Government, in accordance with the Revised Statement of Understanding, a function which became redundant with the creation of the Bureau of General Supplies in 1953. The Liberia Company furthermore provided in this period management services for the Department of Public Works and Utilities (within the Division of Light and Power, and the Division of Water and Sewerage).

The Liberia Company represented Raymond International (Liberia/ Ltd.), which had constructed the Free Port of Monrovia. The company was also general agent for seven air transportation companies (Pan American World Airways, SABENA, B.O.A.C., Ethiopian

Airways, Ghana Airways, Nigeria Airways, and British United Airways) but terminated these activities in 1972 because of economic and political problems (one of them arising from the delay in/or the non-payment for tickets issued to Government officials). It still continues, however, to be the official agent for a major U.S. shipping line, Delta Lines (the Mississippi Shipping Company). In 1971 The Liberia Company leased a parcel of land in Monrovia for a 20-year period, with an option for renewal for an additional 10 years. At the same time the company purchased on the land a building for use as a sales and business office, part of which building is actually used by the Dutch Air Line, KLM.

As the company lacked the necessary expertise and knowledge of marketing commercial timbers, it entered into a management-contract with the Ganta Timber Corporation in 1974, which agreement was replaced by one with the National Industrial Forestry Corporation in the following year.

The exact relationship between Pan American World Airways and the actual owner(s) of The Liberia Company is not generally known. In the 1960's The Liberia Company was in charge of the management of the hotel at Robertsfield which was (then) wholly owned by the American air transportation company, the latter in its turn being responsible for the management of the international airfield. The Liberia Company's General Manager in Monrovia, Cor Sinke, emphatically denied, when asked in December 1978, that Pan American Airways was the owner of the parent company, the Liberian Development Corporation.
He called the location of L.D.C.'s offices in the U.S.A. (in the Pan Am building in New York) a coincidence, and the combination by several persons of functions both in the L.D.C. and in Pan American World Airways not extraordinary. He confirmed, however, that Juan Trippe had been, and still is, a central figure *"explainable by the history of the company"*. According to Sinke, PanAm owns a minority share in the Liberian Development Corporation, the parent company of The Liberia Company. The total capital stock of L.D.C. amounts to an estimated $7 million, the balance of which is owned by foundations, educational institutions and individuals.

L.D.C.'s increasing involvement in the tourist business on the two Atlantic islands of Bermuda and South Eleuthera are noteworthy and somewhat intriguing as Pan American World Airways is engaged both in air transport services and hotel operations there.
As early as 1965 the L.D.C. had acquired a substantial share in the Bermuda Properties Ltd. which shareholding increased to an almost 50% equity interest in the late 1970's, despite the continued losses reported by the company which is engaged in hotels and real estate on the island of the same name. In 1977 L.D.C.'s investments in this company represented approximately 40% of its assets (some $ 3.5 million). In 1969 the L.D.C. acquired equity participation in the South Eleuthera Properties Ltd. and affiliated companies. This investment, a minority share, was valued at approximately $ 1 million in 1977. With well over $ 4.5 million invested in the tourist business in the Caribbean, the

company's main interest is no longer in Liberia as in the same year (1977) investments in the Cocopa-plantation only amounted to an estimated $ 3.5 million (book value).

Contributions to the Government of Liberia

The Liberia Company commenced its planting activities in 1950, following the signing of the Indenture of Lease (August 1950) with the Government of Liberia. The place selected for the development of a cocoa and coffee plantation was far in the interior of the country, between Ganta and Saclepea, and in those days hardly accessible by road.
The planting activities apparently made little progress during the first few years. This can be explained by the inaccessibility and isolation of the area. By 1954 only a total of $ 300,000 had been invested. Yearly investments in the rest of the decade amounted to approximately $ 225,000 (12), though new plantings of cocoa and coffee stopped as of 1955. In 1956 the company abandoned coffee cultivation and commenced rubber planting. Ten years later the cocoa shared the fate of the coffee cultivation and from then on the company concentrated on the production of rubber. According to the Liberia Company's General Manager in Monrovia, Cor Sinke, there were two main reasons for the termination of cocoa and coffee growing: first, the feasibility studies on which the company had based its original plans had proved to be too optimistic, and secondly, the company could not cope with the increasing rate of theft of the plantation's produce.

The slow start and negative result of the development of a cash crop other than rubber irritated the Liberian authorities who had expected to share in a successful venture. President William Tubman's disappointment and loss of patience is clearly visible in the letter he wrote to the Financial and Economic Advisor, nearly nine years after the signing of the 1947 Statement of Understanding, on April 20, 1956:

> *"I have the feeling that the Liberia Company is exploiting the generosity of the Liberian Government and has contributed nothing to her. What I mean is that Company has been in operation for seven or eight years now and has contributed absolutely not one penny to the resources of the country. On the other hand, it has been permitted to bring into the country free of duty for a long time machinery, other goods, wares and marchandise.*
> *The representatives of the Liberia Company who are also the representatives of the Pan American Airways seem to be pursuing the same course.*
> *We pay fifty percent of the operational expenses of Robertsfield and I do not believe they have made any reports of the intake or revenues accruing from the operation of that airfield to Government for the past two years. They promised, as far as I recollect, to build a hotel or guest houses up there; I doubt if they have laid*

one stone on another or nailed a piece of wood to another to start these guest houses. Please let me have a report and your opinion on these matters." (13)

What exactly the financial contributions of The Liberia Company amounted to during this period (the 1950's) will probably remain a secret for ever. As the company enjoyed exemption from tax payments not a soul bothered to ask for financial statements or other data. Clower et al. report a government's share in distributed profits of $ 50,000 annually during the years 1959 and 1960 whereas in either year the Liberian Educational Foundation distributed some $ 20,000 in Liberia (14). This corresponds with a yearly - distributed - net profit of some $ 200,000 at the end of the fifties.

On the basis of figures available as from 1964 Cocopa, the company's plantation, never showed a profit until 1973. It may safely be assumed that prior to 1964 the plantation operations were unprofitable too since it was decided to discontinue the growing of coffee, and cocoa in 1965, whereas the rubber, the planting of which was started in 1956, did not mature until 1963 - the average maturing period of a rubber tree being seven years. Mainly thanks to income from investments in the Liberian Mining Company and in the Monrovia Port Management Company the company was during these years still able to declare and distribute dividends from net income.

The Government received 25% of these net profits through its participation in The Liberia Company. The income from investment in the Monrovia Port Management Authority - which name later was changed into the National Port Authority - ceased in 1975 while the Liberian Mining Company definitely closed its gates in 1977. The Cocopa-plantation became a profitable operation in 1973 as the increased number of rubber trees planted in 1966 matured after seven years. In 1978 the company had some 6,000 acres under cultivation (1,000 acres of which were still immature) but it planned to expand its acreage planted with rubber in order to meet the deadline set by the agreement of 1967 with the Government to have an area of 7,500 acres under cultivation by 1987. Therefore, production is likely to increase in the future. The Government revenue from the Cocopa-plantation depends on the company's net income which in its turn is to a large extent determined by the world prices for natural rubber and the company's ability to control expenditures.

In conformity with the Revised Statement of Understanding, as amended, 10% of The Liberia Company's net income, via the Liberian Educational Foundation, went to institutions of higher learning in Liberia, the University of Liberia and Cuttington College, and to various health projects. The Government of Liberia, however, does not have a say in the destination of this amount as the Foundation's Board of Directors (which is the same as the Board of Directors of the Liberian Development Corporation) decides which institution(s) or project(s) will benefit and to what amount. These amounts were therefore excluded from Table 3 which shows the Corporate Income Tax paid by the Liberian Development Cor-

poration for the period 1963 - 1977. Under the 1962 Tax Agreement with the Liberian Government, the Liberia Company and the Liberian Development Corporation are taxed as a single entity whereby only income from Liberian sources is taxed. In reality this income is 90% of the profits of The Liberia Company, the other 10% going to the Liberian Educational Foundation. (see Table 3).

In 1967 and 1968 no income taxes were paid to the Government by the Liberian Development Corporation as the company had used its rights of deferred amortization. If the additional assessments of 1970 and 1975 are included and the Government's share in the net income of The Liberia Company prior to the Tax Agreement of 1962 is estimated at a total of $ 400,000, the total direct financial benefits of the latter from The Liberia Company's operations in the country may be assumed to be between $ 60,000 and $ 70,000 a year, and will decidedly not have exceeded the modest amount of $ 2 million during the 30 years' existence of the company (1947 - 1977).
Hardly an impressive amount indeed and very disillusioning in view of the ambitious role the company was assigned in the development of Liberia at the time of its creation, shortly after the Tubman Administration had come to power.
In reality, the handsome profits of the Liberia Mining Company which The Liberia Company shared through its 8% equity interest were used to finance a venture which became increasingly less successful, less ambitious, and less idealistic, and which by 1977 played only a very minor role in the country's economy when compared to the other concessions. (see Table 4).

In the light of the actual contribution to the Liberian Treasury the impression cannot be avoided that the privileges granted to the company, such as the $ 1 million amortization on "goodwill" of The Liberia's Company's predecessor, the preferential treatment through the 1962 Tax Agreement, and the deferred amortization and loss carry forward privileges granted under the same agreement, were, and still are, out of proportion, notably against the background of an institutionally and economically underdeveloped country. The almost inextricable complexity of the organizational structure of this concessionaire alone, and the subsequent dealings with tax laws from at least three different countries made demands upon the Liberian Government which in the past it found impossible and even at present difficult to meet. Two successful actions were taken to cope with loopholes in the tax system and to deal with overt or disguised tax evasion by The Liberia Company. These resulted in additional income tax assessments amounting to $ 22,433 ($ 18,696 income tax and $ 3,737 statutory interest) in 1970 and $ 85,250 in 1975 (paid under protest in 1977).

TABLE 3

TAX PAYMENTS BY THE LIBERIAN DEVELOPMENT CORPORATION 1963 - 1977

(in U.S. dollars)

Year	Corporate Income Tax Paid To The Government of Liberia[1]
1963	$ 14,000
1964	68,000
1965	38,000
1966	55,000
1967	-
1968	$ -
1969	95,000
1970	106,000[2]
1971	60,000
1972	72,000
1973	$240,000
1974	175,000
1975	167,000[3]
1976	83,000
1977	45,000

Notes:

(1) Amounts rounded to nearest thousand;
(2) Excluding an additional assessment of $22,433;
(3) Excluding an additional assessment of $85,250.

Source:

- Concession Secretariat, Ministry of Finance, Monrovia.

In spite of this, however, the distribution of power and knowledge of international and even national loopholes remained very inequal. By a mere change in its accounting system the company reduced its tax liability in 1974 by more than $ 63,000. The Government of Liberia contended the legality of this action on formal grounds, as the Deputy Commissioner of Income Tax of the Ministry of Finance, Johnnie Gaye told the present author in December 1978, but never took action in this matter. The Liberian Development Corporation has on more than one occasion resorted to retro-active changes in the methods of accounting used, which affected the (book) values of its investments and the statements of income and retained earnings. In 1971 the company retroactively adopted the equity method of accounting for its 90% interest in The Liberia Company which had formerly been carried at a stated value of $ 312,501 only. This change of method resulted in an

TABLE 4

LIBERIA COMPANY'S DIVIDEND INCOME
FROM THE LIBERIA MINING COMPANY AND
THE MONROVIA PORT MANAGEMENT COMPANY/NATIONAL PORT AUTHORITY
1963 - 1977
(in thousands of U.S. dollars)

Year	Dividend From LMC[1]	Dividend From NPMC/NPA[1]
1963	$ 489	$ 2
1964	437	2
1965	358	2
1966	380	2
1967	336	2
1968	$ 373	$ 2
1969	524	50
1970	381	2
1971	330	5
1972	319	13
1973	$ 76	$ 1
1974	217	4
1975	283	-
1976	328	-
1977	235	-

Note:
(1) Amounts rounded to nearest thousand.

Source:
- Concession Secretariat, Ministry of Finance, Monrovia.

increase of over $ 2 million ($ 2,104,789) in the carrying value of this investment on December 31, 1971, an increase of retained earnings on January 1, 1970 of over $ 2.5 million ($ 2,549,789) and a decrease of net income of $ 322,500 and $ 122,500 for 1970 and 1971, respectively. In combination with some other changes introduced, resulting in a small increase of net income in these years, there was a net decrease of net profits of more than a quarter of a million dollars ($ 271,108) in these two years. To cope with these and other changes and manipulations the Government would need a fully staffed office or agency and qualified civil servants. However, the Concessions Secretariat within the Ministry of Finance was created as late as 1974 and did not fulfil this role in 1978. To make things worse the Liberia Company, too, is in the habit of keeping part of its records in the U.S.A. The information available moreover easily gets lost within the Ministry of Finance.

THE AFRICAN FRUIT COMPANY

The start of cash crops other than rubber by the Liberia Company, i.e. cocoa and coffee, inspired the Government of Liberia in November 1951 to approach the "Afrikanisch Frucht-Compagnie Laeisz & Co., Hamburg" for the development of banana and other plantations as well as the handling and exportation of these products. The "Afrikanisch Frucht-Compagnie Laeisz & Co., Hamburg" had experience in Africa with the production and export of bananas since 1910 (notably in the former German colony of Cameroon) and was before the 1940's Germany's main importer of this tropical fruit (15).

In July 1952 a Statement of Understanding was signed between representatives of this German company and of the Government of Liberia whereby it was agreed that the former was granted a 80-year concession on 600,000 acres in Sinoe, Sangwin, and Webbo District (Palipo, Glaro, Glio, Konobo) for the purpose of a large-scale development of bananas, other fruits and tropical products plantations. At the same time the company created, under this agreement, the African Fruit Company Laeisz & Co. (Liberia) Ltd., obtained the rights to engage in mining operations and the harvesting of timber in this concession area although these activities would require additional agreements before export operations could commence.
Though the Statement of Understanding granted the company exclusive rights within the three concession areas (16) the Government later granted many concessions to logging companies in the same areas. It is important to note here that a formal concession agreement between the two parties was never signed or, consequently, approved by the National Legislature. The Statement of Understanding of 12 July, 1952 was signed on behalf of the Republic of Liberia by the then Minister of Agriculture J.W. Cooper, and by Richelieu Morris (as witness), and had only been approved by President Tubman. After the African Fruit Company had started its operations in November 1952 the National Legislature approved the original Statement of Understanding, unmodified, on March 30, 1953 and the African Fruit Company Laeisz & Co (Liberia) Ltd. was incorporated on September 30, 1954. In 1973 a cabinet minister considered the company to be operating without a concession agreement (17). Comments on and criticism of the Statement of Understanding were thus never taken into consideration and the following - brief - discussion of the Statement's main provisions should be viewed against this background.

Under the agreement of 1952 (which remained unchanged at the time this chapter was written) the African Fruit Company was granted a concession area of 600,000 acres and on very liberal conditions (see below). Within one year the company had to start the initial development of 50,000 acres which area would at the same time form the minimum acreage on which the annual rental of

6 cents per acre had to be paid. The company would for forty years have an option on the remaining 550,000 acres. Only the failure to develop 600,000 acres within forty years after the formal granting of the concession would cause the African Fruit Company to loss this option. As the Statement of Understanding does not provide the Government of Liberia with any possibility to terminate the agreement earlier than the period stated in it (80 years) it is not certain whether the company can still claim this vast area. Although the development and cultivation of an area of 50,000 acres was never realised the Statement of Understanding only states in this respect that

> *"(...) beginning on or before one year from the execution of the formal agreement between the GOVERNMENT and the AFC the latter shall select that part of said lands above described, which it will start developing as may be convenient and in accordance with the economic and progressive development of said holdings.*
>
> *(...) The AFC will develop the balance of said acreage of 550,000 acres at its option, and as soon as the AFC has developed the first fifty thousand (50,000) acres of land hereinabove described, AFC agrees to make every reasonable effort to develop said lands, but it is understood and agreed that it will be done only at its option and as the same can reasonably be done, provided however that the total acreage granted in the concession shall be cultivated and developed within forty years after the formal granting of the concession."* (18)

The absence of a concession agreement ("the formal granting of the concession") may render a claim on these and other provisions of the Statement of Understanding illegal and useless though the owners of the African Fruit Company may argue that they have a legitimate right to their full and unimpeded execution. This becomes the more important in view of the company's privileges, notably its exemption of virtually all taxes (except income taxes) - hence including freedom of import and export duties (19) - and the absence of a specification of the duration of this period of tax exemption. However, the Supreme Court of Liberia, which could give a ruling on this case, seems to be severly hog-tied in this matter by the Chief Justice's close relationship with the new owners of the African Fruit Company (bought in 1974 by a Liberian company) and the political character of the country's judicial system (see below).

Originally, i.e. under the Statement of Understanding of 1952, the African Fruit Company had the right to construct and operate within and without its premises transportation and communication facilities, including buildings, warehouses, selling offices etc. No provision was made for the Government's approval or even consultation. The Government only had the right to inspect such installations from time to time, and to request that the general public could,upon payment,use these facilities. The use of strips of land in the Baffu Bay area, in Sinoe County for the construction of *"roads, ports, wharfs, landing places (and such like)"*

was to be free of any additional charge, and the Government's eagerness to have this area developed and equipped with a port and related facilities may account for this deliberate duplication of a right granted to "LeTourneau of Liberia, Ltd.", only a few months earlier. Both companies, LeTourneau of Liberia Ltd. and the African Fruit Company, could thus claim the same area in Sinoe County, the Baffu Bay area, as part of their concession area (see below). It will be seen later on that such practices resulting in the (partly) overlapping of concession areas granted would occur more frequently as the number of concession agreements signed increased. The weak and inefficient structure of the country's administration however, was then chiefly to be blamed for these situations, which - sooner or later - inevitably resulted in conflicts between foreign investors (20).

The company accepted the obligation to assist Liberian citizens in cultivating bananas or any other agricultural products and to buy such bananas or other products for exportation at reasonable prices subject to quality. It is noteworthy that after the failure of the banana-venture, a start was made with the growing of rubber and the subsequent buying of this product from Liberian producers, at prices dictated by the Firestone Plantations Company. The new management, after 1974, persisted in these activities.

As regards the use of labour the company promised to employ, in general, only Liberian unskilled labour for which it obtained the Government's commitment of assisting the company in securing an adequate, quiet and obedient labour force (no strikes or interruption of production allowed). In case existing villages and/or their inhabitants impeded the work and progress of the company, the African Fruit Company, under the Statement of Understanding signed with the Government, could ask the latter for the evacuation of these villages provided they were located within its concession area. This is a particularly interesting clause of this Agreement though not a novelty in the dealings with foreign investors (21). As in previous cases, the Government by removing people from their ancestral lands partly decided the fate of a population who at this time was still denied the right to vote and thus to participate - even nominally - in the governing of the country.

Another interesting, but quite different feature of the Statement of Understanding was the explicit statement by the African Fruit Company that its final ratification would depend upon agreement by the Government of the Federal Republic of Germany in Bonn. No data are available that this was obtained but it may be assumed that the German Government had approved the Statement of Understanding as the same Article 9 stated that the African Fruit Company was not to start its operations under this agreement until after the final ratification by both contracting parties (although the company already started its activities in the same year, before the National Legislature of Liberia had approved the Statement of Understanding). The German Government, moreover, a few years later helped finance a port near Greenville, a decision which was in fact based upon AFC's activities in Sinoe County.

The Port near Greenville

After having carried out preliminary surveys in 1953 and the early part of 1954 the African Fruit Company envisaged the construction of a port and a wharf at the Giriwakro Bay in the region of the mouth of the Sinoe River (22) but on September 18, 1954 the Government of Liberia and the African Fruit Company entered upon a Port Construction Agreement whereby it was decided that the port and wharf would be constructed by the company at the expense of the Government. The latter officially wanted these facilities to be available to others besides the African Fruit Company and therefore agreed to bear the cost of its construction (23).

In an Annual Report of the Department of the Treasury of the late 1950's, however, it was plainly stated that the Government did so merely *"so as, among other things, to facilitate the exportation of banana and other agricultural commodities from plantations of the African Fruit Company (...)" (24).*

Also the Port Construction Agreement itself leaves little doubt as to who was to benefit most by this arrangement. In case the port was to be enlarged the African Fruit Company (which was to and effectively did employ a construction company to do the actual construction work) had an option on the additional construction works *"so that the method of construction will proceed in a manner which will not in any way affect the port operation of AFC (Liberia), provided that the AFC would be willing to undertake the said construction (...)" (25).*

Furthermore, *"A port management company will be organized at the earliest convenience to operate that portion of the port to be used for the shipment of bananas. AFC will be granted the controlling interest in said management company." (26).*

Besides assuming the cost of construction (including all costs of preliminary surveys carried out by the African Fruit Company in 1953 and 1954) the Government undertook to compensate the private owners of all land that had to be used in connection with the construction of the port and to shift the town of Giriwakro situated on the peninsula of the same name to a place outside the peninsula. The African Fruit Company would enjoy exemption from import-duties, and other local and general taxes on all material imported for the construction of the port, but would no longer be exempted from harbour and wharfage dues, originally granted in the 1952 Agreement. As regards labour, the same agreements, commitments, and promises were made as in the Statement of Understanding of 1952.

In case the African Fruit Company would be compelled or forced by a situation to transfer its claims for principal and interest against the Government, it only had to give the Liberian Government advance notice of this transfer, although this transaction - a transfer of rights - was allowed only with a wholly privately owned Company, Corporation or Syndicate.

Ostensibly, the Tubman Administration had learned its lesson from the Firestone Loan, repaid only two years earlier, and was afraid again to lose souvereignty to a foreign power.

The Port Construction Agreement, which in general was favourable to the African Fruit Company as a result of the latter's pre-

financing of the construction works, stipulated that the Government was to repay the company the construction costs, estimated at between $ 3.5 million and $ 4 million, plus interest on the outstanding balance at a rate of 6 per cent per annum, in five yearly equal instalments starting at the end of the year in which construction would be completed (originally anticipated for December 31, 1957) but not later than December 31, 1958. However, because of a sea-quake and violent current patterns in this area off the Atlantic coast of Sinoe County, changes in the construction had to be introduced causing an increase of over $ 1 million above the originally estimated amount of construction costs, raising these costs to $ 5 million - $ 5.5 million. The contractors were faced with financial problems because of this increase, so that it became doubtful whether they still could finance the construction of warehouses and other facilities without which the port would be useless (27). The Government suffered a second set-back as the Panama disease had struck the banana plantations of the African Fruit Company and the company had been compelled to switch to the growing of rubber and coffee in the second half of the 1950's. As a result there were no exports of any significance and the Government's income from harbour dues or other charges were negligable. When the Government had to start repaying the African Fruit Company at the end of 1958 it foresaw difficulties and it requested the company to allow repayment over a period of ten to fifteen years. It was at this time that the German Government stepped in and, upon request of the Liberian Government, promised in December 1958 to give financial assistance provided the latter would meet the first repayment of $ 891,000 plus interest due on January 1, 1959. After the Liberian Government had paid this first instalment to the African Fruit Company it in January 1959 was granted a loan of DM 12.8 million (over $ 3 million (28)) by the Federal German Government. In addition, a line of commercial credit totalling DM 5 million (approximately $ 1.2 million) was guaranteed by the same Government to cover the purchase of equipment for the port (29). The repayment of the construction costs of the port was thus re-scheduled over a period of ten years, the African Fruit Company being repaid as originally agreed in five years with this loan from the German Government, and though Article XII of the Port Construction Agreement - regarding the Transfer of Rights - had not been violated by the company as it had not transferred its claims against the Government of Liberia, its intention had been evaded by the latter itself.
In 1964 the port was officially opened. The Liberia Government's lack of awareness of the social and political realities of the country was shown once more, when it named the Port after Samuel A. Ross (30), even at this late date (see Chapter 2).

In November 1952 the African Fruit Company had started a banana plantation of some 2,000 acres in Sinoe County, about twenty miles north of Greenville, but three years later the "Panama disease" struck and wiped out most of the plantings. The company replanted the area in 1957 with coffee and rubber but the former proved unsuccessful and the company therefore continued only with what had already become almost a traditional product of Liberia,

rubber. Little is known of the operations in the 1956 - 1973 period (31). In July 1974 the African Fruit Company was sold to the then Minister of Finance, Stephen A. Tolbert, and in October of the same year the new General Manager of the company informed a high official within the Ministry of Finance that the previous owners had had the practice of keeping all financial and other basic data at their headquarters in Hamburg, Germany, and that therefore copies of most of the operational reports prior to the sales transaction were not available as they had not been turned over to the new owners at the time of sale (32).
The few data that are available, however, show that the company had operated at a loss until it was sold. Consequently it did not pay income taxes, the only tax from which it was not exempt. The company was mainly financed with loans, and the subsequent interest payments greatly affected the financial results. As of December 31, 1972 e.g. the equity capital of the company amounted to $ 100,000 whereas liabilities were almost $ 7 million of which $ 6.9 million was a loan from the AFC Laeisz & Co. Hamburg, the parent company (33). Payments to the Government of stamp fees on (duty free) imports of materials and equipment, consular fees, licenses, a duty on rice, fish, etc., port charges and other dues, as well as a payment of rentals of $ 3,000 yearly during the almost 22 years of its operations in Liberia may have totalled between $ 120,000 and $ 240,000, i.e. a marginal average yearly contribution to the Liberian Treasury of not more than $ 11,000.

The Sales Transaction

In May 1973, Ernest E. Dennis, President of the Liberian National Trading Corporation, notified the Minister of Agriculture, James T. Phillips, Jr., that negotiations had commenced with the African Fruit Company Laeisz & Co. (Liberia) to buy this company, and that he was organizing a company which was to operate extensively in agriculture. After having informed the minister at the same time that a formal agreement between the African Fruit Company and the Government of Liberia had never been accomplished he requested permission to start negotiations with the Government to finalize a concession agreement. A month later E.E. Dennis, a Liberian national was informed by the (then) Acting Minister of Finance, Ellen Johnson Sirleaf, that according to Article 5 of the Statement of Understanding of 1952 (34):

> *"(...) although the AFC may sell to you its assets such as buildings and equipment it cannot assign, without the explicit written authorization from the Government, any title to the land which it holds nor any of the other rights or privileges which accrues to it under the Statement of Understanding." (35)*

In July 1974 the Minister of Finance, who at the same time was the Chairman of the Concession Commission which had to approve any concession agreement granted by the Liberian Government, bought the African Fruit Company, including the concession rights (36). These events provoked serious political repercus-

sions as the Mesurado Group of Companies, the new owner of the African Fruit Company, was (and still is) mainly owned by members of the Tolbert family. Minister Stephen A. Tolbert had been the company's President until his appointment as Minister of Finance in his brother's cabinet in 1972.
One of the most intense reactions came from Albert Porte, a renowned critic of government officials and Liberian Presidents. In September 1974 in a pamphlet he attacked the way in which the Mesurado Group of Companies had bought the AFC, criticised Minister Stephen Tolbert's conflict of interest, and qualified the whole affair as

> *"stifling of Liberian business by high-handed methods indistinguishable from open thievery, highway robbery and daylight burglary as was the case of the take over of the African Fruit Company;" (37)*

A court action for damages of libel which resulted from Albert Porte's protest resulted in a victory for the businessman-millionaire-cabinet minister, and in December 1974 Albert Porte was fined a quarter of a million dollars (38).
An opposition periodical, of which Albert Porte was one of the editors, revealed in its last issue before it was banned by the Supreme Court - over which Minister Stephen Tolbert's father-in-law presided, Chief Justice James A.A. Pierre - that a group of Liberians had been planning and negotiating to buy the African Fruit Company since 1972, but that one of them, E.E. Dennis had betrayed the other two (Oliver Bright, Jr. and Richard Morris, both important government officials) and had sold them out to the Mesurado Group of Companies (39).
The scandal which erupted from the purchase of the African Fruit Company by the Mesurado Group of Companies, the famous "Albert Porte Case" of December 1974, the imprisonment and condemnation of editors of the "Revelation" and the subsequent banning of the magazine in January 1975 turned out to be a serious test case. As a matter of fact it was the first one for the Tolbert Administration, as the controversial take-over by a member of the Tolbert-clan in reality covered a struggle for power within the group of Americo-Liberians, a struggle which was won by those in power. Ernest E. Dennis, a cousin of both President William Tolbert and Minister Stephen Tolbert (40), eventually became employed by the Mesurado Group of Companies where in 1976 he headed the AFC-section. Later on he was promoted to the Vice-Presidency of the group of companies.
The new owners of the African Fruit Company did not start negotiations with the Government for the signing of a formal concession agreement though both Minister Tolbert and Ernest Dennis were fully aware of the absence of one. The use of privileges such as duty-free importation of materials and supplies is therefore obviously intentional and apparently illegal whereas the opportunity created by the loss of about $ 2 million - accumulated by the former owners of the rubber plantation - was greedily seized with a claim on loss-carry-forward privileges despite the fact that no documentary evidence exists in Liberia that such a privilege was ever granted to the company (41). Moreover, in a letter to the Concessions Secretariat of the Ministry of Finance

the management of the company in 1974 claimed the following concession area: (a) 361,556 acres in the Sangwin River Area north of Baffu Bay (in Sinoe County); (b) 246,024 acres in Sinoe County north of Greenville; and (c) 493,063 acres in the Cavalla and Duobe River Area, Webbo District (in Grand Gedeh County), a total of 1,100,643 acres (42). The concession area thus claimed by the African Fruit Company/The Mesurado Group of Companies even exceeds the historical one million acres concession area of Firestone, a concession widely criticized on account of its size, and is certainly not based on any legal document as even the Statement of Understanding of 1952 only mentions a concession area (to be granted) of 600,000 acres. The appalling official silence which followed this undeniable unjustified and evidently illegal claim may be explained either by the staffing of the Concession Secretariat and the Ministry of Finance with unqualified and incompetent people or, more likely, by the fact that the African Fruit Company was owned by the (then) Minister of Finance.
Fear of losing their jobs may have motivated honest and competent, but subordinate people within the Ministry of Finance or the Concession Secretariat respectively, not to draw attention to or to raise a word of official protest against this evil distortion of facts. The continuation of this situation after the death of the Finance Minister in April 1975 may be attributed to the fact that it had lost its importance to those who had been transferred or fired in the meantime or to the forgetfulness and sloth of those who had retained their positions.

LETOURNEAU OF LIBERIA, LTD.

Robert G. LeTourneau, from Texas, U.S.A. had put the preaching of the Gospel above anything else since 1932, and had created for this purpose the LeTourneau Foundation. This foundation received 90 per cent of his earnings as well as the shares in the LeTourneau Technical Institute of Texas, an earthmoving equipment producing company which he owned. In 1951 he visited Liberia and he became convinced that the best way to teach the Gospel to Liberians was through teaching them basic American production skills (43). In February 1952 the Government of Liberia granted a 80-year concession to R.G. LeTourneau whereby the latter obtained the right to engage in a wide range of activities in a concession area of half a million acres, situated in Sinoe County, inland from the Atlantic (including but not limited to the Baffu Bay area). A company was created for this purpose, LeTourneau of Liberia, Ltd., a subsidiary of the LeTourneau Technical Institute of Texas, which in its turn was owned by the LeTourneau Foundation (44).
The activities which the concessionaire was allowed to undertake in the concession area (the geographical boundaries of which were still to be determined) included but were not limited to the following:

"(A) To plant, produce, farm, cultivate, and to raise any crops, grains, rubber, cocoa, palm oil, trees, fruits, coffee, fertilizers, or any products of any kind or character, and to buy and sell the same and to process, condition, refine, market and manufacture.

(B) To engage in the timber, tree and lumber business, and to plant, cut, saw, process, and to do all and every act in connection therewith and to buy and sell the same, and to market, process, condition and manufacture the same or any products thereof, in conformity with presently existing laws relating to lumbering.

(C) To engage in religious, philantropic, educational, and scientific work, including all phases of missionary work, and all things necessary in connection therewith as are appropriate and proper under the Constitution and Laws of the Republic of Liberia.

(D) To prospect for, mine, melt, refine, produce, buy and sell any and all ores and minerals, and to manufacture and market products therefrom, including but not limited to the smelting of iron ore within Liberia and doing all things necessaryfor the processing, refining, fabricating and manufacturing of products made from iron..

(E) To acquire by purchase, lease, concession or in any other manner, and to mortgage, lease, sell or otherwise dispose of mines, mining lands, mineral properties or any interest therein, water courses, water and other rights, power plants, transmission rights, communication systems and franchises or concessions therefor (45).

It also had the right to "*construct, purchase, lease or otherwise acquire, maintain and operate*" within and without its premises transporation networks, communication systems, power installations, or other infrastructural facilities including hotels, refineries, trading companies and selling agencies in order to carry out its "LeTourneau Liberian Program" - provided however that upon request of the Government of Liberia the general public was allowed to make use of any of these facilities, installations or buildings (46). In fact, LeTourneau was to construct a whole new town in the concession area, the Town of Tournata (47).

To be entitled to enjoy its concession rights (though the mining rights granted required special agreements to be concluded between LeTourneau and the Liberian Government) the company's only obligation was the payment of a yearly rental for a minimum of 50,000 acres at the rate of 6 cents per acre.
Among the other privileges which the concessionaire were granted were exemption from import and export duties (for an unnamed number of years) though the duty exemption would not apply to semi-refined metals or minerals nor to finished precious metals exported by the company which promised to endeavour not to export raw materials from Liberia. It further became exempt from any

taxes or imposts of any kind or character except income taxes, but in case it were to trade products not produced, processed or refined by it, the company would be charged the same imposts as others similarly engaged in Liberia.
The very liberal economic policy of the early Tubman Administration of these days is demonstrated by LeTourneau's obligations which were few and flexible. The total concession area - 500,000 acres - had to be developed and brought under cultivation within a period of thirty years. Failure to do so would allow the Government of Liberia to re-take all residue of lands not developed - after the expiration of this period. The company also had the right to develop areas other than the original concession area in Sinoe County. After the development of 500,000 acres of land LeTourneau would automatically acquire a concession for an additional acreage on the same terms and conditions as the first one.
The company was committed not to import unskilled labour except in case the local labour supply would prove inadequate, and to train as many Liberians to fill as many positions as would be practicable in view of its operations as in the case of the African Fruit Company (see above). The Government, on the other hand, promised to encourage and assist the company in securing and maintaining an adequate labour supply and *"to prevent the infiltration of radical elements that will cause interruption of the corporation's activities or stop production and be dangerous to the peace of the Republic" (48).*

The terms and conditions of this agreement with Robert G. LeTourneau were so broad, its selection of activities so wide (including a novelty in concession agreements, viz. missionary activities), its emphasis on iron and iron ore so remarkable, its provisions related to labour so open to criticism, and its omissions so many, that a full discussion of the agreement would require a substantial portion of this chapter. This would not be in keeping with the importance of the company as - according to the information available - operations never started on a large scale. At the end of the 1950's the company was engaged in poultry production, some small timber and experimental agriculture, and it sponsored the mission of 20 churches for which it had imported 1,200 bibles (49). No other documents relating to the company's activities in Liberia could be traced, not even the original *"Statement of Understanding entered into on the 27th day of February, 1952 by and between the Government of the Republic of Liberia, herein after called the "Government" and R.G. LeTourneau"*, except the *"Act to Create and Establish LeTourneau of Liberia, Inc. And to Define its Powers"*. (referred to above) Operations were probably discontinued in the first half of the 1960's.

JUAN JESUS RAMOS ASSOCIATES PLANTATIONS

On yet another occasion the Tubman Government invested its time, money, and energy in attracting a foreign investor in two ventures neither of which yielded the result aimed at. In April 1952, after the necessary negotiations, the Government granted two con-

cessions to a Spanish national, Juan Jesus Ramos Gonzales. One concession concerned the start of *"a plantation of products and crops produceable in Liberia"*, for which purpose a company, Juan Jesus Ramos Associates Plantations, was created. The second concession gave the same Juan Jesus Ramos Gonzales the right to build a Refrigeration Plant within the area of the city of Monrovia, for which another company was created, the "Compania Hispano Liberiana" (50). The Juan Jesus Ramos Associates Plantations, was granted a 80-year concession on 100,000 acres of land outside Montserrado County. Rentals charged, privileges granted, and obligations accepted were virtually the usual ones or similar to those agreed upon with The Liberia Company and LeTourneau of Liberia.

The scope of the new company, however, would have been limited to agricultural activities, plantation development and livestock breeding, but included also the right to fell trees, provided they were needed for to the development of a plantation. A rather unusual right was granted when it was agreed that the company could divert the course of any waterway within nearest distance of its operations for the purpose of supplying its factories and of facilitating the transportation to or from the factories of logs or any other forestal or agricultural products (51). No fee or compensation for damages, no consultation with or approval from the Government of Liberia or from the inhabitants of the area concerned was required. After the expiration of a 5 year tax holiday, the company's tax liability was agreed to be limited to a maximum of 14% of net profits.

This Agreement between the Government of Liberia and Juan Jesus Ramos Gonzales was approved by the Liberian Legislature on May 30, 1952. Only this Act is left as an evidence of the fact that both parties once decided to start this undertaking. Nothing is known about the real investors, whether they ever took any action, when or why it was decided not to proceed with the undertaking.

THE LIBERIAN OPERATIONS INC.

After having tried unsuccessfully to diversify the country's agricultural, export-oriented output with the participation of foreign investors, the Government in 1960 initiated the large-scale cultivation of oil palms. With the aid of the "Institut de Recherches pour les Huiles et Oléagineux" (IRHO) it started a small experimental oil palm plantation in New Cess, Grand Bassa County, but some years later the Government decided to discontinue these experimental operations as one of the measures taken to solve the financial crisis of the early sixties. However, as a foreign investor had become interested in the project and its possibilities, a concession was granted on December 14, 1965 to Tidewater Oil Company, a wholly owned subsidiary of the Getty Oil Company, under which the Government was paid $ 125,000 for the assets of the oil palm plantation. The agreement was approved by the National Legislature on April 14, 1966 (the "effective date" of the agreement).

The concession agreement, with a term of 40 years and an option for an additional term of 40 years, granted the right to engage in oil palm cultivation and cattle ranching, and all their related operations, and the right to engage in the production of other agricultural commodities though the latter was subject to the prior written approval of the Secretary of Agriculture in case the area dedicated to such production would exceed 5 acres. Liberian Operations Inc. (LIBINC) obtained two concessions areas: one area ("Parcel A") of about 4,500 acres of which approximately 320 acres were already planted with oil palms at the time of the signing of the agreement, and one area ("Parcel B") of 30,000 acres contiguous to Parcel A. The use of timber for the operations of the company was allowed, however, the sales of timber required prior written approval of the Government establishing the conditions and terms regulating such commercial exploitation.

The concessionaire obtained an income tax holiday of ten years from the first year of marketable production whereas "marketable production" was considered to have begun five years from the effective date of the agreement, April 14, 1966. This took into consideration that oil palms generally start producing after 4 to 5 years. No taxes were to be imposed on dividends paid by LIBINC from income arising as a result of the operations authorized by the concession agreement. It was also made exempt from import duties and other charges on imported goods and materials which were to be used for the purpose of the concession, and whereas this exemption was granted for 8 years starting from the effective date of the agreement the exemption granted from export duties or other levies on its produce was for an unspecified period, only limited by the term of the concession agreement. Also not specified was the term of exemption granted to non-Liberian employees who were exempt from a number of taxes, all named in the agreement.

LIBINC became entitled under the agreement to the access to and use of public highways, the construction of communication, transportation, and power facilities ("Accessory works and installations") within its concession area, only limited by the obligation to obtain the permission of the Government prior to the installation of hydro-electric works. Furthermore it was granted the right to construct railroads or other works it might want to build outside the concession area granted, it was entitled to the access to port facilities, the use of public communications facilities (though upon payment of a certain sum), police protection of the company's employees and the company's interest in the country, and the use of ground and surface water within its concession area.

It should be noted that the company was given the exclusive right to occupy the concession area it had obtained. It was expressly stated that if this exclusive right would make it necessary to expropriate any tribally or privately owned lands within this (concession) area, agreement over the cost of expropriation of property and crops would have to be reached. If the owner(s) of these lands and the company were unable to reach agreement over this issue the good offices of the Secretary of Agriculture would have to be used to settle this problem (52). The same provision applied in the case of construction by the company of facilities

outside the concession area. The consequences for the tribal people who were still engaged in a subsistance-economy were ignored in this case, as in other cases.

LIBINC committed itself to clear and plant 1,000 acres wihtin 3 years after the effective date of the agreement, and after that period to increase the acreage cleared and planted by some 500 acres a year.
All lands in Parcel A and Parcel B not cleared and planted would revert to the Government in case this rate of development would not be maintained.
Land rental was fixed at 5 cents per acre per annum for uncleared land and 10 cents per acre per annum for cleared and/or cultivated land. Other obligations accepted by LIBINC were those of maintaining an authorized representative with full power to act within the republic, of training Liberians for various positions in the company and of employing trained Liberian personnel as they are available and required, of not importing unskilled labour if not necessary, of encouraging Liberian private farmers to develop high yield oil palm plantations, and of submitting routine reports to the Government every year.
The Government had the right to cancel the agreement if LIBINC failed to pay the rental, or failed to clear and plant 1,000 acres within 3 years after the effective date of the agreement, had suspended effective operations for a period of 1 year for reasons other than force majeure, or violated other clauses of the agreement and failed to correct those violations within six months after the Government had pointed out the violation in writing. In addition, the Government had the right to cancel the concession with respect to particular tracts if the company failed to pay the rental related to that tract of land. If, in case of arbitration, a third arbiter would have to be appointed because the two arbiters appointed by the company and by the Government (one each) could not reach agreement, the third person would be appointed by the Chief Justice of Liberia. It was also of importance that the Government guaranteed the concessionaire that within the Parcels A and B, no other concession or right of any kind would be granted to any third party and that it would defend and protect the concession area for the sole and exclusive use of LIBINC.
The agreement did not provide the company with any right to cancel the agreement though more important shortcomings of it were the absence of a provision regulating the transfer of the company's assets in case of expiration or cancellation of the agreement, and the omission of a provision allowing for a renegotiation of the agreement before its expiration after 40 years.
In certain respects, however, this was a much better concession agreement than the previous ones which had been concluded by the Government of President Tubman. Marked improvements were the granting of a concession area which was reasonable in size (but would still prove to be too large), the insertion of an obligation in the agreement to submit periodical reports to the Government, the failure to do so giving the latter the right to cancel the agreement, and the provisions relating to cancellation in general and to arbitration. A major improvement was the absence of a clause obliging the Government to assist the company in securing an adequate labour force as found in the concession agreements

concluded with other foreign investors in the past. The explanation of this lies in the fact that the recruitment practices stemming from this obligation which had been accepted by the Government had been outlawed a few years earlier. However, this concession agreement with LIBINC unfortunately also included some of the negative aspects of previous arrangements, e.g. the land rental which was still low, the generous tax-exemption privileges granted (notably the exemption from export taxes or any charge on the company's produce for an unspecified period), the liberal attitude which allowed the company to use lands outside the concession area for construction purposes, and the violation of the rights of the tribal people, who could be forced to leave their lands while - theoretically - receiving compensation for the improvements of the lands they had introduced or compensation for the crop growing on it. The last mentioned, apparently just measure grossly overlooked the practical use tribal Liberians could and indeed did make of their legal rights. This use lagged far behind the legal possibilities for several reasons, in particular the ignorance of these possibilities as well as what methods to use and which channels to follow. In addition there were communication problems with Government officials or business managers, whilst the lack of co-operation which public servants and company employees often showed in many cases hardly disguised their deliberate exploitation of the weak position of the (subsistence-) farmers. Furthermore, the fact that most of these farmers still participated in a subsistence-economy, a situation which is not changed when they are chased from their lands and given compensation for the forced loss of these lands and their crops, explains the absence of a peaceful transition and was partly responsible for the land disputes between different tribes or clans of the same tribe which (still) occurred in the 1960's (and even in the 1970's).

The rights granted to LIBINC also proved to be too many or, at any rate, not to be consistent with previous commitments the Government had made. In 1973 a conflict arose between LAMCO J.V., the country's major iron ore mine, and LIBINC over the use of the port of Buchanan. The Government had given the right of using this port to the iron ore company - which had constructed the port - and when in 1973 LIBINC claimed its contractual right to use the facilities on the port of Buchanan it was denied these by LAMCO J.V. (53). The question was not solved until 1975 when LAMCO J.V. turned over the management of this port to the National Port Authority, a Government agency.
A final shortcoming of the concession agreement with LIBINC which should be mentioned is the absence of a prescribed debt/equity ratio which will seriously affect the company's income tax liability after the expiration of its income tax holiday on April 14, 1981 as the company has resorted to large loans to finance its operations under the agreement.

Before its 8-year import duty exemption expired the company in September 1973 applied for an extension of this exemption period, on the grounds of a planned investment of about $ 2 million. The Government granted two additional years of duty free

privileges. Upon expiration of this 2-year period the company was again granted an extension, for another two years. When it requested a third extension in 1978, the Government decided to withhold a final decision pending the receipt of financial statements by the Ministry of Finance's Concession Secretariat whose officials had complained to the Minister that since the first extension of the duty free privileges, in 1973, no reports on the company's operations had been received (54).
The company's performance had been very modest indeed. When the management had asked for an extra two years of import duty exemption, in September 1973, it had announced the expansion of its oil palm mill, doubling its capacity from five to ten tons per hour, the installation of a modern terminal in the port of Buchanan to export the company's produce, and a massive land clearing program comprising eventually 1,000 acres to be developed as grazing land for cattle ranching and a beef industry. The conflict with LAMCO J.V., however, delayed the execution of the planned activities in the port of Buchanan, whilst the acreage under plantings increased by just 100 acres, from 5,500 acres in 1972 to 5,600 acres by December 1978. In the same year work was in progress on 1,000 acres, but LIBINC's managers informed the Government that the plantation had not yet started to produce (55).

Government files are conspicuous by their shortcomings or their absence. In October 1973 it was in an internal memorandum of the Ministry of Finance reported that *"We have no record anywhere indicating the time of the Legislative ratification"* (56) of the concession agreement with LIBINC, and consequently it was impossible to calculate the expiration dates of the tax privileges granted as nobody within the Ministry knew the effective date of the agreement. Upon request the company later provided the Government with the necessary information.
As the company still enjoys income tax exemption, and because its achievements have been modest, the financial contribution of LIBINC to the Treasury has been very small, almost solely consisting of the payment of a land rental which varied between $ 1,500 and $ 2,500 yearly in the 1966 - 1978 period. This was less than the rent the company paid for its Monrovia office.
Despite the promising future of Liberia's oil palm products, virtually nothing had been achieved nearly two decades after the Liberian Government's attempt to introduce another cash crop than rubber. This certainly was not due to the investment incentives which were liberal and generous enough - as is demonstrated by the fact that J. Paul Getty, the owner of LIBINC, in 1972 started another important investment in Liberia. In that year he entered the promising Liberian logging business with the acquisition of an old (timber) concession, through the wholly owned company Vanply of Liberia, Inc. (see Chapter 9)

THE WEST AFRICAN AGRICULTURAL CORPORATION

The West African Investment and Finance Corporation, a company

which is owned by a politically powerful and economically wealthy Liberian family, in September 1967 obtained an agricultural concession from the Government, and later transferred and assigned all rights and obligations it held under the concession agreement of September 5, 1967 to the West African Agricultural Corporation (WAAC), created especially for this purpose. This had been envisaged already at the time of the signing of the agreement. Foreign investors, mainly from the U.S.A., took a more than 50 per cent interest in the WAAC, the Sherman-family through its West African Investment and Finance Corporation and the Macars Group of Companies nearly 30 per cent, and other Liberian shareholders approximately 15 per cent (among them an investment bank which is majority-owned by the Liberian Government) (57).

The concessionaire was granted the exclusive right to select within Grand Cape Mount County (a total area of approximately 1.4 million acres) an area of 100,000 acres, the "Exploration Area", from which a (final) Concession Area of 35,000 acres would be selected. Exploration Area and Concession Area had to be selected within one and ten years respectively after the effective date of the concession agreement (the date of approval by the National Legislature). The concession area would be composed of "Exploitation Lots" of between 3,000 and 6,000 acres each. Rental for all land held by the concessionaire would be at the rate of 8 cents per acre per annum. The company became entitled to free export of its products, no duties, charges or any taxes were to be levied on its exports and it would never be required to export through any agent not voluntarily chosen by it.

The first fifteen years following the effective date of the agreement would constitute an income tax holiday as well as a period of exemption from the payment of customs duties and excise taxes with the exception of consular fees and other fees of general application. A remarkable condition stated that this import duty and excise exemption could not be applied to these goods and materials which can also be bought in Liberia on terms equally favourable to the WAAC and of a quality not inferior to that of the foreign products.

Under this 50-year concession agreement the concessionaire was to engage in the cultivation of oil palm plantations (though other agricultural activities were also allowed) and the agreement differs only in some aspects from the concession granted to LIBINC, whereas the differences which were introduced represented laudable improvements (the President of the West African Investment and Finance Corporation had been Secretary of the Treasury in the 1950's and early 1960's). For the first time an agricultural concession contained a clause requiring the concessionaire to keep all original records and reports in Liberia which documents were to be available and accessible for inspection by the Government provided this inspection would take place during normal working hours.

It was further agreed that Government representatives could visit and inspect the company's offices, installations, or other buildings and facilities at any time, as well as working areas, in order to examine the company's produce and records of which it - the Government - could take samples, or make copies, while guaranteeing and maintaining the confidentiality of the

information thus obtained. These rights of inspection and of access were applicable both inside and outside the republic. The facts that the WAAC is financed from a variety of sources, and that the major shareholders (not the majority) are Liberians reduces the actual significance of this stipulation as far as related to access to facilities outside Liberia. However, in case the financial structure of the company were to change drastically, or if it were to be bought by a foreign investor, it would become more important.

The Government also included its right to make use of the company's facilities, particularly transportation and communication services. From the detailed description of this right it can be concluded that at the time the Government hoped that a railroad would be built in this neglected part of the country. In that year, 1967, Robertsport, the county's capital, was still not linked by road to Monrovia or any other place in the republic. The railroad, however, never materialized (and not until the Administration of President Tolbert did the Government complete a road linking Robertsport with Monrovia (58).

The WAAC was in the concession agreement given the right to provide transportation services within its Exploration Area for the general public though this right was not exclusive and could only be exercised after obtaining approval of the Government. The right to cut timber within the concession area was restricted to construction purposes but using timber as fuel was allowed provided the Government's consent had been obtained. Harvesting of timber within the concession area on a commercial basis was also allowed though these operations would be governed by the laws of general application concerning timber concessions.

The free use of water, stones, rocks, and other materials found in a radius of 3 miles from the concessionaire's exploitation lots or from the Accessory Works established by it, the right to construct communication, transportation, power, and other facilities, and the right of occupation of the surface and easement, are all of them rights similar to those to previous investors and warrant the same comments. However, there is no reason to repeat what was said before. The WAAC, however, agreed to pay the rate of 8 cents per acre per annum for the use of public lands outside the Exploration Area and the exploitation lots.

Contrary to the agreement with the LIBINC, for instance, the Government would become entitled to the WAAC's assets which the company would not have sold at the time of expiration of the agreement in case no renewal would have been made (there is an option of extension of the concession after its expiration in 2017). The violation of a provision of the agreement and the failure to correct this violation within 6 months after the Government had pointed out the violation in writing would give the latter the right to cancel the agreement though in some specified cases this right could be applied without notice (59).

The transfer of the concession to other companies or investors was in general allowed but, contrary to the agreements with LIBINC and other concessionaires, it was expressly stipulated that foreign governments could not be admitted or accepted as partners in, or

owners of the concession.
The WAAC accepted the obligation to plant a minimum of 1,000 acres within five years of the effective date of the agreement, to avoid waste, contamination or pollution of the environment, and erosion of the soil, to sell its produce at fair prices in accordance with good and recognized business practices, to engage only in fair and reasonable transactions with affiliated companies (60), to protect the general health and safety of labourers and employees, and to train and employ Liberian personnel for various positions in its enterprise. Within five years from the effective date of the agreement it was to establish and carry on a program for the encouragement of Liberian private farmers, including the giving of technical advice and instructions.

The inadequate number of competent and efficient staff officials within the various ministries (the ministries of Finance, Agriculture, Planning, or Labour), the deficiencies in the Governmental administrative structure and practices, and physical problems (experienced for instance, when visiting the site of the operations prior to the construction of a road to Robertsport) all contributed to the lack of effective control by the Government despite some seemingly promising obligations included in the concession agreement. The result was a situation characterized by a complete ignorance of the company's activities; whether e.g. the WAAC has or had ever started or completed a program for the encouragement of oil palm cultivation by Liberian private farmers is a question which not a single person within the relevant ministries could answer. However, nobody even bothered to ask.
In 1967 the company started the development of 3,500 acres. As oil palms take some 4 to 5 years to mature, it was not until 1972 that production started with 700 acres of mature trees. The management however, considered 1975 as the first full year of production.
At the end of 1977 it was not yet clear whether the company would become a successful enterprise though its future seemed promising. Financially, the company showed losses in the first part of the 1970's, and 1977 was probably the first year showing a profit. As the company's exemption from income taxes will not expire until 1983, its contribution to the Liberian Treasury in the past, as well as until the expiration of its income tax holiday, consisted, and will consist, of a mere $ 400 a year, being the land rental for 5,000 acres.

CHAPTER 5

OTHER RUBBER PLANTATIONS

THE B.F. GOODRICH COMPANY (1)

The B.F.Goodrich Company, a corporation organized under the laws of the State of New York, United States of America, in the early 1950's wanted to negotiate a concession with the Government of Liberia for the establishment of a rubber plantation in that country. It was attracted by the many, and apparently unlimited possibilities of investment in this West African country. For that purpose the company drafted a concession agreement which combined the liberal and generous terms of the Agreements made with Firestone in 1926, with amendments through 1953, and with the African Fruit Company in 1952, and even added some privileges. Its attempt to secure a 99-year lease contract on a vaguely defined area in three different counties (Montserrado, Grand Cape Mount, and Grand Bassa Counties), however, failed as its proposal met with opposition from nearly all Government officials commenting on the draft.
Times had changed though not to the extent of ruling out another concession agreement which would still be extremely favourable to the company and detrimental to the country. The ensuing discussion on the granting of this concession to the B.F. Goodrich Company (BFG) is partly based upon the comments of a group of eleven government officials, most of them cabinet ministers, on the second draft agreement, and partly upon the final concession agreement between the Government of Liberia and BFG signed on July 9, 1954.

The comments of this Group of Eleven Officials on the Draft Concession Agreement clearly show that the Liberian Government in this period was far from being composed only of incompetent, inefficient, or careless administrators and politicians, and further demonstrate that, despite sensible criticism and sincere advice, decisions were taken which were adverse to the interest of the country. The lack of control by the National Legislature, the absence of a free press, and the wide-spread illiteracy in the country greatly facilitated this process, virtually controlled by President Tubman. A badly trained, hardly interested, and partly non-existent administrative middle-cadre of government officials became responsible for the supervision of the actual implementation of the contractual provisions. Their failure to do a good job resulted, among other things, in a lack of data which in its turn perpetuated the weakness and inefficiency of the country's administrative structure.

In the light of the following it may be interesting to know that President Tubman sent the "Summary of Proposed Concession" on Friday, March 26, 1954 to eleven people and wanted their observations and comments by Monday morning, March 29. These

eleven persons were:

Vice-President of Liberia, William R. Tolbert, Jr.
Secretary of State, Gabriel L. Dennis
Under-Secretary of State, J. Rudolph Grimes
Assistant Secretary of State, George A. Padmore
Secretary of the Treasury, William E. Dennis
Secretary of Agriculture and Commerce, John W. Cooper
Secretary of the Interior, Harrison Grigsby
The Postmaster General, McKinley A. DeShield
Director of the Bureau of the Budget, L.A. Marvey
Acting Secretary of Public Instruction, Ellen Mills Scarbrough
The Financial Advisor, Karl C. Olsen

With the concession agreement granted to BFG in July 1954, the Government granted the company

> *"the exclusive right and privilege, (...), to engage in agriculture, forestry, and farming in all their branches, and all activities in connection therewith"* within the concession area of 600,000 acres, *"the exclusive right and privilege to cut and use any timber, and to collect and use any water, stones, rocks and other materials, which it may consider necessary or useful for all or any of its operations under the Concession (...) and which may be found within the Development Area or any lands occupied, (...) and the exclusive right and privilege, within the Development Area (...) to engage in any activities (...) including the carrying on of mining in all its branches, and all activities in connection therewith"*

such as selling and exporting. Mining operations and the harvesting of timber for export purposes would, however, require additional agreements with the Government. The company was further granted the right, though not exclusively,

> *"to use any timber, water, stones, rocks and other materials within the public domain and at a distance not exceeding three (3) miles from such Development Area or Accessory Works and Installations." (2)*

It is noteworthy that the draft which was sent by President Tubman to the Group of Eleven Officials only mentioned the granting to the company of the exclusive rights to carry on agricultural and related operations within certain areas for a specified number of years. Yet the company was granted exclusive mining rights. The granting of any mining rights, even if they were not exclusive ones, to BFG was rejected by five of the eleven officials (viz. Vice-President Tolbert, State Secretary Dennis, Secretary of the Treasury Dennis, Interior Secretary Grigsby, and the Acting Secretary of Public Instruction Mills Scarbrough). Even the granting of an exclusive right to engage in agriculture, forestry, and farming was too broad for some, such as Gabriel L. Dennis (Secretary of State), Ellen Mills Scarbrough (Acting Secretary of Public Instruction), and Rudolph Grimes (Under-Secretary of State).

Commenting on the extension of rights within a three miles zone beyond a Development Area or Accessory Works and Installations, only two persons rejected the whole idea (Vice-President Tolbert and John W. Cooper, the Secretary of Agriculture and Commerce),

one man proposed a one-mile zone instead of one of three miles (State Secretary Dennis), whereas three cabinet members did not express themselves against the granting of such a right, but argued that the use of this right should not be free and proposed that the company should pay some compensation or royalty for the use of timber, water, etc. in this zone (Treasury Secretary Dennis, Postmaster General DeShield, and Interior Secretary Grigsby). In the final agreement, however, no provision for any payment under this right was made.

As BFG's main purpose concerned the establishing of a rubber plantation a large minority of the eleven government officials commenting on the draft concession agreement had opposed the granting of any mining rights to the company. The granting of exclusive mining rights to the company, in reality restricted to the Development Area, was justified as a protective measure to avoid others from exploiting the sub-soil which could damage the plantings and subsequently would affect the company's interest. As such it is understandable why BFG was anxious to eliminate this possibility by reserving this right for itself. From the point of view of the interest of the country, however, it is disadvantageous to forfeit possible future revenues from mining operations (provided the sub-soil were to contain valuable minerals), and to give up the development of that potential for eighty years, as well as to give exclusive rights to a company without having stipulated the terms under which (even a possible) extraction would be allowed.

By granting the exclusive use of timber, water, and other materials found within the Development Area, and the (non-exclusive) right to use these same materials outside this area in as far as they were found within a three mile range from its boundaries without providing for a compensation to be paid to the inhabitants of the area, the traditional and legal rights of the tribal population in the area were violated. In the same way, the economic opportunities and environment of these peoples, all engaged in a subsistence-economy, were seriously threatened. It should, moreover, be borne in mind that no attempts were made to reach a compromise between the two parties involved, viz., BFG and these inhabitants. BFG was not even required to notify these people of its intentions. The importance of all this cannot be too clearly emphasized. Tribal economy and life was already seriously affected and endangered by the company having the right - which it had demanded - to request the Government to evacuate, also without a compensation (3), villages which would impede the operations of the company under the concession agreement. This issue - the evacuation of a population traditionally attached to its land - only met with the opposition of four out of the eleven Government officials who gave comments on the draft which already mentioned this. Three others were prepared to agree with an evacuation if proper compensation was given by the company (Interior Secretary Grigsby, Treasury Secretary Dennis, and Postmaster General DeShield). The Acting Secretary of Public Instruction, Ellen Mills Scarbrough, was in fact the only one who disagreed with this proposal when she commented prudently but deliberately

"I am thinking in terms of Liberian citizens having cer-

tain rights in cooperation with economic development in the Country and this phrase might interfere with the right of citizens." (4)

Aparently, President Tubman did not share this view as the suggestion was not reflected either in the final concession agreement, or in those that were to follow this agreement with BFG. With regard to the payment of rentals, duties, taxes, etc. to the Government it was ultimately understood and agreed that BFG would pay for the use of public lands within the concession area the (old) rate of 6 cents per acre per annum, with a minimum of 50,000 acres ($ 3,000 per annum), that it would be entitled to duty-free imports - except for the payment of documentary stamp taxes of general application - in relation to its operations, to duty-free exports of its produce, to an income tax holiday of 16½ years whereas the payment of income taxes would replace all other existing and future taxes, duties, charges, etc. Throughout the 80-year term of the concession agreement the company would be exempt from any and all other taxes, levies, duties, royalties, stamps (except the one mentioned above), licenses, tolls, tariffs, fees, etc.

The Secretary of the Treasury, William E. Dennis, had suggested a yearly rental of 25 cents per acre, and also the Under-Secretary of State, J. Rudolph Grimes, had opposed the application of a nearly 30-year old rate, though the latter did not provide an alternative. The most important suggestions for the improvement of the concession agreement in this respect, however, were made by the Director of the Bureau of the Budget, L.A. Marvey, who stressed emphatically - but in vain - that duty free import privileges should cease as soon as the plantation would begin to produce. He was, partly, supported in this view by the Acting Secretary of Public Instruction, Ellen Mills Scarbrough, who suggested a gradual abolishment over a period of 25 years. L.A. Marvey further reminded President Tubman of the golden opportunities Liberia had missed a few years earlier, during the Korea-crisis and the accompanying boom in the prices of raw materials, when the Government was prevented from imposing an export tax on all rubber exported because of contractual exemptions (granted to Firestone under the 1926 Planting Agreement and subsequent amendments). He therefore advised against the making of any commitment for the duty free export of rubber. His concern in this matter was shared by Secretary of State Dennis who in his comments also pointed to the lessons from the past. However, the final concession agreement did not mention a term for the duty free import privilege, and also granted exemption from export duties for a non-specified period of time.

The original draft of the concession agreement further stated that the use of public lands by the company for transportation, communication, and other facilities, situated outside the concession area, would be allowed without payment. Strangely enough, only two persons raised objections to this privilege, Ellen Mills Scarbrough, the Acting Secretary of Public Instruction, and L.A. Marvey, the Director of the Bureau of the Budget. In the final agreement BFG was allowed the exclusive use of lands outside the concession area for these purposes, but only on the condition that it would first obtain the approval of the Government. No

payment was required. The Government, on the other hand, committed itself in the final agreement to reach advance agreement with the company in case it would want to construct any transportation or communication lines across or into the company's plantation. For lands located within the boundaries of an organized municipality and used exclusively by BFG for construction, of communication, transportation, or other facilities the rental would be 50 cents per acre per annum though twenty years after the signing of the concession agreement Government officials complained that Government did not have any records or other information that could prove that land, actually occupied by the company, had been *"within the boundaries of an organized municipality"* before (5). Official figures relating to the acreage occupied and the amount of rentals paid, confirmed by BFG, show that the company has never paid a rental of 50 cents per acre despite the fact that it is very unlikely (although impossible to prove) that the company has never made use of such lands as described above.

In the draft of March 1954 it had been proposed that the company would be allowed to amortize all of its development costs, including a 5 per cent interest on unliquidated balances, during the first fifteen years of the concession's term (in reality this would have resulted in an income tax holiday of 15 years). During the following nine years the company would then be subject to no tax other than the regular income tax with a fixed maximum rate of 25 per cent (which was the maximum income tax rate at the time of drafting this concession agreement). However, the income tax would only apply to 25 per cent of the company's net income during the first three of these nine years, to 50 per cent of the net income during the next three years, and to 75 per cent of BFG's net income during the last three years. Thus calculated, the effective income tax rate paid by BFG would have been only 6.25% during the first three years, 12.5% during the following three years, and 18.75% during the last years of this nine-year period, as was observed by the Financial Advisor to the Government, Karl C. Olsen. It was the opinion of several others, notably the Vice-President, the State Secretary, the Under-Secretary of State, the Interior Secretary, and the Director of the Budget Bureau, that the fixing of the maximum income tax rate at 25% would affect the Government's freedom to increase the tax rate and would result in discrimination of other, but similar enterprises. The Secretary of the Treasury suggested that after a 15 year tax free period, the company whould be taxed on a fifty-fifty basis in lieu of all other taxes and duties. The payment of income taxes in lieu of any other tax or impost, charge or duty was disapproved by only two: Ellen Mills Scarbrough, the Acting Secretary of Public Instruction, and L.A. Marvey, the Director of the Budget Bureau. Two other advisors gave consideration to the importance of establishing a fair method of determining the rubber price (the Assistent Secretary of State, George Padmore, and the Financial Advisor, Karl C. Olsen) as the price of rubber would directly affect, and to a large extent determine, the income tax receivable by the Government.

It is significant that despite the fact that nine out of this group of eleven people objected in some way to the company's proposals regarding taxation, the outcome of the negotiations and the subsequent agreement with BFG bears no evidence of their suggestions.
Ultimately, BFG was granted a tax holiday of 16½ years (starting on the date it commenced planting), after which, and during a period of ten (10) years, the company would pay a maximum income tax of 25% of its net income. No taxes other than income tax would be levied. On distribution of net income the recipients would be exempt from all levies, duties or taxes, whether distributed as a dividend, or otherwise, and whether in cash, securities or property. In calculating "net income" BFG was awarded rights similar to those that had been granted to Firestone in relation to its fixing of a price for its produce. Income derived from sources outside Liberia was also completely exempt from any and all taxes, both now and in the future. Other authors (6) have drawn attention to a double deduction from gross income which is allowed under the agreement. Nevertheless, no change or amendment to the 1954 Agreement was ever introduced.

As BFG commenced planting on July 1, 1955 its period of income tax exemption expired on January 1, 1972. After that date, it started paying income taxes and it will continue to do so until December 31, 1981, at a rate of 25 per cent. In the meantime, corporate income tax was raised in 1977 to 50% (on income exceeding $ 100,000). High ranking officials within the Ministry of Finance could not rule out the possibility that BFG would continue to pay 25 per cent income taxes on its net income after 1981. Though in that year the Government could request a re-negotiation of this tax provision there would be no contractual obligation for BFG to respond to such a request (7).
These paradisical tax advantages did not prevent the company from attempting to evade certain tax provisions. As was stated in the concession agreement, the purpose of the tax holiday was to amortize Development Costs incurred during these 16½ years, but BFG did not start the amortization of these costs on the date planting started, i.e. the effective date of the Agreement, but only after the plantation had started producing (1962/1963). However, after pressure from the Government BFG changed its methods.

Under the 1954 Agreement BFG was granted two concession areas of 300,000 acres each, one being situated in Grand Bassa County, the other covering parts of Montserrado and Grand Cape Mount counties. The areas were:

> *"(a) The lands in Grand Bassa County of the Republic, lying within twenty (20) miles of either side of the St. John River and bounded on the south by the Atlantic Coast line of the Republic and on the north by the boundary line of said County" (...)*
>
> *(b) The lands bounded on the east by the St. Paul River; on the west by the Morro River; on the south by a*

line running parallel to the Atlantic Coast line of the Republic and two (2) miles south of the first rapids in the Lofa River, and on the north by a line parallel to said last mentioned line and thirty (30) miles north therefrom; (...) but excluding therefrom, however, the exploitation lots heretofore selected under the Liberian Mining Concession of 1945." (8)

The same Article II of the concession agreement states that:

"The Government warrants that within the above mentioned Concession Areas no other concession or right of any kind heretofore granted to any third party is now in effect and agrees during the term hereof that none will be granted to any third party and that it will defend and protect the Concession Areas for the sole and exclusive use of B.F. Goodrich." (9)

Should the company not have started the development of a minimum of 10,000 acres (a Development Area) within five years of the effective date of the Agreement, all rights would be cancelled and the agreement terminated. Also, should no start have been made with the development of at least 10,000 acres in each of the two concessions areas within ten years after that date, the concession area in which the required activities had not taken place would be forfeited, provided that in each case the Government had given notice to the company and BFG still had not commenced any of such development within one year of this notice.

Though this provision was certainly an improvement compared with previous concession agreements with other (foreign) investors, the proposals and suggestions of the cabinet members and other experts who advised President Tubman during the negotiations for this agreement with BFG were completely ignored. The Secretary of Agriculture and Commerce proposed in this respect the substitution of *"five years"* by *"two years"*, and of *"ten years"* by *"five years"* respectively, as had the Secretary of the Treasury, the Secretary of State, and the Director of the Budget Bureau. In both of these cases, the Assistant Secretary of State had been in favour of a period of seven years, within which operations would have to have started. It is noteworthy that the original draft (of March 1954) did not contain a provision such as the one year term (after the Government had sent notice) before the rights in a concession area were definitely cancelled.

As it never started any activities in Grand Bassa county, BFG gave up its rights in its concession area there. Though no proof could be found that the Government ever gave notice to the company the latter considers itself only entitled to a concession area of 300,000 acres in Montserrado/Grand Cape Mount counties (10). The provision of Article II of the Concession Agreement, stating that:

"B.F. Goodrich at any time hereafter may alter the Concession Areas by substituting for any part or all thereof any other areas, or by including any additional areas not originally included within the Concession Areas as de-

scribed above, providing such substituted areas are approved by the Government and are not then already included within the concessions of others." (11)

ensures that the company at present sees no reason to worry about its concession area, apart from what it discovered in 1975. When in that year BFG showed interest in expanding its plantation it found out that its concession area was partly overlapping the area granted to the United Logging Company under a concession agreement signed in 1973. As under the 1954 Agreement BFG was given the exclusive rights in this area, the company protested (12).

The relative administrative chaos and organisational shortcomings which characterise the governmental offices in Monrovia and other places in Liberia have resulted in the granting of exclusive rights in the same part of the country to different investors, for different purposes, and under different agreements. This situation is caused mainly by the non-availibility of relevant documents: this can be attributed to the negligence of the foreign investors in not submitting the proper information, and to a great extent to the disappearance of the submitted papers, reports, letters, and other material, in, or in transit between, the various ministries and governmental agencies. The losing of important documents and the carelessness with which historical records are kept seem to be chronic in the country: one author described how the original Declaration of Independence was found in a dust-bin (by President Edwin Barclay!) (13) and the original copy of the 1926 Agreement between the Government and the Firestone Plantations Company had been reported lost in 1933 (14). When in 1976 the Government contemplated the establishment of an industrial plantation in an area in Grand Cape Mount County, partly overlapping the B.F. Goodrich concession, it had first to request from the company the relevant copies of the documents that describe the exact geographical location of the concession area. Subsequently it had to start discussions with the company to get permission to use part of this area which was not occupied by BFG.

The attitude towards labour and employment policies and practices was reflected by BFG's obligations, in the final concession agreement, not to import unskilled labour, to endeavour to train Liberians for various positions, and to take safety devices and measures in order to protect the health and safety of its employees though the addition to the last obligation

"as are provided and observed under comparable conditions and in similar regions for operations of a similar nature and size"

may be interpreted as perpetuating an undesirable situation (see Chapter 13).

The Acting Secretary of Public Instruction was the only one to observe that the draft neither contained references relative to the children of BFG's employees, nor did it provide for schools for them. Neither did the final concession agreement. The Postmaster-General doubted the effectiveness of BFG's commitment

to train Liberians, in which opinion he was supported by the State Secretary who objected to the vagueness of this obligation. As to previous agreements, e.g. with the African Fruit Company, the Government in its turn similarly promised to assist BFG to secure an adequate labour supply and *"to prevent the infiltration of radical elements which could interrupt or affect adversely the company's operations". (15)*

One of the most prejudicial omissions in the agreement was the absence of any clearly defined obligations or sanctions that could be imposed in case of non-fulfilment. Under the 1954 Agreement there is no obligation e.g. to submit information to the Government when requested. During interviews, officials of the Concession Secretariat within the Finance Ministry complained to the present author that BFG repeatedly did not answer letters containing requests for data. The fact that most of the information relating to the company's operations in Liberia is not kept in this country, but in the headquarters of the B.F. Goodrich Company in Akron, Ohio, U.S.A., is only partly responsible for this behaviour of BFG's managers in Liberia. As Firestone is characterized by the same attitude,it is very likely that more information on the Liberian rubber sector can be found in Akron, U.S.A., than in Liberia.

BFG's financial contribution has been very modest - as will be clear after the foregoing - and is virtually limited to the payment of rentals for the Development Area occupied. The company never paid any corporate tax payments as the tax holiday will only expire in 1981 (16).

THE LIBERIAN AGRICULTURAL COMPANY

After the boom in the early 1950's in foreign investments, several years passed during which the country did not succeed in attracting any major foreign investment. In 1959 an agreement was signed between the Government of Liberia and a group of Italian financiers and investors, among whom were the Vatican and the Pirelli company. The Vianini Construction Company, notably one of its top Directors, M.Morelli, acted as intermediary and coordinating institution. The Vianini Construction Company was one of the two major construction firms in Liberia, engaged in the construction of roads, and already established in Liberia for a number of years (17).

The concession agreement of March 3, 1959 with the Liberian Agricultural Company is virtually the same as the agreement with the B.F. Goodrich Company. The exclusiveness of the rights granted within the concession areas (also comprised of two distinct areas each approximating 300,000 acres), the privileges as related to the duty-free importation of necessary equipment and

materials, the rights of the population within the concession areas viz-a-viz the company's rights, the obligations of the Government, the use of land outside the concession area(s), the amount of rentals to be paid and related obligations, the right of the company to construct infrastructural and other facilities *(Accessory works and Installations")*, the right to engage in other than agricultural activities, and the export free of duties of the company's produce, warrant therefore the same comments which, however, will not be repeated here. Only the differences will be - briefly - emphasised.

The concession agreement which the Liberian Agricultural Company (LAC) obtained only differs in four aspects from BFG's concession agreement: (i) the location of the concession area, (ii) the term of the concession, (iii) the number of years of income tax exemption, and (iv) most important, the restriction which was introduced as to the free export of the company's produce.
LAC's concession areas consisted of (1) an area of land lying between the St. John's River and the Cestos River and south of Compound No. 3 in Grand Bassa County, approximately 300,000 acres, and (2) a section of the lands situated along the Tappita - Webbo road (in the then Eastern Province), also approximately 300,000 acres. As the selection of lands had never taken place and consequently no development activities had ever been started in the concession area in the then Eastern Province (after the administrative reform of 1965 located in Nimba and Grand Gedeh Counties) LAC lost its rights in this area in the early 1970's - in conformity with Article X of the Agreement - and the company's concession area is nowadays limited to the 300,000 acres in Grand Bassa County (18).
Under this 70-year concession agreement, the company was granted an income tax free period of 15 years, starting on the date it commenced planting, and which was to be followed by a period of ten years during which the maximum rate of income tax would be 25 per cent of the net income. At the end of the ten year period the same income tax rate of 25 per cent would still be applied but either party to the concession agreement would then be entitled to a renegotiation of this rate.
LAC started planting in August 1960 and its income tax holiday therefore expired in August 1975. The company is entitled until 1985 to pay an income tax rate of 25 per cent only, and in that year LAC will be in the same position as BFG will have reached in 1981, when a decision on the future tax rate will have to be made. Undoubtedly, the Government will aim at subjecting both companies to laws of general application and have them pay 50 per cent income taxes on net income above $ 100,000 a year, which would bring these companies in this respect on equal footing with the Firestone Plantations Company, paying 50 per cent income taxes since the change of the income tax laws in 1977. In both cases, however, the Government will be dependent on the willingness of these two companies to respond to such a governmental request as both concession agreements fail to have obligations in this matter. A fourth difference as compared with

the agreement signed five years earlier with BFG consisted of the introduction of the principle that LAC's output could be freely exported only after Liberia's domestic needs had first been met. Significantly, the Liberian Government never seized the opportunity which this clause provided and never enforced its application.

In 1960 LAC started with the clearing of land in its Grand Bassa County concession area for the development of a rubber plantation which according to the initial plans would comprise 100,000 acres by 1975. The concession area situated in the eastern part of the country aroused the concession owners' enthousiasm because of its encouraging prospects for oil palm, cocoa, and sugar cane plantations as well as for the exploitation of the rich tropical rainforests. Just as the other major investors in agricultural ventures in Liberia (Firestone and Goodrich in rubber plantations, The Liberia Company in the cultivation of cocoa and coffee, and the African Fruit Company in banana plantations) the LAC decision makers were highly optimistic about the success of their investments in Liberia as was reflected in the total size of the concession area sought and obtained, the far-reaching goals set, and the ambitious projects started. Two of the major mistakes nearly all these concessionaires made whilst developing their investment plans and signing the concession contracts were that they overrated the country's labour potential, and underestimated the problems resulting from being engaged in an extremely underdeveloped country where human constraints, natural environment, and the lack of infrastructure placed obstacles which were difficult to overcome. This explains the disappearance of investors such as LeTourneau of Liberia and Juan Jesus Ramos Associates, the pulling out of the original concessionaires and the subsequent selling of the concessions in two cases (the African Fruit Company and, as we shall see, the Liberian Agricultural Company), also the adjustment to more realistic ventures in two other instances (Firestone and B.F.Goodrich), and the change in crops, on a very modest scale in the case of The Liberia Company, and on a larger scale by the African Fruit Company. LAC started with its operations in its concession area in Grand Bassa County. There were several reasons which motivated this choice. First, the announcement of plans to construct a railroad connecting the Nimba Mountains with Buchanan, where a major port was to be built. Both railroad and port would be close to LAC's concession area, thus facilitating its accessibility as well as the exportation of the plantation's output. Secondly, favourable geo-physical conditions such as not too heavy rainforest which made penetration more easy, and a relatively flat countryside which was more adapted to the operations inherent to a rubber plantation. Thirdly, the relatively densely populated area was attractive, considering the company's need for a large number of labourers. Fourthly, the absence of other major concessionaires in the area (19).
As mentioned before, no attempt was ever made by LAC to utilize

the possibilities offered by the concession area in the Eastern Province/Nimba and Grand Gedeh Counties. That this was caused by the fact that this sparsely populated area was, and still is, one of the most inaccessible parts of the country, and one of the remotest places in which to produce cannot be stated with absolute certainty owing to lack of records. However, all production, would have been export-oriented and the nearest port at that time, the Free Port of Monrovia, was 250 miles away over a laterite road which was dusty, but still passable during the dry season. However, it became muddy during the greater part of the rainy season - thus rendering the production area isolated. This concession area may have been selected originally by LAC in anticipation of the construction of roads in this part of the country (by the Viannini Construction Company), but the Government decided to postpone these projects during the financial crisis of the early 1960's. The roads connecting Tchien with Harper and with Greenville were not completed until the late 1960's (20), but at that time LAC had already been sold to UNIROYAL, a U.S. rubber company.

The completion of a railway between Yekepa and Buchanan and the construction of a port at Buchanan in 1963 by LAMCO provided LAC with an easy outlet to the coast. However, two years later, in 1965, the Italian holders of the concession sold their interest. At that time about 18,000 acres had been planted with rubber (since 1960, and therefore still immature) and a start had been made, in 1964, on the growing of tobacco (21).
The reasons for this sale of a plantation which seemingly had such a bright future have neither been recorded nor revealed, but labour problems may have played a role in the final decision. In 1962 the Liberian Government had abolished the then used methods of recruiting labour for work on the plantations. This occurred after Portugal had filed a complaint with the International Labour Organization concerning the observance by the Government of Liberia of the Forced Labour Convention of 1930. LAC, which had originally planned to plant each year during the 1965 - 1975 period 7,000 acres with rubber, would thus have needed tens of thousands labourers (tappers) in the 1970's.
In the very early 1960's, because of the shortage of labour, management had already resorted to mechanical planting methods in the planting of rubber trees instead of the traditional labour intensive methods. Though this may explain why the rubber plantation never reached the size originally conceived it fails to provide a complete and satisfactory answer as to why LAC was sold (22). In addition to rubber and tobacco the company had started some hog raising, cattle ranching, and the growing of rice, corn, and vegetables (one of Liberia's most successful rice-varieties, LAC-23, finds its origin here). The new owners, the U.S. rubber company UNIROYAL, made it known in 1968 that tobacco had ceased to be a viable project, and one year later food crop operations were curtailed to research level (23).

LAC/UNIROYAL

In September 1965 UNIROYAL bought for about $ 8 million the Liberian Agricultural Company from the original Italian investors. An examination of the financial performance during the 1965 - 1977 period seems to be dominated by three aspects: (1) the use of Liberia as a tax-haven through the inter-company sales of rubber; (2) the debt-equity ratio which is surprisingly high for an agricultural company; and (3) the financial results of the plantation, notably against the background of the expiration of the income tax free period in August 1975.
Article VII of the concession agreement between LAC and the Liberian Government grants LAC an income tax free period of fifteen years for the purpose of amortizing its development costs, but the same article also states that any income arising from sources outside the Republic of Liberia is excluded from the computation of net income for the purpose of establishing tax liability. Accordingly, in October 1965, one month after UNIROYAL took over, the Deputy Commissioner of Internal Revenues within the Ministry of Finance, A.L. Thompson, informed the new owners that in conformity with this article their income derived from the inter-company sales of rubber was excluded from Liberian taxation (24). He thus gave the green light for a series of transactions which consisted of the purchase of rubber by LAC from an Indonesian sister-company, a subsidiary of UNIROYAL, that had produced the rubber, for the subsequent resale in the United States of America to Uniroyal Incorporated. The involvement of the Liberian based company was only nominal as no services regarding these operations were carried out in Liberia and the rubber was shipped directly from Indonesia to the U.S.A.
As the Indonesian subsidiary was not exempt from income taxes the rubber was bought at its cost price and sold at a profit in the U.S.A. whereby LAC's profits from the transactions were exempted from taxation. Though information on the amounts involved in this evasion of (Indonesian) taxes is limited and, prior to 1969, non-existent, available information for the six-year period 1969 through 1974 shows a total of profits thus realized of $ 4.1 million (25), and the grand total of non-taxable profits in the 10-year period 1965 - 1975 may have amounted to $ 6.5 million.
In 1975 the inter-company sales of rubber through LAC ceased.

In August 1975, at the expiration of its income tax free period, the company sent a letter to the Minister of Finance, explaining its large losses, amounting to more than $ 4 million during the period 1966 - 1975, and asked permission to carry forward its losses to the taxable period commencing September 1, 1975. The company's management further gave as reason for its request the losses incurred on LAC's food and agricultural development projects. The continuous losses over the years had been greatly influenced by an accelerated depreciation and amortisation policy, large amounts had been deducted for interest payments on sizeable inter-company borrowings and for a rubber trading profit commis-

sion, and sales to affiliates made at prices lower than the Singapore price (26). The Government, therefore, rejected the request and, instead, demanded additional information (documents, copies of sales contracts etc.) from the management in order to determine whether the company had violated, and, if so, to what extent, the provision of Article VII of the concession agreement regarding the invoicing of the plantation's produce. However, by late 1978, and despite repeated requests, the management of LAC had still not provided the Concession Secretariat/Ministry of Finance with the relevant information.
With respect to inter-company interest payments, LAC's debt-equity ratio is relevant. In 1976, total investments amounted to $ 25.7 million and had been financed with only $ 0.7 million equity capital. During the years 1965 - 1977 LAC's debt-equity ratio varied from a high of 35 : 1 and a (relative) low of 9 : 1. It should be noted that a 2 : 1 ratio characterizes the other rubber producing companies.
Retained earnings fell from $ 2.8 million in 1970 to only $ 0.6 million in 1976, the latest year for which data were found, and after the company had reported a cumulative net loss of $ 1 million (in the preceding year, 1975, when its tax-holiday expired).

TABLE 5

EQUITY CAPITAL, RETAINED EARNINGS
AND TOTAL INVESTMENTS OF
LAC/UNIROYAL 1970 - 1977
(in millions of U.S. dollars)

Year	Equity Capital	Retained Earnings	Total Investments
1970	$ 0.1	$ 2.8	$ 20.0
1971	0.1	1.7	22.0
1972	0.1	1.7	22.8
1973	0.1	1.4	24.0
1974	0.1	1.6	25.2
1975	0.1	1.0	24.0
1976	0.1	0.6	25.7
1977	0.1	n.a.	31.1

Source:
- Concession Secretariat, Ministry of Finance, Monrovia.

In 1973 UNIROYAL Directors had shown interest in extending the LAC rubber plantation by 10,000 acres. Although the U.S. company owns plantations in Malaysia, Indonesia, and Liberia, the latter was considered the most preferential place for extension activities because of the liberal tax privileges, the controlled wages, and the country's political stability (27).
The Government, however, when requested to grant an extension of the period of income tax exemption until 1985, before even considering this proposal, wanted to review the concession

agreement of March 1959 (all agricultural concession agreements were to be reviewed though later it was decided to concentrate first on the 1926 Planting Agreement with Firestone), whereupon LAC withdrew its proposal.
In November 1976 the Government again communicated to LAC that it wanted to review its concession agreement, but after LAC/UNIROYAL had convinced high ranking government officials, including the President, William Tolbert, that if it was to accept the same conditions as the Firestone Plantations Company it would feel compelled to close down its operations in the country, the Government backed down and left an unsatisfactory situation unchanged. The company's major yearly contribution to the Treasury had been a negligable four thousand dollars for rental of its concession area.

THE SALALA RUBBER CORPORATION

In 1959, the same year in which the Government granted a 600,000 acres and 70-year concession to the Italian financiers of the Liberian Agricultural Company, it also signed a long-term investment contract with two other European investors, the Dutch-owned N.V. Rubber Cultuur Maatschappij Amsterdam (RCM-Amsterdam), and the Nordmann, Rassmann and Company, from Hamburg (NRC-Hamburg). These two companies in January 1960 founded a company under Liberian laws, the Salala Rubber Corporation, in which they took a 74% and 25% interest respectively (initially one percent was taken by a Dutch national, A.E. van der Haagen). They assigned to this company the concession by separate agreement of March 25, 1960, in conformity with Article XI of the original agreement of August 1, 1959 which was approved by the National Legislature on May 4, 1960.
RCM-Amsterdam had owned a large rubber plantation in Indonesia, a former Dutch colony, which it had been compelled to give up during a flood of nationalistic measures in 1956 and 1957, and it had decided to invest its capital and experience with rubber in Liberia. The decision was made after it was found that the country's soil was very suitable for the growing of rubber, its climate ideal, and the political environment and investment climate very attractive. Owing to its experience in Indonesia, it was political prudence rather than insight into the limitations of the investment possibilities in Liberia that had been responsible for the relatively modest size of the concession area it obtained, 100,000 acres, which was much smaller than those granted earlier by the Liberian Government to foreign investors (except the concession given to Juan Jesus Ramos Associates). (28)

The concession agreement entitled the concessionaire for a period of 70 years to two concession areas, one in the (then) Central Province, between Yangwela-Pa (Gibi Mountains), Waung-Gliba and the Borlalah River, the other in the Zorzor, Voinjama and Kolahun Districts in the then Western Province, a total

concession area of 100,000 acres. It was the first time a concession area had ever been granted to an agricultural company in this Western Province of the Hinterland ("Lofa County" after 1965). However, this concession area, situated in the north-western corner of the country, close to the Sierra Leonan and Guinean borders, was never developed, probably because of the absence of transportation facilities and means of communication, and was forfeited after eleven years, in conformity with Article X of the concession agreement (29).
The concession area in the Central Province (now Gibi Territory) was on the contrary very favourably located: just beyond the Monrovia - Totota highway, then the major paved road in the country (30). As there existed a growing number of Liberian rubber farmers in this same area, the company's management was attracted by the idea of buying up the output of these Liberian farmers to process it in the factory which it planned to establish, and to export the result of its processing activities over the road to Monrovia where it would be shipped. In an interview with the company's General Manager, M. Boissevain, the latter complained bitterly that these prospects were never realized due to the fact that three years later the Liberian Government granted a concession for the buying and processing of Liberian produced rubber in the same region to a Dutch-owned company, which established subsequently a rubber processing plant nearly opposite the gates of the Salala Rubber Corporation (see below) (31).

This agreement had been drawn up along basically the same lines as those with BFG and with LAC, though a few differences exist (besides the ones already mentioned). The concessionaire resp. the Salala Rubber Corporation ("Salala") had to start paying rental within 24 months after the effective date of the agreement, and upon a total of not less than 20,000 acres (6 cents per acre per annum), further, the company was granted the right to use its infrastructure *("the Accessory Works and Installations")* not only for the purpose for which it would be built, i.e. the concession, but also for the purpose of providing transportation and communication services to the general public, at rates to be agreed upon, whereas BFG and LAC first needed approval of the Government to do likewise; Salala was granted a 14 year period of income taxes exemption after which it would pay income taxes of general application and, lastly, if in case of arbitration the two arbiters (one appointed by each party) could not agree on a third arbiter - if needed - the latter would be appointed by the Supreme Court of Liberia (instead of by the President of the Yale University as in the concession agreements with BFG and LAC). The other articles of the concession agreement with RCM-Amsterdam and NRC-Hamburg resp. Salala which granted the right to engage in agricultural, mining, and other activities (notably the harvesting of timber) were identical with those of the agreements concluded with the B.F.Goodrich Company and the Liberian Agricultural Company.

During the 1960 - 1975 period the financial transfers from the Salala Rubber Corporation to the Liberian Government virtually consisted only of the payment of the (minimum) annual rental of $ 1,200 as the company was exempt from all taxes etc. In 1975, after the expiration of the contractual period of income tax exemption, the financial losses reported by the company resulted in zero income taxes due to the Government but a closer investigation of the financial performance of Salala reveals that these (negative) financial results were caused partly by (1) an exchange loss, written off in that year (1975), (2) high amounts of interest payments paid to RCM-Amsterdam and NRC-Hamburg, which companies had lent large amounts to their Liberian subsidiary, and (3) the depreciation rate which was used.

Officially, the plantation costs are amortised at a rate per unit of production which is estimated to be sufficient to write them off completely by the time the area planted ceases to yield further production, thereby estimating the productive life of the trees at 20 years (32). In reality, however, in the case of Salala it takes the trees five years to start producing, and the trees are tapped for 25 years. The company thus arrives at a much longer period during which depreciation is deducted from gross income, viz. 30 years. Taking the rate of amortization as 5% per annum, as based on a 20-year life of the plantation, 150% of the initial plantation costs will thus in a period of 30 years have been recovered from gross income, one third of which represents no costs whatsoever. It seems therefore to be more justified to use a yearly rate of amortization of 3.33% instead of the 5% now used.

The owners of Salala signed a series of seven loan agreements, supplements, and additions to loan agreements with their subsidiary, starting with a $ 3 million loan on July 31, 1963 which by the end of 1977 resulted in an overall-lending of approximately $ 6,250,000 at interest rates varying between 6 - 8 per cent. With only a paid-in capital of $ 480,000 the debt-equity ratio was about 13 : 1 at the end of the period under consideration, 1960 - 1977.

As a result, interest payments of over $ 300,000 and repayments on the amounts borrowed affected the net income in such a way that, though the company started to show a (very small) net profit in 1976, no income taxes were paid to the Liberian Government after the expiration of the income tax holiday. Furthermore, as these loans had to be repaid in a currency at the option of the lenders and as the U.S. dollar had become less attractive after its devaluations and depreciation, repayments were made in Dutch guilders and in Deutsch Mark, resulting in an exchange loss which Salala started to write off in 1974.

As the Liberian Government had approved these loan agreements, these arrangements just described were perfectly legal, but it should be observed that the absence of a certain debt-equity ratio in the concession agreement, in combination with the provisions of these loan agreements, particularly the one that states that *"(...) it is agreed that payments of interest shall be suspended until Salala Rubber Corporation is able to make*

such payments out of profit.", worked against the interest of the Liberian Treasury, whereas the RCM-Amsterdam and NRC-Hamburg were as collateral security for the repayment of these loans granted "*a continuing general lien to the extent of their interests upon all fixed assets, including plantations, and upon all accounts receivable and other assets of Salala*" (33). Thus, their participation in and the financing of Salala had become hardly distinguishable from equity participation, apart from the consequences for the payment of income taxes, and the general financial responsibility.

ALAN L. GRANT (LIBERIA) INC.

Alan L. Grant (Liberia) Inc. ("the Alan Grant Company") is a company which is not involved in the production of rubber on its own plantation(s), but which buys rubber (specification coagulum, non-specification coagulum, cup lumb, tree lace, and bark scrap) from mainly Liberian farmers and processes it for export. As its final product does not differ essentially from the produce of the factories of the Firestone Plantations Company or of one of the other rubber plantations, its main characteristic being that it still falls within the category of primary products, it seems correct to discuss this company together with the other rubber companies operating in Liberia under concession agreements with the Liberian Government.

The company's activities are governed by (a) a Statement of Understanding of October 22, 1962, and (b) an Agreement for the establishment of a Rubber Remilling Plant, dated December 31, 1962. It was incorporated under Liberian laws on November 29, 1962, and is a fully-owned subsidiary of the Dutch N.V. Deli Maatschappij Amsterdam (DMA).
Under a 50-year concession agreement the Alan Grant Company was granted the rights to create a rubber remilling plant in the Central Province of the Liberian Hinterland, to purchase all kinds of rubber from independent Liberian farmers for further processing at its factory, and to supply independent Liberian rubber farmers with whom it deals, with everything needed for the efficient operation of their farms, estates, or plantations. For this purpose the company was granted a three-year exemption of customs duties, tariffs, or taxes (for imports related to the operation of the plant), a two-year exemption period from all taxes and other assessments by the Government on the income of the company in order to permit it to amortize the outlay of its capital investment for the initial development of its operations, an "*infant industry protection*" - protective tariff - of five years, to ensure the minimum required quantity of purchases to justify the building of a plant, and to guarantee that the company will be the only foreign owner and operator of a rubber processing plant handling the production and output of independent Liberian farmers within a radius of 30 miles from

the town of Weahla in the Central Province, near the location of the factory. Liberian owned rubber processing plants (though non-existent before 1977) and rubber processing plants of other plantations which were already engaged in such activities were excluded from this guarantee and Liberian farmers were not obliged to sell their products to the Alan Grant Company.

The full details of Alan Grant's financial contribution to the Liberian Treasury have not been traced but what is known is e.g. that the company started to pay import duties after the expiration of an extra 2½ years' exemption from import duties, personally granted by President Tubman on May 11, 1970 (34). The amounts paid yearly on import duties varied between $ 29,000 and $ 44,000 in the 1972 - 1977 period.
The greater part of the investments in the rubber processing plant, actually located in the extreme southern part of Bong County (after the administrative reform of 1964) was financed with loans which were provided by the parent company. Because of these and other large amounts of outstanding loans, owed to the parent company and affiliated subsidiaries, but also because of improper management and embezzlement by persons in the top-management, the company reported large financial losses (35). As a result the company did not start to pay corporate income taxes until 1976: $ 117,432 in that year, and $ 168,578 in the following year (1977). The establishment of a Government-owned rubber processing plant in Gbarnga, a mere 60 miles from Alan Grant's factory, is bound to affect the company's future operations and financial results. Thus it will also affect the company's financial contribution to the Treasury. It is very regrettable that research on the performance of the Alan Grant Company was severely hampered by the lack of co-operation of this company's management as well as by the virtual absence of any information on this company in the files of the Concession Secretariat or elsewhere in the Ministry of Finance.

CONCLUSION

As Chapters 3, 4 and 5 made clear, to cope with these agricultural companies, the Government would need a fully staffed office or agency and qualified civil servants. However, the Concession Secretariat of the Ministry of Finance was only created in 1972 for this purpose and did not fulfill this role in 1978. In that year there was only one person employed with an undergraduate degree in the section that dealt with all foreign rubber and other agricultural concessions with the exception of logging companies. In September of that year he left to pursue further studies abroad. His unqualified successor was only appointed after some time and inherited the incomplete files of the companies discussed in the preceeding three chapters. Vir-

tually all of these companies are in the habit of keeping part of their records exclusively in their foreign based headquarters. The information which they allow to be communicated to the Liberian Government moreover easily gets lost within the relatively disorganised Ministry of Finance. This administrative underdevelopment forms one of the most important obstacles which hinders the full utilisation of the potential which foreign investments offer.

CHAPTER 6

GOLD AND DIAMOND MINING;

THE SEARCH FOR OTHER MINERALS

Historical background

There is evidence that gold was mined for centuries in Kpelle-country and that it was exported via Cape Mount as early as 1500 (1). However, it is not certain that these gold deposits were located in what is nowadays the republic of Liberia. The mining may just as well have taken place more to the north, in a region which now forms part of the Republic of Guinea and is the area from which the Kpelle tribe originates.

Possibly the first mining company in Liberia was "The Mining Company of Liberia". This company was founded by Liberians, after the return of the Liberian explorer Benjamin Anderson from the interior in 1869, and was granted a concession in the same year, during the (first) Administration of President James Spriggs Payne and only a few years after the formal establishment of a "closed door policy" by the introduction of the "Port of Entry Act". In 1881 the company was transformed into the "Union Mining Company" but information on it is scarce. It is known that it was an English-owned company which operated in conjunction with sixteen Liberians, among whom there were several Government officials (2). The company's mining rights were in 1901 transferred to the "West African Gold Concessions, Inc." which is in fact the first real indication that gold and, for instance, not diamonds were involved. Later the company's name was changed to that of the "Liberian Development Chartered Company" (3).
In the meantime yet another mining company had worked the Liberian soil: the "Excelsior Mining Company" which President William D. Coleman had in 1898 granted

> *"certain rights over an area of 1,500 acres in the County of Maryland in perpetuity, in respect of minerals, of public lands to be selected by them (...)"* (4)

As this company may have been foreign owned (5) the granting of perpetual rights may have been in conflict with the spirit of the Constitution which prevents foreigners from holding real estate in the republic (6). These perpetual rights are an indication that not only the right to engage in exploratory activities had been granted but also the right to mine subsoil natural resources such as gold or diamonds. Whether the company had obtained general mining rights or only rights in respect of gold, or diamonds, is not known but at that time no geological survey had ever been carried out in the country and the former seems most probable. Apparently, production and/or export records do not exist and mining activities may not have been very successful or profitable.

The 1898 concession agreement with the "Excelsior Mining Company" was amended in 1909, during the Administration of President Arthur Barclay, whereby

> *"the further right was granted to the Company upon any public lands in the said County of Maryland County to cut and to fell timber"* (7)

whereas yet another amendment (in 1914) gave the company the right to construct a railway in Maryland County (which would run between the harbour of Cape Palmas and the northern boundary of the County), the right to construct electric light and power stations, and communication facilities (8). This amendment was approved during the Administration of President Daniel E. Howard. The interesting point here of this 1914 Amendment is that clearly the company's attention was focussed on the northern part of Maryland County (this region became part of Grand Gedeh County under the administrative reform of 1964). As these infrastructural improvements never materialised - infrastructure in this part of the country being non-existent before the coming to power of President William Tubman - neither mining nor timber cutting operations were ever carried out on a large scale (9).

Recorded gold mining operations in this area started in the late 1930's. In 1941, local people concentrated the mining of gold in an area south-west of the town of Zwedru, in those days still called Tchien, but the increased interest in diamonds after the discovery of important diamond deposits along the Lofa river, in the 1950's, and the resulting "diamond rush" brought gold mining activities virtually to a stand-still (10). Only with the increase in the price of gold in the 1970's was renewed interest shown by various investors.

There are other sources reporting or indicating the failure of a start of the mining operations, in particular of gold, in the first half of the twentieth century in Liberia. In 1933 President Edwin J. Barclay granted the Dutch "Holland Syndicate" (whose major financier was "Wm.H. Muller and Company") the sole prospecting rights in the country as well as an option on 50,000 acres (to be selected by the concessionaire). The Dutch concentrated their surveys on the Western part of the country, hoping to locate gold and diamond deposits in view of the recent discoveries and subsequent exploitation of diamonds in neighbouring Sierra Leone, near Pendembu. It was during this search for diamonds and gold that the high-grade iron ore reserves of Bomi Hills were discovered by one of the Dutch explorers (11) (see below, the Liberia Mining Company, Chapter 7). Whether the "Holland Syndicate" ever found and extracted gold or diamonds is unknown as no record exists of the minerals possibly extracted and exported (12). Though export of gold did take place during the 19th century and in the first quarter of the 20th century, the gold industry figured in export statistics for the first time in 1935, to the amount of $ 22,700 (13). Most if not all of this had been produced by

small Liberian miners. Gold is found in nearly every county of the republic although in limited quantities: only in Nimba County no deposits were located so far but gold is expected to occur here too, primarily because one of the country's most important diamond "fields" lies in this northern county, and because gold and diamonds are often found in adjacent or mixed areas.

The Lofa and Grand Cape Mount Counties, bordering Sierra Leone, are relatively rich in diamonds, especially along the Lofa river and in the region between the Lofa and Mano rivers, but it was in Montserrado County that the first diamonds were found, in 1906, in the Gibloon area (between Bensonville - now called Bentol - and Careysburg) by a small, Liberian-owned, gold mining company (14). Diamondiferous soils were also found to exist in Grand Bassa and Sinoe Counties.

The interest in diamond mining was heightened in the 1950's, and this was reflected in the increase in prospecting and mining activities, the growth of the number of Liberians involved in the diamond industry, and the granting of concessions to foreign investors. The major agricultural concessions (see Chapters 3, 4 and 5) generally also had the (exclusive) rights to mine gold, diamonds, oil, or other minerals, but this acted in the first place as a guarantee against mining companies jeopardizing the investments in large plantations by mining operations within the concession area or on the plantation. The discovery of important diamond "fields" along the Lofa river in 1957 culminated in a "diamond fever" which caused thousands of Liberians to rush to the Lower Lofa river area where the small town of Weasua became the centre. These events disrupted normal production life on the large (foreign-owned) rubber plantations, notably of the Firestone Plantations Company's Harbel plantation, whose rubber tappers abandoned their work and left for Lofa County (at the time still called the Western Province) in the hope of getting rich quickly. The fact that they were prevented from settling in Lofa County and were forced to return to their places of employment - although rubber tappers, for instance, were employed on a daily basis - adds to the accusation of forced labour being employed on Liberia's rubber plantations (see Chapter 13).

The National Legislature adoped extensive legislation concerning the diamond industry in the following year (1958), regulating the exploration, mining, sale and export of diamonds, thereby severely restricting the opportunities for Liberians to engage in diamond mining activities. On the other hand the door was opened for foreign capital. In 1959 an agreement was concluded between the Government and the U.S.-owned "Liberian Development Corporation" (note: this is not the same company as the parent company of The Liberia Company) granting a Diamond Mining Concession to the foreign concessionaire. In December of the same year a Statement of Understanding was signed with Sydney

Normann, from England, which resulted in a Diamond Concession Agreement on June 8, 1960 (approved by the Legislature two days later). On February 28, 1963 a Supplementary Agreement to the Agreement with Normann's company, "The Providence Mining Company", was signed (which was approved on March 11, 1963) and the name of the company was changed into the "Liberia Swiss Mining Corporation, Ltd." and the transfer of the concession to another Englishman, Harry C. Stebbens, legalized.

On May 22, 1962, another Diamond Concession Agreement was signed with "St. Andrews Securities Ltd.", also an English firm, represented by Edward George James Dawe. This agreement obtained legislative approval on April 25, 1963. Later the name was changed to the "Diamond Mining Corporation of Liberia". The same Dawe, representing the "Diamond Corporation of West Africa, Ltd." on January 8, 1964, signed an agreement with the Liberian Government for the establishment of a Diamond Appraisal Office within the Bureau of Natural Resources and Surveys (a governmental agency which had been created in 1959 by an Act of the Legislature). Renewed interest in the present decade resulted in an agreement with the "Diamond Mining and Management Company" of the U.S.A., represented by its President, S. Richard Stern, on July 17, 1972, followed by a Diamond Concession Agreement with "Globex Minerals, Inc." of California, U.S.A., represented by John F. A. Nisco, on December 23, 1972. This agreement replaced Stern's concession for reasons explained below. Four years later, on October 12, 1976, Lee Edgar Detwiler, who was well known in Liberia because of previous investment activities, signed a mining concession agreement with the Government on behalf of his company, the "Liberian Gold and Diamond Corporation". The following year the company's name was changed into the "Liberian Gold, Diamond and Uranium Corporation" and the concession agreement was amended. Detwiler was neither the only nor the first investor who showed renewed interest in gold mining, an activity which had become increasingly attractive with the international monetary crisis and the simultaneous rise in the price of gold in the 1970's. On May 7, 1970 a Gold Concession Agreement had already been concluded between the Government of Liberia and Lawrence L. Trumbull of the abortively created "National Gold and Diamond Corporation". Another company, the "African Mining and Resources Company, Inc." had started to prospect for gold in 1971 and had obtained an Exploration Agreement from the Government in 1972. The company signed a Gold Mining Concession Agreement on August 1, 1973, after entering into a partnership agreement with"African Mining Partners". These gold mining companies were all financed with U.S. capital.

The seven foreign companies that entered into diamond mining concession agreements with the Government between 1944 and 1977 all showed only moderate successes, and sometimes even outright failures. Liberia's history of diamond mining, though older than that of e.g. neighbouring Sierra Leone, is definitely less spectacular. Gold mining seems to share the same fate as

appears from the experiences of the few gold mining companies which attempted to establish modern large-scale mining methods. Any analysis of the diamond and/or gold production in Liberia suffers from the disappearance of concession agreements, the absence or incompleteness of files, and from unreliable production and export data. Smuggling of diamonds from Sierra Leone into Liberia is excessive but the exact quantity and value of these smuggled precious stones are difficult to estimate. In Sierra Leone diamond mining operations started after the discovery of the first gemstone in 1930, and notably after the Government of Sierra Leone had seized control of the export of diamonds, in 1959, it became very attractive and profitable to take advantage of the weak security measures and the administrative underdevelopment of both countries, and to export diamonds through one of Liberia's air or seaports. The latter's export figures include some, but not all, of these diamonds of Sierra Leonean origin though without them being specified (15). Gold production figures are misleading, if at all available. In Annual Reports of a leading government agency in this respect, such as the Ministry of Lands and Mines, it was stated on more than one occasion that it was impossible to give the exact value and quantity of gold found in Liberia. Owing to restrictions and a purchasing price ceiling, imposed by the Government, much of the gold produced in the country was sold to local goldsmiths or smuggled out of the country, so as to take advantage of the great difference between the official purchasing price of gold and the (rising) international price of gold in the 1970's (16). An Assistant Minister with years of experience told the present author in 1977 that he was puzzled as the export figures for the previous year showed a (small) quantity of gold exported whereas no production of gold had been recorded in that year (17).

In the discussion below exploratory activities will not be dealt with in detail, nor will an attempt be made to provide an exhaustive list of companies, foreign owned, which have engaged in exploratory activities under agreements with the Government. The reasons for this are stated above. The agricultural companies with mining rights are also excluded here because they did not begin any mining operations either.

Diamond mining concession policy and practices during the Tubman Administration

The first of the post-war foreign diamond mining companies which was brought into the country by President William Tubman after the diamondiferous areas had been cleared of thousands of illegal miners was the "Liberian Development Corporation", a U.S. company which, however, never went into significant production. As it even did little prospecting the Government revoked the agreement a few years later and gave the concession area, about 20 miles along the Lofa river, to the "Vaspal Diamond Mining Company", a company owned by Liberian citizens (18).

On June 8, 1960 a Diamond Mining Concession Agreement was granted

to the English "Providence Mining Company", which was approved on June 10, of the same year. The speed with which the National Legislature approved this agreement casts doubts as to the thoroughness with which this job was done, to say the least. The agreement had a term of 25 years, with a possible extension for a further period of 20 years. As a concession area the company was given *"the Southern portion of the Lofa River commencing where the Liberian Development Corporation ends, extending 20 miles approximately down towards the sea"*,
and further the rights, not only to exploit diamonds, but also
"other ores, precious metals and related minerals", and
"to use for this purpose all available fishing and hunting grounds within the exploitation boundaries of its concession in keeping with existing regulations",
whereas the Tubman Administration guaranteed the investors that they would not be hindered in their operations by stubborn landowners or unwilling labourers: the Government would
"ensure that such interested parties transfer the lands to the Concessionaire (...)" and *"(...) agrees that it will encourage and maintain an adequate supply of labour (...)"* (19).
There seems to be no reason to think that the agreement with Sydney Normann was essentially different from the one with the "Liberian Development Corporation", signed a year earlier, though a copy of the latter could not be traced. Mention had previously been made of the carelessness of the Government and its indifference towards the indigenous population as reflected by the neglect of its rights in the analysis of the concession agreements which were concluded with the foreign investors in the agricultural sector (Chapters 3, 4 and 5); here also in the cases of the "Liberian Development Corporation" and the "Providence Mining Company" the rights granted to foreign capitalists superseded the rights of the population inhabiting the concession area. The company, renamed the "Liberian Swiss Mining Corporation, Ltd." and since 1963 financed with Swiss capital, reported little production despite the introduction in February 1963 of the first fully mechanised plant. The Bureau of Natural Resources and Surveys disclosed in 1968 that the company had ceased operations in the Lofa river area and had terminated its agreement by serving the notice required by the terms of the agreement(20). After the intervention of the original concessionaire, Sydney Normann, the company was saved from liquidation and as of November 1, 1968 a new management took over. Mining operations continued to show little evidence of success, the production remained low, and as the company contributed nothing to the Treasury apart from rental payments of one dollar per acre, had kept important documents related to its Liberian operations in its main office outside Liberia, and had failed to submit regular reports, the concession (together with four other diamond mining concessions) was cancelled within a year of William Tolbert succeeding William Tubman as President of Liberia (21).

In the 1960's the giant of the diamond business, De Beers Con-

solidated Mines Ltd. of South Africa, aided by a Liberian, Lloyd K. Whisnant, a close friend of President William Tubman, made its entrance on the Liberian scene through two affiliates. In 1962 one of the subsidiaries, "St. Andrews Securities, Ltd." obtained a "classical" concession from President Tubman: exclusive rights over a period of 50 years in a concession area of over 2,350 square miles (approximately 1,500,000 acres) whereas many articles and provisions of the agreement were similar to or identical with those of the concession agreements with the African Fruit Company, B.F. Goodrich, and LeTourneau of Liberia in the 1950's. The "St. Andrews Securities Ltd." also operated along the Lofa river, its concession area being south of the "Liberian Swiss Mining Corporation Ltd." concession area. In July 1964 the company, renamed after only one year and now called the "Diamond Mining Company of Liberia Ltd.", exchanged areas because little evidence had been found of the occurring of kimberlite in the original concession area. But this is not the most interesting aspect of this company. Its involvement in the then Bureau of Natural Resources and Surveys through another company, also an affiliate of De Beers, created a potentially dangerous conflict of interests and an intolerable precedent allowed by the Government of President Tubman. The second company of De Beers Consolidated Mines to operate in Liberia, also represented by Edward Dawe, the "Diamond Corporation of West Africa Ltd.", signed on January 8, 1964 an agreement with the Government for the establishment of a Diamond Appraisal Office, within the Bureau of Natural Resources and Surveys.

In the very early 1960's the official diamond appraiser, a Liberian, had been allowed leave of absence to pursue more advanced studies abroad and the Geological Survey (of the Bureau of Natural Resources and Surveys) had since carried out the appraisal of diamond shipments, necessary to determine Government revenue from royalties. As a result of the agreement entered into with the "Diamond Corporation of West Africa Ltd." the Diamond Appraisal Office was supplied with equipment and trained and experienced technicians, but at the same time De Beers was given the legal opportunity to appraise its own diamond production, at a fee of $ 30,000 per annum.

The decision to grant to one particular firm, which also happens to be a diamond producer in the same country, the official appraisal of diamonds, should be rejected in principal as it infringes upon the Government's sovereignty and threatens the income of the Government from the diamond sector. But it is the same type of agreement that the Government made with Firestone which not only determines the price of its own products but also those of most other rubber producers in Liberia. Certainly Firestone does not function within an official institution as does DeBeers, but the outcome is practically indistinguishable (22). Fortunately, in practice the consequences of the arrangement with DeBeers were limited as the "Diamond Mining Corporation of Liberia Ltd." in August 1966 relinquished its concession as

the company had in previous years not reported any production of diamonds.

The "Diamond Corporation of West Africa Ltd." in 1977 still formed the nucleus of the Diamond Appraisal Office, though a new agreement with the Government - upon the latter's request - had been signed in 1973, and had in 1974 been approved by President William Tolbert. The annual fee was reduced from $ 30,000 to $ 25,000 a year, two Liberians were sent to London where they underwent training in diamond appraisal (at the company's expense), and the company accepted that a representative of the Ministry of Lands and Mines (created in 1971 and which includes the Diamond Appraisal Office) should be present at all appraisals of diamonds (23). In 1977, the conditions in Liberia, though improved, were very different and compared unfavourably with those in Sierra Leone in the 1960's where De Beers had a management contract with the Government for the management of the Government Diamond Office, created in 1959 by the Sierra Leone Government, and was the sole buyer and exporter of diamonds under the Alluvial Diamond Mining Scheme (a government sponsored programme by which Sierra Leoneans can mine and sell - to the Government Diamond Office - diamonds on their own behalf). The Sierra Leone Government controlled the Government Diamond Office through an executive board of five members, three of whom were appointed by the Government and the remaining two by the managing company, the "Diamond Corporation of West Africa Ltd." (24).

Diamond mining concession policy and practices during the Tolbert Administration

The continual granting of diamond mining concessions to foreign investors during the Administration of President William Tolbert appears in contradiction with the negative impression of the country's potential diamond production as given by previous concessionaires. Their evaluation of Liberia's diamond potential seems to have been (to say the least) arbitrary. This is shown by the value of the diamond exports in 1972 and 1973, $ 31.7 million and $ 49.3 million respectively, making diamonds the second most important export item of Liberia, next to iron ore (25). One should, however, be careful when analysing Liberian diamond export figures as the smuggling of diamonds from Sierra Leone should be taken into account.

On May 16, 1972 an agreement was signed by the then Minister of Lands and Mines, James Y. Gbarbea, and S. Richard Stern, President of the "Diamond Mining and Management Company Inc.", a U.S.-company in which three Liberians also participated, including President Tolbert's oldest son, A.B. Tolbert. The then Deputy Minister for Presidential Affairs, Burleigh Holder, in a Memo to the President commented that "*there are several worrying provisions from the point of view of the law as well as benefits to be derived by the Government*" (26) and an improved agreement was drafted and signed on July 17, 1972. However, as the "Diamond Mining and Management Company"

failed to comply with Article XI of the concession agreement, i.e. to post a performance bond of $ 50,000 within three months immediately following the signing of the agreement, and assigned 50% of the concession to "Globex Minerals (Inc.)", also a U.S.-company, without the required prior written consent of the Liberian Government, which act constituted a second breach of contract, the then Minister of Justice, Clarence L. Simpson on December 15, 1972 rescinded the agreement with Stern's company before even Legislative approval of the agreement had been given (27).

The real reasons for the revocation of Stern's concession agreement may have been different from those which were officially stated though the double breach of contract presented genuine grounds for cancelling the agreement. In the course of 1972 Stern had disagreed with one of his Liberian partners, A.B. Tolbert, and as a result lost the latter's political support which had made his company vulnerable to attacks from others (28). The President of "Globex Minerals (Inc.)", John F. Nisco, with whom Stern had signed a Joint Venture Agreement on October 12, entered into negotiations for a new concession agreement with Minister Stephen A. Tolbert, then Minister of Finance and Chairman of the Concession and Investment Commission. He also secured the (legal) assistance of Counsellor C. Cecil Dennis, who was then emerging as the strong man in Liberian politics. He was later appointed Minister of Foreign Affairs by President Tolbert. Dennis was a close friend of Minister Stephen Tolbert for whom he worked as a Counsellor in his enterprise, the Mesurado Group of Companies. Under pressure a new draft agreement was discussed, as was stated in an official Memo of the Ministry of Finance (29), the Model Mining Concession Agreement which had been drafted earlier was discarded, and on December 23, 1972 a new Diamond Mining Concession Agreement was signed by the Minister of Lands and Mines (then A.E. Nyema Jones), the Minister of Finance (Stephen Tolbert) and the President of "Globex Minerals (Inc.)", John Nisco. President Tolbert approved the agreement on January 12, 1973.

John Nisco by skilful manipulation had obtained the concession area which half a year earlier had been given to his partner. In an attempt to rally support within the U.S. State Department for his cause Stern, in 1973, wrote an acrimonious letter to several influential Americans about what he felt was a betrayal by the Liberian Government (30). The concession area had been held by the "Providence Mining Company - Liberian Swiss Mining Corporation" before - a tract of land extending 500 feet on either side of the Lofa river, situated in Lofa and Grand Cape Mount Counties, and two adjacent areas, containing a total concession area of 16,400 acres. A discussion of the most important provisions of the concession agreement can be found in Annex 9.

Soon after the start of activities a conflict arose between "Globex Minerals (Liberia) Inc.", the Liberian subsidiary

of "Globex Minerals (Inc.)", and the "African Mining and Resources Company". The latter had in early 1972 obtained permission from the Government to explore for gold in five counties over a one year period, excluding areas already licensed and/or given away under concession agreements, and in 1973 was negotiating a concession agreement with the Liberian Government when it discovered that an area it was interested in was already occupied by Globex. As the "African Mining and Resources Company" had failed to specify the areas it was entitled to under the Exploration Agreement with the Government, and as a reconnaissance survey permit gives no right to any mineral exploration in any area, the question was - rightly - decided in favour of Nisco (31). After a difficult start due to staff problems Globex in the middle of 1973 commenced exploration activities - with old and worn-out equipment which was taken over from the previous concessionaire. In 1974 the company was very successful and reported a diamond production worth nearly half a million dollars. Production could have been higher but the company was faced with problems of illicit diving within its concession area and theft of diamonds by labourers. In 1975 the company discovered that gold was an important co-constituent of the Lofa diamond gravels and decided to undertake a gold exploration programme within its concession area. However, in 1975 reported production of diamonds was disappointing, being only $ 50,000 in value. Hoping to improve its performance Globex diverted the Lofa river in 1976/1977 (which was allowed under the concession agreement) in order to pump water out of the dippers and mine gravel but the carat yield per cubic yard of gravel mined was below expectation and diamond production in these years was valued at $ 35,000 and % 13,000 respectively. When the Lofa river on two occasions flooded the company sustained heavy losses.
According to the concession agreement Globex was to pay income taxes at a rate of 50% of its profits but the large losses which the company has reported have resulted in a lack of tax revenue for the Government, and though an excise tax on output was payable in case diamonds were exported the company has sold virtually all its output in Liberia, leaving the excise tax to be paid by the exporter (32).

The accounting methods which Globex used were deplorable: its administration was not sufficiently structured to handle e.g. cost-accounting, and further it was dubious whether it lived up to its obligation not to exceed the allowed debt-equity ratio (3 : 1). In 1973 employment of Liberians averaged about 85 workers, earning an average salary of about $ 55 a month (but the four ex-patriates on the company's payroll received an amount which was equal to the wages paid to all Liberian workers together in that year i.e. over $ 50,000). In 1974 the employment figure rose to over 100 labourers but never more than 150 Liberians were hired as that would have necessitated the financing of a dispensary by Globex. As the company only paid for a short time for one teacher in one of the villages in the

concession area it did not fulfill its contractual obligation to provide free primary education for the children of all employees (33).

The only regular payment which Globex made to the Treasury was rental of its concession area but until the company in late 1976 was granted exploitation lots comprising a total of 16,400 acres, at a rental of one dollar per acre per year, yearly payments for rental did not exceed $ 2,000, making a total of some $ 25,000 during the 1973 - 1977 period. In these five years the company had produced, and sold, 15,731 carats of diamond, and an insignificant quantity of gold, with an aggregate value of $ 620,000 (34). It seems justified to conclude that Liberia lost more than it gained through Globex' operations.
In addition to the overall-contribution of Globex to the Treasury also should be added the payment of rental under an Exploration Agreement which was signed on October 7, 1974, and which gave the diamond mining company the exclusive right to explore for minerals, metals and ores in an area which was *"running along the coast from the mouth of the Cestos River up to the border between the Republics of Liberia and of Sierra Leone and within ten (10) miles of said coast"* (35), provided that this exploration area would at no time exceed 500 square miles (approximately 320,000 acres) and the company would not select any area which was already held under an agreement by another individual or organization. The main provisions of this Exploration Agreement were the same as of the Diamond Mining Concession Agreement of 1972, rental payments under it being therefore $ 32,000 a year. In December 1976 Globex terminated the Exploration Agreement when the U.S.-companies which had initially shown interest (Diamond Distributors, Inc.; the Superior Oil Company; Gulf Resources) had lost interest after a dramatic drop in the world demand for heavy minerals such as rutile, ilmenite, and kayenite as a result of the decrease in the demand for iron and steel.

In 1976 it was revealed that Globex had prospected for diamonds in areas outside the concession area, and had mined diamonds in the exploration area without selecting exploitation lots. The company had thus occupied more than 21,000 acres, including an area within the B.F. Goodrich concession area, which had been covered by the connivance of high officials within the Ministry of Lands and Mines (36). The then Minister of Justice, Oliver Bright, Jr., qualified this illegal occupation of over 4,000 acres, and the mining within this area, as *"more attributable to a bona fide error than corruption"* (37). Globex admitted having operated in areas outside its concession area but attempted to justify this by stating that it had never carried out the (obligatory) survey of its concession area.

Eventually, Globex was "condemned" to pay back rental for the excess area it had occupied and to give back this area to the Government. No indemnification for diamonds possibly extracted, or fine, was imposed. Globex' opposition to the returning of

the excess acreage (38) does not give much credibility to its management's assertion of the "non-profitibility" of the area in general and the reported production data in particular. In late 1977 Globex was still postponing the return of the excess area by delaying the survey of its concession area.

Already in 1975 the same lack of a survey had been the cause of a serious conflict. In that year the people of Jawajai, a small town in Grand Cape Mount County, had sent a letter to President Tolbert in which they complained about government officials and company employees harassing and in some cases even jailing them, when they were found in areas which were beyond the company's concession area. The boundaries of the concession area, however, had never been clearly indicated by the company as it had still not carried out its contractual survey of the concession area. Moreover, the major complaint was that *"(...) we the sons and daughters of this soil should be better preferred and/or given the first opportunities to freely enjoy the inalienable rights of our native land (...)"* (39). They further accused the Globex mining company of resorting to the very methods of alluvial mining which formerly were carried out by them - the people of Jajawei town - but which had been rejected by the company as being *"ancient and archaic"*. During the negotiations for the concession it had promised to abandon these old-fashioned methods, thereby *"depriving us of such rights and privileges in our own land"* (40).

By granting the concession to "Globex Minerals (Inc.)" it had been the explicitly stated intention of the Government to eliminate or restrict "primitive" diamond mining methods used by Liberian diamond miners who held small claims of 25 acres in this region and to have those replaced by mechanized mining methods on larger areas involving heavy capital investments (41). Here the question must be posed as to why the Liberian Government did not assist the Liberian diamond miners in the modernization of their mining methods, as had been done in Sierra Leone where a Government scheme had been introduced in 1959. The answer to this important question will involve the problem of political priorities (limited by financial possibilities) as well as the deliberate effort of eminent government officials to influence the system of distribution of income and power in the country. However, it is worthwhile to note that, in general, in Liberia foreign investors are treated more favourably than small national entrepreneurs. The latter group is not granted any incentives such as tax-holidays, duty ree privileges or long-term lease contracts. In 1977 the Globex company was the only actively producing foreign diamond mining company in Liberia though it officially reported that work had almost come to a standstill at the end of the year (42).

Gold mining concession policy and practices during the Tolbert Administration.

In the 1970's soaring gold prices attracted a number of prospectors and investors to Liberia. The International Mining Company, a U.S. company with gold interests in South America, showed interest in the possibilities of gold production in Liberia through the "African Resources & Mining Company, Inc.". This company was granted permission to prospect for gold within the five counties of Grand Cape Mount, Lofa, Sinoe, Grand Gedeh, and Maryland for a one-year preliminary period. Two reconnaissance surveys which were carried out in the two most western counties were promising enough to warrant continuation and after having gone into a partnership with the "African Mining Partners" a gold mining concession agreement was signed with the Government on August 1, 1973, for which purpose (and others in the future) the services of the Liberian lawyer William Tubman Jr., son of the former President and son-in-law of President William Tolbert, had been hired. At first the company concentrated on possible gold deposits in Grand Cape Mount County, notably in the Butter Hill, Weaju, Gondoja, and Jenne Wonde areas, but already in 1974 it delineated areas in Sinoe, Grand Gedeh, and Lofa Counties (43). The following year practically all exploration activities were transferred to the Bua area in Maryland County and the Zai town and Gozo areas near Zwedru in Grand Gedeh County (where placer gold had been mined since the mid-1940's (44)). However, results of the exploration activities - though in several cases positive - did not justify large scale exploitation and the "African Mining Partners" slowly withdrew from the venture which it had expected to be more profitable.
In the first half of 1976, the company was practically defunct yet on June 15, 1976 - before the expiration of the exploration period of the concession agreement (see Annex 9) - it was set a dead-line by the Government: either to commence new activities before August 1, or to have the agreement cancelled. The company failed to comply with this ultimatum and the concession agreement was abrogated on August 23, 1976. Subsequently the Government of Liberia in vain demanded payment of an amount of $ 299,418 as liquidated damages representing the amount not expended in accordance with Section 3.3(b) of the Concession Agreement (45).

The "Azuza Mining Corporation", a company backed by investors from the U.S.A., commenced prospecting for gold in July 1975 though its had at that time no agreement with the Government. In late 1975 it officially asked permission to explore for gold and associated minerals but as a large portion of the area which it applied for fell within the concession limits of the "African Mining Partners" (notably an area near Zwedru in Grand Gedeh County) the request was not granted. In 1976 when Grand Gedeh County had lost its attractiveness for the "African Mining Partners", Azuza wanted to start the exploitation of the gold deposits of the Dugby Creek and elsewhere in the county (in the

old Tchien and Gbaepo Districts), and for this purpose obtained the support of Grand Gedeh Representatives Harper S. Bailey and Joseph J. Geleplay, Sr.. The company entered into negotiations with the Government but before an agreement could be reached it was discovered that Azuza had been involved in a number of illegal activities, details of which were not disclosed (46). In September 1976 the Government ordered the closing down of the clandestinely operating mining company, despite the fact that a Joint Venture Agreement between the "Azuza Mining Corporation" and the "Continental Investment Corporation" (whereby the latter supplied Azuza with $ 1.5 million capital) had just been signed.

The possibility cannot be ruled out that the Government was somewhat anxious to terminate the agreement with the "African Mining Partners" and to discontinue the discussions with the "Azuza Mining Corporation" though the latter had certainly been taking advantage of the lack of effective supervision exercised by the Government "up country". During 1976 the Government had been contacted by Lee Edgar Detwiler, a man with a reputation in government circles in Liberia. In 1953 he had signed the original concession agreement with the Government for the exploitation of the iron ore deposits in the Nimba Mountains, in Nimba County, where LAMCO J.V. since the 1960's has operated the largest iron ore mine in Africa. In 1967 he had concluded another concession agreement, this time for the mining of the enormous Wologisi iron ore reserves, in Lofa County (see also Chapter 8). When in 1976 Detwiler approached the Liberians for the negotiation of a gold mining concession agreement he was sure to meet government officials who remembered this and who respected him for his past achievements. Aided by A.B. Tolbert, whom he knew through LISCO, which company held the Wologisi iron ore deposits under the concession agreement of 1967, Detwiler had direct access to the President, William Tolbert.

The first official contact took place on July 5, 1976 (47). This time Detwiler wanted an exclusive gold mining concession of 70 years duration to operate throughout Liberia. The draft agreement which he proposed for this purpose was practically a copy of the concession agreement for the mining of the Nimba ores of almost 25 years ago. But times had changed, and people in Liberia had gained more experience and wisdom . One of the chief architects of the liberal economy, built during the Tubman-era, J. Milton Weeks, rejected Detwiler's proposals and commented e.g. on the proposed term *"much too long"* (48). Excercising strong pressure on government officials and personally meeting President Tolbert more than once, Detwiler nevertheless managed to conclude within three months a mining concession agreement with a term of 40 years, i.e. longer than the usual 25 years for this type of mining concession, for a concession area of over half a million acres (100 square miles in each of the nine counties of the republic), in which his company the "Liberian Gold and Diamond Corporation", had the exclusive rights to produce gold, diamonds, and uranium. The last-mentioned product had not been included from the

beginning of the negotiations, in July, as Detwiler's chief motive in concluding a mining concession agreement with the Liberian Government had been the price of gold which had been rising since the first devaluation of the U.S. dollar in 1971 but which had rocketed in later years to reach in 1974 the (then fabulous)height of almost $ 200.00 an ounce. Gold, diamond and uranium are often found in adjacent areas or in combination. With the increase of the oil price in recent years and the expectation of further increases, a search for uranium (and thus the inclusion of it in the mining agreement) could only be to the company's advantage. In 1977 the company's name was even changed for this purpose into the "Liberian Gold, Diamond and Uranium Corporation". Though Detwiler had accepted the obligation to spend within three years after the effective date of the agreement (i.e. October 12, 1976, the date on which the President approved the agreement) a minimum of $ 1,000,000.00 on exploration activities, 75% of which within the first two years, exploration had still not started by the end of 1977, and the Government realized that Detwiler - by obtaining a long-term agreement granting him exclusive rights - had only been safeguarding his personal interests by reserving possible valuable deposits of minerals for himself, and that he intended to use his (mining) rights at an appropriate time.

Therefore the concession agreement of September 20, 1976 with the illustrous investor Detwiler was revoked as of November 11, 1977. A man who in earlier days had been a successful businessman, investor and millionaire came to an inglorious end in the same country where he made his fortune. Remarkable, however, was the reaction of the Minister of Lands and Mines, Aaron J. Holmes, who ignored this decision reached at the end of 1977 and ... recommended the termination of the agreement with Detwiler in April 1978 (49).

Four recent mining concession agreements in detail

From the point of view of natural resources administration it is both interesting and instructive to compare the legal side of four concession agreements, all signed within a relatively short period of time. As one agreement had been concluded during the Tubman Administration and the others during the Tolbert Administration, this comparative study may give an impression of both weak and strong points of concession agreements granted by the Government of Liberia (GoL) as well as an insight into policy changes which may have taken place since the beginning of the Tolbert Administration. The main provisions of the agreements with these concessionaires are summarized in Annex 9.

As can be observed from Annex 9, of thirty-nine different items which were compared and which stipulate the concessionaire's legal position (excluding here "General Items") only six were the same in all four agreements (50). Three more provisions were identical in (only) three agreements although

only two of them referred to the same agreements (51), in other words, of the four agreements only three had eight provisions (out of thirty-eight) in common.

The greatest similarity is found in the contracts with the "African Mining Partners" and the "Liberian Gold and Diamond Corporation". The agreements were very much alike as they had both been influenced by the Model Iron Ore Mining Concession Agreement. This Model Agreement had in the early 1970's been the result of an investigation of the country's concession policy by a team of experts from Harvard University, U.S.A.. The realization of the exploitation of the nation's human and natural resources by notably the iron ore mining companies had greatly contributed towards this result. The Liberians only reluctantly acknowledged this exploitation after the death of President Tubman. Illustrative of the Liberian experiences is e.g. the provision in both the concession agreements with the "African Mining Partners" and the "Liberian Gold and Diamond Corporation" concerning the conservation of natural resources:

> *"(...) The Operator shall (...) backfill all open mines, pits, trenches, outs, and other excavations, using to the maximum extent possible as fill material all tailings, spoil, refuse and other originally subterranean materials (...); shall re-open any pre-existing natural drainage systems such as creeks, streams, or other natural water-courses (...); and shall reforest and replant the areas so backfilled, contoured, terraced or otherwise worked with such species of vegetation as may be indicated by the Government"* (52).

Laudable intentions which do not mean much in practice although the Government was in the same Article granted a possibility of carrying out such work at the expense of the Operator. If, however, the company had already left the country, the Government was powerless, as had become clear in the case of the liquidated damages which the African Mining Partners had to pay, after the cancellation of its agreement in 1976.

Another unrealistic provision (though no judgement or statement as to the desirability of a clause concerning the transfer of technology is implied in this observation) contains Article 11.2 of both concession agreements which obliges the companies to establish and operate vocational training centers in Liberia (how many?), and to furnish on-the-job counterpart training, not only in Liberia but also outside the country (53). For a proper judgement of this obligation it may be useful to add that it was never complied with, neither (for obvious reasons) by the Liberian Gold and Diamond Corporation nor by the African Mining Partners during the three years of the latter's operations in Liberia. Confusion may result from the formulation of the obligation to provide for free medical treatment to all employees and Government officials working in connection with the Operator's

operations, and their respective families (54). Is "family" to be interpreted in the Western way, or does the African concept of "family" prevail, as certainly the workers and possibly also the government employees will claim, and which conflict of interpretation had already given cause to much irritation and agitation in other (foreign-owned) enterprises?
Theoretically, the Government would have had a strong hold on the management of the operations of the concessions, which were to take place with the advice of a Technical Committee consisting of five members, with an equal vote, two of whom appointed by the Government and three by the Operator (55), though the composition of this committee at the same time limited the scope of the Government's authority in this respect. Detwiler even added to this structure a Board of Directors of nine persons of whom four Directors would be appointed by the Government and five by the Operator (56). This may be called unique for a company in which the Government does not hold any shares.
In spite of these comments, positively outstanding features were the Articles 12 ("preference given to Liberian goods and services"), 20.2 ("audit by an independent auditor"), 25 ("Government's right to terminate the agreement"), 27.2 ("application or interpretation of Liberian laws in no event subject to arbitration") and 30 ("subjects the Operator to all Liberian laws of general application") of the concession agreements with the African Mining Partners and the Liberian Gold and Diamond Corporation, as well as the remarkable clause found in Article 23 ("no transactions or dealings with any hostile or unfriendly State").
When compared with the previously discussed agreements the concession agreements with the National Gold and Diamond Corporation and with Globex are rudimentary documents characterized by an unsystematic approach, a neglect of details and consequent loopholes, and a favouring of the foreign investor's interests over the rights of citizens and/or national interests. An example of a loophole created are the Articles which oblige the companies to maintain a dispensary headed by a medical doctor and to furnish free medical treatment to employees whenever more than 150 workers are employed in any one region (57). Apparantly, labourers will have to pay for medical treatment when less than 150 are employed, whereas there is no obligation for the medical doctor to reside in the same area. This situation was improved in later concession agreements (see Annex 9, IV-C-1). In respect of education the National Gold and Diamond Corporation's responsibility was limited to the supply of facilities for education and both companies' obligations did not go beyond the primary school level. Here too, a change of policy is noticeable in later years, but it should be noted that these provisions are meaningless in practice and are never enforced (either for these or other concessions). Another example of a provision which has neither been realized nor enforced is Globex' obligation to Liberianize its staff personnel within 5 years.
Globex was treated favourably as the concession agreement did

not provide for a price of gold to be used for tax purposes whereas the agreement with Trumbull did contain an Article in this respect and, further more, when it was granted an (unlimited) exemption of import duties for a period of ten years while Trumbull had to face the provision that an exemption of duties would not be granted if any competitive goods would be available in Liberia, and, lastly, although the agreement provided for an excise tax on its output (58), the Concessions Secretariat maintained the point of view that this was not payable when the products of the operations were exported (59), an opinion which appears not to have been based upon the concession agreement of December 1972.

It may be concluded from the above study that, first, there is a need for a standardization of concession agreements. In the second place, generally, the two concessionaires who had easy access to President Tolbert seem to have been granted more favourable terms than the other two investors. Noticeable in both cases is the intermediation of A.B. Tolbert, the President's oldest son. The causes underlying this phenomenon are (1) the (nearly unlimited) power of the Liberian President, in combination with (2) the weakness of the National Legislature which earned for itself - already during the rule of President Tubman - the qualification of a "rubber stamp parliament".
Thirdly, great improvements were made as to the contents of the concession agreements in general (although there is still room for further improvements). A markedly positive change which was introduced by the Tolbert Administration concerned the protection of the rights of the (tribal) population of Liberia vis-à-vis the privileges granted to foreign investors. The concession agreement with Trumbull in 1970 stated that *"(...) during the Exploration Period (..) the concessionaire shall have the exclusive right and privilege to enter upon the surface of the land within the Exploration Area"* (60) which exclusive right was a very regrettable slighting of the rights of the population living in the Exploration Area (i.e. *"all that parcel of land within a 10 miles radius from the town of Gbokonjedeh"*), people who without exception depended for their living on the products of their lands (held by law or through custom). The company was also granted the right to use private lands within or outside the Concession Area (61). No clause had been included which protected the rights of the population except one with respect to the right of water (62). On the other hand, President William Tubman had been thoughtful enough to include that *"no lease, right-of-way, or easement shall be granted if it substantially interferes with operations of another previously granted concession agreement"* (63). This throws a very unexpected light upon the national unification policy of President Tubman who in eulogistic and official publications was always praised as the "champion of the rights of the tribal population". Even the doubtful Globex mining concession agreement did not include such a discriminatory treatment of the tribal population.

THE SEARCH FOR OTHER MINERALS

The search for minerals other than gold, diamonds or iron ore was since its start (twenty to twenty-five years ago) characterized in Liberia by lack of funds, lack of competent/qualified manpower, and (until recently?) lack of serious investors. Even nowadays it is by no means exactly known which treasures are hidden below the surface, which is mostly covered with "bush" and difficult of access in the absence of roads, or within the economic zone extending 200 miles off the coast recently internationally agreed upon. Known to be found (on the mainland) are bauxite, copper, iron ore, manganese, nickel, phosphate, diamonds, gold, platinum, uranium, tungsten, and the lower rated but for industrial purposes attractive deposits of clay, kaolinite, quarry stone, quartz, sand stone and silica sand. Beach sands in particular contain important deposits of heavy minerals, relatively easily accessible, such as barite, columbium (niobium), chromium bearing minerals, corundum, ilmenite, kyanite, magnetite, monazite, rutile, sillimanite, tantalum, titanium and zircon. Unfortunately, the economic potential of these minerals and the possible occurrence of as yet undiscovered natural resources (both on-shore and off-shore), especially of coals and hydrocarbons had not been established at the end of the 1970's.

The earliest indication of interest in the mineral contents of Liberia's beach sands is found in a concession agreement granted in 1956 to the "Columbia Southern Chemical Corporation", a U.S.-company owned by the "Pittsburg Plate Glass Company". Part of the concession area given to the company was the whole of Liberia's coast, lying between the Mano and Cavalla rivers and 10 miles wide. The concessionaire's name disappeared from Liberia except for a casual observation in a major book on the Liberian economy according to which the concession with the "Columbia Southern Chemical Corporation" was already in 1961 classified as a "defunct concession" (64). Apparently, exploration activities, if carried out at all, had not been successful.
At the end of the 1960's, in 1967, an Exploration Agreement was signed between the Government and the oldest foreign company involved in the prospecting for minerals in Liberia, the Dutch company of Wm.H.Muller, granting this company the right to explore for certain heavy minerals in the eastern part of the country, east of the line formed by the River Cess.
Exploration activities, though with interruptions, still continued in 1972 when the U.N.D.P. undertook a survey of the coastal area between Monrovia and Marshall, followed in 1973 by exploration for heavy minerals along the coast between Marshall and Buchanan, and between Monrovia and the Mano river. Lastly, "Globex Minerals (Liberia) Inc." in 1974 obtained an exploration agreement allowing for the exploration of beach sands in the area between the Cestos and Mano rivers. The two-year exploration agreement (with a possible extension of one year) was terminated by Globex on December 21, 1976 failing continued support of the interested financiers.

Meanwhile, the exploration activities of Wm.H.Muller & Co. had resulted in a concession agreement between the Government and the "Liberian Beach Sands Exploitation Company" (composed of three Dutch investors: Wm.H.Muller & Co., Bos Kalis Westminster Dredging Group, and Hoogovens Delfstoffen B.V. (65)) in 1973, granting an exploration area of 200 square miles (approximately 124,000 acres) in Sinoe County, and exclusive rights in respect of the mining of ilmenite, monazite, rutile and zircon. The deposits found by the Dutch are reported to be of interest chiefly for their rutile content.

This list of foreign companies which at one time were interested in Liberia's possible mineral wealth does not pretend to be exhaustive. Many more exploration agreements were granted in the past by the Government, to other prospective foreign investors, and for different purposes, but all investigations in this respect are bound to fail owing to the absence or incompleteness of documents. However, it seems that the only ones which went beyond the stage of exploratory activities and which resulted in concession agreements granting actual mining rights, were those with the Columbia Southern Chemical Corporation and with the Liberian Beach Sands Exploitation Company. Although the agreement with the former was a big failure, a further look at it is justified, if not necessary, because of the unprecedented nature of some of its provisions.
First, the whole of Liberia was given to the company as Exploration Area, and during the Exploration Period (a minimum of six years) any other investor was barred from exploring for and/or mining of titanium or monazite ores anywhere in the Republic.
Secondly, the concession area granted was one of the largest ever given to an investor: a coastal strip, 10 miles in width, extending from the boundary with the (then) British Protectorate of Sierra Leone in the west, formed by the Mano river, to the Cavalla river which in the east separated Liberia from the (then) French colony of Ivory Coast. Additional to this area of over two million acres were 100,000 acres further inland and the entire territorial zone off the Liberian coast.
Thirdly, excluded from this area was property which was privately owned and located within the limits of a city or town. Theoretically, the concessionaire could thus have claimed public lands within towns. As the major part of the concession area was along the coast, where the main towns were located, the exclusion of private property seems to have been more to the benefit of the inhabitants of these towns, Americo-Liberians, than to others, as tribal people predominantly lived in villages.
Fourthly, since a gigantic enterprise would have emerged if plans had been realized, the Government had assured the concessionaire that it would encourage and assist the efforts to secure and maintain an adequate supply of labour. This clause was common in those days and only disappeared from concession agreements in the 1960's.

Lastly, the fiscal obligations of the company. Besides an income tax holiday of 5 years and loss carry forward privileges (among other incentives granted) Columbia was granted such privileges that this part of the concession agreement alone could already have justified the National Legislature to withhold its approval (the concession agreement was approved by the Legislature on December 19, 1956).
The definition of the company's "Operating Income" already provided Columbia with a loophole by allowing for the use of *"the current contract market price"* and for a deduction for a *"reasonable profit"*. Furthermore, the U.S.-company was allowed the following deductions before arriving at the taxable income (50% of which had to be paid to the Government as income taxes): (1) the amortization of loans (whereas no debt/equity ratio had been included): (2) the prospecting, exploration and development expenses as incurred during the taxable year; (3) the amortization of exploration expenses as well as depreciation of machinery, equipment, buildings, etc.; (4) reasonable reserves for replacement, expansion, development, and contingencies; and (5) charges, tolls, fees, duties and taxes paid to the Government (66). The deductions mentioned under(2) and (3) above could have resulted in duplication, and through the deductable reserves mentioned under (4), in combination with the deductions allowed under (2) and/or (3), the Liberian Government would bear 100% of the costs of capital goods, at the prevailing tax rate of 50% (if the company were to sell these capital goods, the proceeds of these sales would be tax-free).

Another loophole which was created: as the only tax which Columbia would have paid would have been an income tax, and as it was allowed to deduct the payment of (income) taxes in one year from the taxable income in the next, the effective income tax rate could have been only 25%. The lack of a debt/equity ratio combined with the possibility of deducting repayments of loans taken from outside from the taxable income (a practice which, as will be seen, led to a considerable loss of revenue for the Government from iron ore mining companies which had been granted this, as well as other above-mentioned privileges) would have decreased the Liberian revenue even further.

Amazingly, no words of protest were voiced against these terms which obviously were prejudicial to the interest of the country. One explanation for this might have been that any criticism of the decisions of the President was automatically labelled "subversive", "defamation of character" or "hostility to the State", especially so after the 1955 attempt to assassinate President Tubman. The "reign of terror", which accompanied the trial of the accused, continued after the verdict had been rendered. From that time on, Liberians competed in making flattering public statements on President Tubman and, according to them, his wise policies which had benefitted so much the country and its people.

The excessively liberal terms of the concession agreement with Columbia contrast sharply with the terms which foreign investors were and are offered under the Administration of President William Tolbert. The two concession agreements for heavy minerals are compared in Annex 10. The development which has taken place in the Liberian mining concession policy speaks for itself. The incentives and opportunities which are offered to foreign investors in the 1970's still appear to be attractive enough for foreign owners of capital and technical know-how to invest part of their capital in a mining venture in Liberia.

The main question after a look at the concession agreement concluded with the Liberian Beach Sands Exploitation Company, in combination with the data of Annex 9 is: what justifications are there for differences between the concession agreements with the Liberian Beach Sands Exploitation Company, the African Mining Partners, and the Liberian Gold and Diamond Corporation, except for those differences following from the different nature and scope of their respective activities? Though basically the same, there are some remarkable differences, the American investors e.g. accepted more obligations than the Dutch investors. As the three agreements have many Articles and provisions in common, they warrant the same observations, which will not be repeated here. There are, however, some differences which seem to be caused by a careless drafting of the agreement with the Liberian Beach Sands Exploitation Company. In respect of minimum expenditures e.g. the agreement states that

> *"During the two-year period commencing with the Effective Date, the Operator shall expend (...) not less than $ 100.000 per square mile of Exploration Area (..) Of such amount, (a) not less than 50% shall be expended during the first year of such two-year period, and (b) not less than 90% shall be expended during the two-year period"* (67).

Another example of two contradictory statements is included with respect to the so-called "most favoured company"-clause. At one place it is stated that

> *"Any other company interested in exploiting the heavy minerals of the category covered by this Agreement shall not be treated on more favourable terms then laid down in this Agreement"* (68)

whereas before it was stated that

> *"The gross income of the Operator shall include (...), and without regard to any exemption provided in any contractual agreement with third parties to which the Government is now or may hereafter become a party."* (69)

A last example is found in the two errors in the clause stipu-

lating the rentals to be paid. In addition to a typing error, a second error was made with respect to the amount to be paid, $ 0.075 per acre, which is the same for two different types of areas which were distinguished in the same section (70). It is moreover worth mentioning that it is expressly stated that the rentals are a deductable expense in the calculation of taxable income, as is also the case with the royalties paid. With an income tax rate of 50%, a royalty of 2% of the f.o.b. value of the company's produce, which is tax-deductable, results in an effective royalty of only 1%.

Though the first concession agreement with the Liberian Beach Sands Exploitation Company was signed on May 11, 1973 another one was signed on August 21 of the same year, and duly approved by President Tolber one day later. The Effective Date of this second agreement became August 23, 1973. The former agreement had been declared null and void as the first copy, not yet signed by the President, had been misplaced and had vanished (71).

The Liberian Beach Sands Exploitation Company relinquished a greater portion of its exploration area of approximately 220 square miles in 1974 and retained 55 miles (in accordance with the agreement) in an area between Greenville and the Sehn-wehn river, in Sinoe County. It is this very area which in 1952 had been granted to LeTourneau of Liberia Ltd. which concession had never been officially cancelled as the agreement was deficient in this respect (see Chapter 4). The Dutch investors in the Liberian Beach Sands Exploitation Company in 1975 asked the Government for an extension of the Exploration Period, which was granted, and again in 1977 when the extension was about to expire. Another year of extension was obtained (72). In this respect it should be noted that the procedures to obtain an extension of an exploration period which are rather brief differ greatly from the efforts needed for the realization of an Exploration Agreement as these involve several discussions and many signatures of Government top officials, including the President. The extension of the exploration period agreed upon in 1977 was an obvious deviation from the clause concerned in the concession agreement.

If the venture starts, which will not be before the 1980's, it will require investments of over $ 10 million and may give employment to over 100 persons. Estimated life of the rutile deposits is 7 to 10 years.

In 1977 negotiations were started for mineral rights under concession agreements with six companies:

1. The Trico Mining Company: applied for a mining concession for gold, diamonds and associated minerals within a 187,266 acres area of Grand Cape Mount County.
2. The Azuza Mining Company: re-entered its application for

a concession for gold, diamonds, and associated precious minerals for areas in Grand Cape Mount and Grand Gedeh Counties after the revocation of the concession agreement with the company of Detwiler.

3. The African Diamond, Gold and Uranium Exchange Ltd.: applied for a concession to mine gold, diamonds and uranium within a 500 square miles area in Lofa and Grand Cape Mount Counties.
4. The Liberia Colorado Mining Company: applied for a mining concession within an area of 128,000 acres in Montserrado and Lofa Counties.
5. The Carbon Mining Company: applied for a mining concession for gold and diamonds within a 126,400 acres area in Lofa and Grand Cape Mount Counties.
6. The Western Enterprises, Inc.: applied for a concession to explore for uranium and associated minerals in an area of 25,000 square miles, more than 50% of the country. The Western Enterprises Inc. is a subsidiary of Coastal States Oil of Houston, Texas (73).

It is to be expected that the search for oil, uranium and gold will be intensified in the immediate future. In the past decades, several companies have already undertaken exploration activities in the hope of striking oil but the results were disappointing (74). The higher the price of oil the more feverishly companies will search for this indispensable source of energy, and the greater the interest in uranium will become, as an alternative for the costly oil. Simultaneously, a continuation of the deteriorating international monetary situation - affected by the rising price of oil - will result in a strong demand for gold and an increase in its price which will render its production more profitable.

CHAPTER 7 IRON ORE:

THE LIBERIA MINING COMPANY
THE NATIONAL IRON ORE COMPANY

Background to Liberia's emergence as Africa's most important iron ore producer

The inhabitants of the area which is nowadays known as the Republic of Liberia not only knew about the occurrence of iron ore but they were also familiar with its processing and use as was already reported in 1555 (1). Consequently, when a Dutch geologist of the Holland Syndicate, H. Terpstra, whilst searching for diamonds hit the iron ore formations of Bomi Hills in 1934 (see Chapter 6) he did not discover the ore in the real sense of the word as the people living in this region, the Gola, had already had this knowledge for centuries. Terpstra rather revealed to the outside world for the first time details of its existence. It should be noted that the Syndicate's exploration activities in this region were made possible as the Gola people no longer put up resistance against the A.L.Government.

The iron ore of the Bomi Hills appeared to be extremely high-grade ore with an Fe-content of over 65% and the deposits were estimated to be about 50 millions tons. With the proper knowledge of the international markets, the availability of expertise in mining it and with a proper infrastructure these hills represented an immeasurable source of wealth. The explorers of the Holland Syndicate lacked the necessary know-how of the iron ore mining industry and the related trade and, moreover, being more interested in diamonds, subsequently contacted another Dutch firm, Wm.H. Muller & Company which continued the investigations.

The occurrence of iron ore formations in the West Africa sub-region which forms Upper Guinea was already known as important deposits had been discovered in 1928 in the British Protectorate of Sierra Leone (near Marampa), mining of which had started in 1933. The Dutch company of Muller sent a team of experts further to investigate the treasure which was still hidden under a cover of thick tropical forest and located in an area only accessible by foot along a trail which was cut as the explorers advanced. The report which the company's chief geologist, W.F.C. Engelbert van Bevervoorde, later presented to his employers justified the start of negotiations with the Government of President Edwin Barclay for a mining concession (2). However, the distance from the Bomi Hills to the Atlantic coast, about 40 miles to Monrovia and 46 miles to Robertsport (the capital of Grand Cape Mount County), and the lack of infrastructure in this area, as well as the absence of a proper harbour - all loading and unloading then still took place with the use of "surf-boats" - formed major

difficulties which had to be overcome if these deposits were to be exploited. When the Dutchmen and the Liberian Government could not agree on the amount of royalty and taxes to be paid negotiations were discontinued. However, after the failure of Wm. H. Muller & Company to obtain a mining concession, another Dutch company showed interest in the Bomi Hills iron ore. This company, the Noord Europeesche Erts en Pyriet Maatschappij (N.E.E.P.), conducted in 1936 and 1937 extensive surveys and explorations in the Bomi Hills area and in August 1937 succeeded in concluding a mining concession agreement with the Liberian Government which gave it the right to prospect and develop the Bomi Hills iron ore deposits and obliged it to construct at its own expense port facilities either at Monrovia or at Cape Mount. (In the early 1930's President Barclay had tried to realize the construction of a pier at Monrovia - through a Danish-Liberian Syndicate - but this attempt had failed (3)).

Ships belonging to the N.E.E.P. were to pay no harbour and other dues and the company agreed to pay a royalty of 4 cents for each ton of iron ore exported though if the f.o.b. Monrovia price were to rise above $ 3.00 a ton every twelve cents increase would raise the royalty with one cent (4). However, suspecting the N.E.E.P. to be a front for German financial interests the Barclay Administration discontinued the company's operations in the country. (In reality the alleged German financial interests consisted of the capital of German Jews who, before fleeing from Nazi-Germany and settling in Amsterdam, in the Netherlands, had run an ore company in Silesia, in Germany (5)). This decision to expel the N.E.E.P. may appear strange as, first, Liberia had always claimed a neutral policy in international affairs (and continued to do so) and secondly, at the time the decision was taken, in 1937, German nazi-philosophy and hostile attitude towards neighbouring countries had not (as yet) reached the stage of outright war activities. Yet the official explanation for the cancellation of the concession agreement with the N.E.E.P. always mentions the involvement of "Nazi-funds" (6). One specialist in United States - Liberia relations, however, has reported that the discontinuing of relations between the Liberian Government and the N.E.E.P. and the cancellation of the concession were the result of pressure by the U.S. State Department on President Edwin Barclay (7).

Subsequently, at the suggestion of the American State Department (8), the U.S. Steel Company was in the following year given the right to make further geological explorations in the area but mainly because of the absence of a harbour the company gave up its rights after having sent a team to Liberia in 1938. It should be noted that Edward Stettinius (see Chapter 4) was Chairman of U.S. Steel in 1939 (9).

The outbreak of the Second World War postponed further progress in respect of the development of the Bomi Hills iron ore reserves. When in 1943 President Barclay, accompanied by President-elect William Tubman, visited the U.S.A. the matter was raised again. At the same time he requested and obtained the services of a United States geological mission which would survey the country's iron ore resources.

The arrival of this mission in Liberia, in December 1943, coincided with the successful conclusion of negotiations which had also been started by President Barclay whilst in the U.S.A. in the spring of that year for the construction of a port at Monrovia. Thus, with the building of a port, a major obstacle to the development of the Bomi Hills deposits was eliminated. The Port Agreement, signed in December 1943, provided for the construction of a port with Lend-Lease funds. Interestingly, Edward Stettinius had been Lend-Lease Administrator from 1941 till 1943, in which year he was appointed Under-secretary of State. With the Port Agreement the U.S. Government finally realised an old dream, i.e. obtaining a naval base in West Africa (10), and as is pointed out elsewhere the United States' purpose in constructing this port was more strategic than economic (11). However, the U.S. access to an important source of supply of iron ore was also gradually becoming guaranteed. The importance of this is clear in the light of the increased output and therefore accelerated depletion of the U.S. ore reserves during the war. In November 1944 the U.S. Foreign Economic Administration sent an economic mission to Liberia whose assignment was described as assisting Liberia *"to increase its production of ... strategic materials ..." (12)*. A well equipped port would be indispensable for the export of these products. It is worth mentioning that the U.S. Department of State was headed in this year, 1944, by Edward Stettinius whose philosophy and further activities with respect to Liberia (after the war) were discussed in Chapter 4. Surprisingly, his role in the opening up of Liberia for foreign investment capital has not been sufficiently recognized. This may be explained by the Liberian Authorities' reluctance openly to admit the role of foreigners in Liberian public affairs, in combination with the general habit of making flattering political statements in favour of the ruling President of the Republic. Stettinius' sudden death in 1949 may be another reason for his role in what is called *"Tulman's Open Door Policy"* falling into oblivion in Liberia.

The international supply of iron ore after 1945.

In the U.S.A., the post-war situation was characterized by a growing disparity between the places of production of iron ore and the location of the centers of steel consumption. Prior to the 1939 - 1945 war none of the principal U.S. steel companies mined iron ore outside the U.S.A. (with the exception of the Bethlehem Steel Corporation) (13) but the high rate of steel production during the war had seriously depleted the main iron ore deposits of the Mesabi Range (in the Lake Superior District which since the early 1900's had been the main source of iron ore for the American steel industry). At the end of the war a number of geological, economical, and political factors stimulated the search for new iron ore deposits by American mining and steel companies. The predicted declining rate of production of the Mesabi Range (which produced iron ore with an average Fe-content

of 50% and which was of direct shipping quality) (14) could partly be compensated by the production of pellets with an iron ore content of over 60% from the low grade iron ore reserves (with an Fe-content of 25%) that were below and along the sides of the main Mesabi ore body. However, this process would require large investments and would still result in costs per ton which would compare unfavourably with the production costs of other regions. Moreover, the future ore supplies would also have to cover the expected increase in the United States steel consumption (15). Lastly, after the war the U.S. Government had stressed the importance of reserving the domestic resources for emergency (war) situations.
However, geographical considerations and political circumstances limited the choice. Production of iron ore in Australia, Southern Africa, or Brazil would because of the long distances involved result in high transportation costs (later, the development of "super-tankers" would reduce, if not eliminate, this problem). In West Africa, geographically favourably located for the U.S. steel plants, the French insisted on majority ownership of mining ventures and managerial control whereas in the colony of Sierra Leone U.S. investments were prevented by the English colonial powers (16). The (later) selection of Liberia in West Africa by American investors in the iron ore mining industry was therefore hardly a choice but rather the result of a geo-political situation. In Latin America they (the American steel companies) started, shortly after the end of the war, the development of the iron ore reserves of Mexico (Republic Steel Corporation), the extension of mining activities in Chile (Bethlehem Steel Corporation), and the exploitation of the vast iron ore reserves of Venezuela (notably U.S. Steel Company and Bethlehem Steel Corporation). Also in the Western Hemisphere, in Canada, five U.S. steel companies participated in the Iron Ore Company of Canada which mined iron ore in the Labrador-Quebec region (17). It is significant that of the ore deposits in the above mentioned four countries only one could favourably compare with the Bomi Hills deposits in Liberia. This ore came from a deposit in Venezuela, about 100 miles east of the Bolivar mountain (the Cerro Bolivar also forms a giant iron ore body). It was to be exploited by the Bethlehem Steel Corporation in the 1950's and it showed a Fe-content of about 63% (18).

Owing to a difference in level of economic development, immediately after the Second World War, the demand for iron ore in Europe was much lower than in the U.S.A. but gradually, during the 1950's and notably in the following decade, this demand grew. France, however, did not experience immediate problems as its production of ores exceeded the demand of its own steel industry. Outside Europe, the iron ore mines in French West Africa and French Equatorial Africa supplied the industry of the colonizing power in Europe (before the "wave of independence" of the 1960's) whereas the post-colonial policy of France vis-à-vis its former colonies in Africa guarantees a continuation of this supply, notably the supply of iron ore by Mauretania and Gabon.

England's demand for iron ore was met predominantly by the Canadian ore, partly by its West African colony of Sierra Leone, and to a lesser extent by other countries. Although in 1945 there was no need for England to look for alternative sources of supply a gradual change became noticeable in the 1950's because of the control of the sources of supply by large U.S. steel companies. This resulted in a search for more independent sources of ore. By then British economic policy had changed and emphasis was placed on the maximum use of home ores (notably those of the Midlands) probably in an attempt to reduce foreign exchange requirements and to increase employment (19).
Germany had traditionally had a shortage of iron ore and, before the war, had been supplied mainly by the Scandinavian countries (85% of the German imported ore). Prior to the painful experience of economic dependency and political vulnerability during the war the Germans showed little interest in large-scale investments in overseas mining ventures but after the lessons of the war the policy of the German steel companies became one of diversifying their foreign sources of supply, in addition taking an interest in or acquiring the ownership of foreign mines in order to have a more or less guaranteed source of supply. Eventually, in the 1950's, the needs of the booming German economy resulted in considerable investments by German steel producers in iron ore mining ventures in three different continents: Asia (India), Africa (Gabon, Liberia and Mauritania) and Latin America (Brazil) (20).

The granting of a concession to Lansdell Christie.

These developments in the international iron ore market and the events in Liberia preceding the turnover of power to William Tubman are important as without them the post-war investments in the iron ore of Bomi Hills and other deposits would not have materialized as they did.
In August 27, 1945 a mining concession for the development of the Bomi Hills reserves was granted by President Tubman to Lansdell K. Christie who had served with the U.S. Army in the construction of the airfield near Firestone's Harbel plantations, Robertsfield, following the U.S. - Liberia Defense Treaty of March 31, 1942 (21). Christie was neither a rich businessman nor an iron ore expert but he did foresee the possibilities which the high-grade Bomi Hill-iron ore offered with respect to the U.S. steel industry. He obtained an eighty-year concession giving him exclusive exploration rights in an area of about three million acres (within a radius of 40 miles of the Bomi Hills) and the exclusive mining rights in respect of all minerals except gold, diamonds, and platinum in a smaller area of maximum 25,000 acres. The Liberian Government was to be paid an exploration tax of $ 100.00 per month ($ 250.00 per month during any extension of the 3½ year exploration period), a surface tax of initially 5 cent per acre per year and which would gradually climb up to 25 cents, and a basic royalty of 5 cents for each ton of iron ore exported.

The concessionaire became exempted from all taxes (or any other payments to the Government of Liberia) in lieu of this exploration tax, surface tax, and royalty. It should be borne in mind that at the time of signing of this concession agreement there was no income tax legislation in Liberia. A rather singular provision in respect of the principles of the Open Door Policy which was propagandised by Tubman, and which stands for equal opportunities for all nations, provided that at least 60% of the shares of any corporation which may acquire the concession must be owned by citizens of Liberia and/or the U.S.A. (22). (See for further details of the 1945 mining concession agreement with Lansdell Christie Annex 12.)

It is important to note that a group of Liberian citizens objected to this agreement and notably to its terms which could only result in a strictly limited sharing of the national Treasury in the benefits of the venture. Tubman's method of dealing with the criticism is of equal significance. The opponents included members of the judicial bench, e.g. the judges J.A. Giffens, H.N. Gibson, and T. Gybli Collins, journalists (Albert Porte and C. Frederick Taylor - the latter being a naturalized Liberian citizen), and others. They drew up, signed and presented a petition. Subsequently, the judges were dismissed and Albert Porte sentenced to one month in jail (23).

As Christie lacked the capital and the expertise to develop the concession he contacted the former explorers of the Bomi Hills area, Wm.H. Muller & Company from Holland, who accepted his offer to participate and to engage in a project which ten years earlier they had contemplated. However, a substantial Dutch investment was prevented by the Dutch Government's exchange restrictions which had been imposed at the end of the war. Yet Muller's participation in the Liberia Mining Company, a company which Christie in the meantime had created, resulted in the recruitment of mainly Dutchmen for the technical and administrative positions in L.M.C. whose first resident General Manager, J. Van de Velde, was also a Dutchman (24). In 1948, L.M.C. and Wm.H. Muller & Company signed an agreement making the Dutch company the exclusive sales agent with respect to countries other than the U.S.A. and non-exclusive agent with respect to sales in the U.S.A.

The setback which the venture suffered because of the inability of the Dutch participants to transfer money abroad made the solution of one of the major problems, the transportation of the ore from the mining site to the Port, more acute as a bridge over the St. Paul river had to be constructed. This problem was solved when it was decided that this bridge would be built as part of the port project, financed with U.S. funds. In late 1949 the bridge was officially opened by President Tubman (25) and named in his honour. The decision to construct the bridge with U.S. funds, which were made available under the 1943 Port Agreement, gave cause to questions raised by the U.S. Congress (26).

Aided by this public funds from the U.S.A., which however had to be repaid by the Republic of Liberia, in early 1949 Christie organized a conference in Bomi Hills to which he invited the Export-Import Bank of Washington and the Republic Steel Corporation.

The head of the U.S. geological mission in Liberia acted at this meeting as a consultant to the three interested parties (27). As a result of this conference the Export-Import Bank in the same year granted a $ 4 million loan to the Liberia Mining Company (the loan agreement was signed on August 18, 1949), whereas Republic Steel decided to participate in the concession, buying nearly all the shares in the Liberia Mining Company held by Wm. H. Muller & Company and also some of Christie's. On June 1, 1949 the U.S. steel company signed an Iron Ore Sales Agreement with L.M.C. and in the same year L.M.C. appointed Republic Steel as an additional non-exclusive sales agent for the sale of iron ore to buyers in the U.S.A. With an ownership of 59.2% of the shares Republic Steel had become the major shareholder in L.M.C. Four years after he had signed the concession agreement Lansdell Christie had attracted the necessary capital (U.S.A.) and technical know-how (Dutch/U.S.). Having also secured the marketing of the product through sales agency agreements (U.S./Dutch), and benefiting from the infrastructural improvements (the Free Port of Monrovia - which opened in July 1948 - and the bridge over the St.Paul river, both pre-financed by U.S. capital) the major work left was the construction of a railroad from Bomi Hills to the Free Port. This was financed by the investors, and represented their major investment in the project, total costs (investments) of which amounted to about $ 10 million (see below). The railroad was completed in April 1951 and the subsequent shipment of iron ore from Bomi Hills/Liberia to the U.S.A. in many respects marked the beginning of a new era for Liberia.

THE LIBERIA MINING COMPANY

> *"I wish to point out as clearly as possible to the people of every class and range of Liberia, the unselfish, deep and immovable love and interest that this great man, Lansdell Christie, entertained for the development of this country, and prosperity of his people, particularly its common people."*
>
> *- President William Tubman (1965) (28)*

> *"Gentlemen, your presence in Liberia and in other countries like ours is proof that the profit motive can move mountains, but I am afraid it is not as obvious a proof of man's humanity to man. I do not believe that altruism and good business judgement can easily be combined in a successful commercial relationship, because no such relationship can survive, unless both parties derive mutually satisfactory benefits (...) The time has come when we must all broaden our vision. We must now look to the day when the result of your presence in Liberia will mean more than just a sunken crater, blemishing the fact of the land."*
>
> *- President William Tolbert (1973) (29)*

These statements of the two successive Liberian leaders illustrate the development which took place in the Liberian attitude towards foreign investors between the arrival of Liberia's iron ore mining pioneer, Lansdell Christie, and the expected pulling out of this company, the Liberia Mining Company, in 1973. The experience gained throughout nearly thirty years certainly did not only result from L.M.C.'s activities in Liberia but also the public attitude particularly towards the mining companies had been greatly influenced by the operations of the country's first iron ore mining company which finally closed its gates on March 31, 1977.
Liberian resentment over L.M.C.'s performance usually focusses on the company's not even leaving a paved road, leading to Bomi Hills which since the closing of L.M.C. turned into a ghost town and the subsequent departure of over two thousand of its workers, who were laid off, and their families. However, major questions such as

"How much revenue did the Government get from the exploitation of the Bomi Hills ore?",

which ore was classified in the 1960's by the U.N. as the highest grade iron ore in the world,

"What did L.M.C. contribute to the development of the area?", *"How did its mining operations affect local economic activities and employment"*, and *"Did the company have an impact on the development of a mining policy of the Government?"*;

- to mention only the main ones - have never been satisfactorily dealt with. The closing down of L.M.C. in the last year of the period under investigation (1977) provides a unique opportunity to look in detail into the affairs of the first company to enter the country under the economic Open Door Policy as fashioned by President Tubman after the war.

Legal and fiscal aspects of L.M.C.'s operations.

During the 1951 - 1977 period L.M.C.'s production of iron ore resulted in an aggregate sales income of $ 540,000.00 (see Table 6). The total revenue of the Government of Liberia from L.M.C. which resulted directly from the mining and subsequent sales of the ore amounted during these 27 years to $ 84,000,000.00 (excluding rentals), or approximately 16% of sales income.
The two chief sources from which the Government derived its income from L.M.C.'s mining operations were: (a) a royalty on the iron ore exported, and (b) corporate income taxes (though this had not been included in the 1945 mining concession agreement). Initially only a basic royalty of 5 cents for each long ton of iron ore exported had been provided for but given the purity of the ore mined in Bomi Hills this had been an extremely favourable arrangement for the owners. The Government realized this after only one year of production and, following the introduction of a general income tax legislation in 1951, in March 1952 arranged for a collateral agreement to the 1945 mining concession

TABLE 6

FISCAL ASPECTS OF L.M.C.'S OPERATIONS IN LIBERIA 1951 - 1977

(in millions of U.S. dollars)

Year	L.M.C.			TREASURY			Total Govt. Income (7)	(6) as a % of (7) (8)
	Sales Income (1)	Profit Before Taxes (2)	Profit After Taxes (3)	Royalties (4)	Corporate Income Taxes (5)	Total Income - LMC (6)		
1951	0.749	0.288	0.288	-	-	-	12.830	-
1952	8.169	4.619	3.508	1.111	-	1.111	8.852	12.6
1953	14.460	9.933	7.942	1.991	-	1.991	11.200	17.8
1954	12.008	7.065	5.264	1.801	-	1.801	11.924	15.1
1955	18.503	10.320	7.630	0.146	2.544	2.690	15.298	17.6
1956	21.380	11.706	8.665	0.153	2.888	3.041	17.923	17.0
1957	22.867	11.886	8.786	0.171	2.929	3.100	19.416	16.0
1958	22.128	10.878	8.057	0.136	2.685	2.821	18.110	15.5
1959	25.904	14.668	10.900	0.134	3.634	3.768	24.552	15.3
1960	29.097	16.830	10.843	0.149	5.838	5.987	32.369	18.5
1961	27.633	15.667	10.089	0.146	5.432	5.578	32.371	17.2
1962	26.823	13.764	8.849	0.150	4.765	4.915	35.567	13.8
1963	22.676	10.991	7.058	0.133	3.800	3.933	37.331	10.5
1964	22.578	9.849	6.309	0.143	3.397	3.540	40.053	8.8
1965	19.047	7.900	4.023	-	3.877	3.877	42.436	9.1
1966	20.766	8.487	4.274	-	4.214	4.214	46.700	9.0
1967	20.365	7.289	3.668	-	3.622	3.622	48.100	7.5
1968	19.526	6.071	3.058	-	3.013	3.013	51.800	5.8
1969	20.048	7.222	3.672	-	3.551	3.551	61.800	5.7
1970	21.568	8.054	4.182	-	3.873	3.873	66.500	5.8
1971	20.800	6.629	0.842	2.569	3.218	5.787	69.500	8.3
1972	22.638	6.999	3.513	-	3.486	3.486	78.100	4.5
1973	21.096	3.359	1.606	-	1.752	1.752	89.800	2.0
1974	21.644	2.882	1.366	-	1.515	1.515	108.600	1.4
1975	22.263	5.820	2.888	-	2.931	2.931	125.200	2.3
1976	29.275	3.722	1.861	-	1.861	1.861	149.800	1.2
1977[1]	9.120	0.473	0.236	-	0.236	0.236	172.700	0.1
TOTAL	543.132	223.371	139.377	8.933	75.061	83.994		

Note that until 1960 L.M.C.'s annual income from the sales of the Bomi Hills ore exceeded the total revenue of the Republic of Liberia.

Note:

(1) three months only

Source:

- Concession Secretariat, Ministry of Finance, Monrovia.

agreement. Through this collateral agreement L.M.C. agreed to pay a corporate income tax as soon as it would have repaid the $ 4 million loan from the Export-Import Bank and would have completed the return of the invested capital, about $ 4.6 million, or from April 1, 1957, whichever date was earlier. Furthermore, the company would pay an extra royalty of $ 1.50 on each ton of ore shipped as from April 1, 1952 until it would start paying income taxes (30). As the profitibility of the mining operations exceeded all expectations (partly as a result of favourable iron ore prices on the world market) the company's aggregate net profits, i.e. after paying royalties, amounted to $ 11.7 million within three years of commencement of the mining operations, thus exceeding the initial investment capital of about $ 10 million (the sum of $ 4.6 million equity investments and about $ 5 million loan capital). Consequently, in 1955, L.M.C. started paying income taxes as had been agreed in the collateral agreement. According to this agreement the company would pay income taxes at a rate of 25% of net profits during the first five years, followed by a ten-year period with an income tax liability of 35%, and 50% income tax during the remaining years of the concession. Thus, the Republic of Liberia started to share in the profits of the company, though in a very disproportionate manner, after the Exim-bank had been paid $ 4.4 million (principal plus interest). The L.M.C. shareholders on the other hand received in 1954 and 1955 an amount of $ 4.6 million by way of redemption of preference shares which had been given to them by the company as a credit against the Bomi Hills ore body. The Directors had ascribed to these shares a notional value of $ 12 million in 1952 (the balance - $ 2.8 million - was subsequently treated as a capital reserve). The 1954 payment represented, in effect, the repayment of the shareholders' initial subscriptions (31). In the period 1951 through 1962 cash distributions to L.M.C.'s shareholders amounted to $ 69.6 million (excluding the amount of $ 9.2 million paid in 1954 and 1955). The Liberian Government received in this period $ 36.8 million in royalties and income taxes from the company. Due to the discrepancy between the principle of "equal sharing" (of profits between foreign investors and the Republic) and its practical outcome in the case of L.M.C., combined with the desire to bring L.M.C. into line with the two other iron ore mining companies - LAMCO and DELIMCO - which had agreed that the Liberian Government should receive 50% of their net profits, and

doubtlessly influenced by a financial crisis which made a more efficient natural resources administration even more urgent the Government undertook another revision of its arrangements with L.M.C. in the early 1960's. According to the phrasing of the 1965 Amendatory and Tax Agreement between L.M.C. and the Government the former was forced to accept an income tax liability of 50% as of January 1, 1965 instead of January 1, 1970 as had been agreed upon in the 1952 collateral agreement (32). However, in order to have this accepted the Government relinquished its rights to any other payment from L.M.C. and promised that it would never again ask for an amendment of the concession agreement or the collateral agreement (33). Consequently, royalty payments ceased as of the effective date of the Tax Agreement, January 1, 1965, and from then on L.M.C. only paid income taxes, and the usual exploration and surface taxes. In the ten-year period preceeding the 1965 Agreement L.M.C.'s taxable profits had amounted to approximately $ 127,000,000.00 of which the Government had received about $ 40,000,000.00 as royalty and income tax payments. However, after the 1965 agreement the company never again achieved the same high level of profits (see Table 7). One might conclude from Table 7 that the introduction of a 50% corporate income tax on L.M.C.'s net profits in 1965 had been long overdue and had come a little late. When a comparison is made between the low level of profits in the late 1960's and the 1970's and those of the 1955 - 1965 period when annual profits averaged over $ 12,000,000.00 with a record profit of nearly $ 17,000,000.00 in 1960. On the whole the nature of the operations accounted for the tapering off of the profits, though the accounting practices of L.M.C. were also responsible for this phenomenon. The unequal sharing in the company's profits during the 1971 - 1977 period (the Tolbert Administration) was the result of a tougher stand of the Liberians on various issues affecting the amount of net profits which resulted e.g. in the payment of a lump sum by L.M.C. of over $ 2,000,000.00 in 1972 through the Settlement Agreement of the same year (see below).

The overall profit-income of the Liberia Mining Company after paying the Liberian Government what it was legally entitled to under the agreements of 1945, 1952 and 1965 can fairly accurately be estimated to have been about $ 168,000,000.00 during the years 1951 - 1977. This aggregate amount includes adjustments made for reserves for replacement, expansion, development and other contingencies, a depletion allowance and other - legal - financial advantages (34). As indicated, the Government's share in the proceeds of the mining and sales of the ore were royalty and corporate income tax payments totalling $ 84,000,000.00. In short, two out of every three dollars (net) profits made out of the Bomi Hills iron ore by L.M.C. left the country.
This of course raises the question of what should be a fair remuneration for the use of foreign capital and know-how. Whereas the remuneration of foreign (managerial and technological) know-how takes place through the payment of

salaries to ex-patriate personnel and the payment of e.g. consultancy fees, which payment in general represents a fair compensation for the use of "foreign labour" as well as an incentive to reside in or stay temporarily in a foreign country (and which payments are treated as expenses) there does not seem to exist a consensus with respect to the remuneration for the use of foreign capital.

TABLE 7

SUMMARY OF L.M.C.'S PROFITS AND GOVERNMENT'S INCOME FROM L.M.C.

1951 - 1977

(in millions of U.S. dollars)

Period	Taxable Net Profits	Govt. Income From L.M.C.[2]	Profits After Taxes	Average Annual Yearly Profits Before Taxes[3]
1951 - 1954	$ 21.905	$ 4.903	$ 17.002	$ 5.476
1955 - 1964	126.559	39.373	87.186	12.656
1965 - 1970	45.023	22.150	22.877	7.514
1971 - 1977[1]	29.884	17.568	12.312	4.269
1965 - 1977[1]	74.907	39.718	35.189	5.761
1951 - 1977[1]	$ 223.371	$ 83.994	$ 139.377	$ 8.273

Notes:

(1) L.M.C. closed March 31, 1977;
(2) includes royalties and income taxes;
(3) before payments of royalties and taxes.

Source:

- Table 6

The political risks involved in investing in a particular country or the nature of the activities in which investments are made, such as investments in the extractive industry, are usually mentioned to warrant a high rate of profitability during the initial years of commercial production (see Chapter 14 where this issue is further discussed). In this case, however, the invested equity capital had only been $ 4.6 million and the owners of it had derived an income of $ 168 million from it thereby earning twice as much from the exploitation and the sale of the ore as the owners of the natural resources, the Republic of Liberia. Out of every dollar income of the Liberia Mining Company 16 cents

had been paid to the Liberian Government, 32 cents had been cashed by the company's shareholders, and 52 cents had represented the costs of mining and selling the ore. But in reality the benefits for the shareholders had been much greater than this statement suggests. To make this point clear one must take a more detailed look at two financial issues affecting gross profits: the determination of the sales price of the Bomi Hills ore and the computation of L.M.C.'s mining and production costs.

The Sales Agreement with Republic Steel

Through a complicated arrangement, based on the Iron Ore Sales Agreement signed in 1949 between the Republic Steel Corporation and L.M.C. and as revised by the 1952 collateral agreement between L.M.C. and the Liberian Government (note here the implicit approval of the Government of Liberia) Republic Steel had been allowed to purchase a maximum quantity of 450,000 tons per calender year of lump ore for open hearth use, containing 65% or more iron in the natural state, at privileged prices. It was agreed that Republic Steel would pay a price equal to 50% of the yearly average selling price of iron ore sold by L.M.C. to purchasers other than Republic Steel (with a minimum price based on the 1949 Iron Ore Sales Agreement). Thus, Republic Steel saved approximately $ 29,500,000.00 during the years 1955 through 1968 (35). Information related to years prior to 1955 was not available whereas after 1968 Republic Steel ceased buying at reduced prices. In addition to this, Republic Steel had paid inaccurately computed prices during the years 1955 through 1963 resulting in paying in some cases more ($ 185,646.00) and in others less ($ 715,211.00) than the amounts required pursuant to the 1949 and 1952 agreements (36) thereby reducing already undervalued sales proceeds by a further $ 530,000.00 in this period.

In 1958 L.M.C. had completed the construction of a beneficiation plant with a yearly capacity of 900,000 tons of ore and in 1961 and 1962 had expanded the plant, raising its yearly capacity to 1,200,000 tons and 1,400,000 tons of ore respectively. In 1962 mining operations were changed which involved the crushing of a portion of the lump ore for open hearth and which resulted in a gradual reduction of the production of lump ore for open hearth and an increase of the production of blast ore. After 1963 L.M.C. even ceased the production of lump ore for open hearth and from then on only produced blast furnace ore, natural fines, and concentrates. (Blast and fines were direct shipping ores which were generally sold as mined. Concentrates, on the other hand, were produced in the beneficiation plant where lower grade ores were processed. The increased emphasis on the production of concentrates came as a result of the gradual "depletion" of the rich main ore body and the subsequent mining of ore with a lower Fe-content though L.M.C. never achieved the full utilization of

the - increased - capacity of its beneficiation plant (see Table 8).

TABLE 8

IRON ORE SALES L.M.C. 1951 - 1977

Year	Blast Furnace[1]	Fines[1]	Concentrates[1]	TOTAL[1]	Sales Revenue[2]
1951	-	-	-	167	0.749
1952	-	-	-	877	8.169
1953	-	-	-	1,280	14.460
1954	1,075	96	-	1,171	12.008
1955	1,294	547	-	1,841	18.503
1956	1,412	604	-	2,016	21.380
1957	1,343	762	-	2,104	22.867
1958	1,226	419	442	2,087	22.128
1959	1,391	384	977	2,752	25.904
1960	1,586	364	1,104	3,054	29.097
1961	1,430	370	1,192	2,992	27.633
1962	1,407	336	1,333	3,076	26.823
1963	1,171	456	1,102	2,729	22.676
1964	916	874	1,120	2,911	22.578
1965	755	583	1,155	2,493	19.047
1966	926	798	1,048	2,771	20.766
1967	882	1,016	846	2,744	20.365
1968	1,014	827	890	2,731	19,526
1969	887	906	1,059	2,853	20.048
1970	1,058	891	795	2,744	21.569
1971	734	844	889	2,467	20.800
1972	1,148	778	700	2,626	22.638
1973	811	855	925	2,590	21.096
1974	888	584	603	2,076	21.644
1975	555	430	451	1,437	22.263
1976	806	557	587	1,951	29.275
1977	-	142	152	295	9.120
	24,717	14,424	17,371	58,835	543.132

Notes:

(1) In thousands of long tons
(2) In millions of U.S. dollars

Source:

- Concessions Secretariat, Ministry of Finance, Monrovia

The ore which Republic Steel had been allowed to buy at reduced prices had been understood to be *"lump ore containing 65% or more iron in the natural state and generally accepted by steel companies in the United States for open hearth use" (37).* The discontinuation of the production of lump ore for open hearth prompted L.M.C. and Republic Steel to adopt a new definition for the ore , which Republic Steel would be allowed to buy at privileged prices, *"sized blast furnace ore"*. This was, however, - by definition - neither ore containing 65% or more iron in the natural state nor lump ore for open hearth use (38). As the market value of blast ore compared unfavourably with the value of lump ore for open hearth use,and as the previous arrangement had been based upon the quantity of the latter produced each year by L.M.C. the substitution of *"lump ore for open hearth use"* by *"sized blast furnace ore"* necessitated other changes in respect of the maximum quantity of blast ore which Republic Steel would be allowed to buy, and the price to be paid for it. As L.M.C. and Republic Steel had excluded the Liberian Government from the new arrangement the Government may have been justified in accusing the companies of unilaterally changing the 1952 collateral agreement and therefore demanding its cancellation and the elimination of the new arrangement, replacing it by an agreement which would have been more beneficial to the Liberian Treasury. While it is not certain that the Government had sufficient information to ensure timely action (these and other practices of L.M.C. were not revealed until 1970) it is a fact that this chance was missed. To avoid misunderstanding it should be observed that the new arrangement did not work against the interest of the Republic of Liberia more than the 1952 collateral agreement had done (39).

L.M.C.'s accounting practices and computation of costs

L.M.C.'s accounting practices, which in 1961 - 62 were still inaccessible for researchers, even when on Government assignment (40), were investigated for the first time by a Government contracted firm in 1963 and 1964 when the British firm of Whinnay, Murray & Company examined the basis of calculation which was made each year by L.M.C. to arrive at its "net profits". For a proper understanding of this investigation and its results it is useful to turn one's attention first to the 1952 collateral agreement which provided, more or less, a definition of net profits.
The Collateral Agreement (41) to the 1945 Liberia Mining Concession Agreement (a) gave the Liberian Government representation on the L.M.C. Board of Directors by granting the right to appoint two of its five members; (b) entitled the Government to an interim royalty of (i) $ 1.50 on each ton of high grade open hearth lump ore exported, and (ii) 10% of the f.o.b. Monrovia sales price actually received in respect of secondary ores such as fines; (c) revised the 1949 Iron Ore

Sales Agreement between L.M.C. and Republic Steel; (d) specified the company's indebtedness and the financing of the investments out of the capital of the company, as of July 31, 1952. The agreement further (e) stipulated the corporate income tax rates which L.M.C. would pay in the future on its "net profits", and (f) mentioned the following items as being deductable from the company's operating income in computing the taxable net income of L.M.C.:

- *all operational, promotional, and selling expenses (including all expenses in respect of labour, insurance, transportation and handling, capital equipment, tools, etc.);*
- *a provision for depreciation and obsolescence of movable and immovable capital goods;*
- *costs of laboratory and mineral research, sampling and analysis and, in general, exploration and development expenses as incurred each year;*
- *commissions and fees;*
- *idle time expenses;*
- *interest payments and debt-amortization;*
- *reasonable reserves for replacement, expansion and development and other contingencies;*
- *royalties, exploration and surface taxes, port, harbour and bridge charges, tolls and fees, duties and taxes;*
- *any loss sustained in the preceeding five fiscal years;*
- *all other proper expenses incurred in connection with the business operations;*

while it was explicitly stated that *"in determining "Net Profits" all accounting procedures will be in accordance with general accepted accounting practices" (42).*

One of the main issues disputed between L.M.C. and the Government of Liberia was the company's practice of making provisions for replacement, expansion, development and contingencies and deducting these amounts from the company's profits before arriving at the taxable profits (normally these provisions are made out of net profits after taxes) though this had been done in accordance with the Collateral Agreement. However, taxable profits had also been charged with the depreciation of assets which had been financed with the reserves thus formed; this had also been allowed by the Collateral Agreement. Although the combination of deductions seemed to have been in accordance with the terms of the Collateral Agreement the Government objected to these practices arguing that it could not be said that charging expenditures twice before arriving at profits was in accordance with general accepted accounting practices (43). L.M.C. admitted that the beneficiation plant and facilities which had been constructed in the late 1950's had been financed with funds derived from the provisions for development, expansion, etc., a total amount of construction costs of $ 10,738,000.00 which had resulted in a loss of government

revenue of $ 2,748,000.00 as these expenses had been deducted from taxable profits (44) (eventually part of this amount was restored). The construction costs of a concentrating mill, a pier loading tower, a new finger pier, and the improvement of the railroad, during the years 1960 through 1962, had been financed in the same way, using $ 1,950,000.00 of the funds. Subsequently, these assets had in following been depreciated and taxable profits had been charged with these expenses. Loss of Government revenue in this case had amounted to $ 682,000.00 (45).
In 1968 L.M.C., in view of the expected closure of the mine in the early 1970's, made the last deduction for replacement, expansion, etc.
During the years 1955 through 1968 it had deducted a total of $ 15,255,000.00 as "reasonable reserves" for replacement, expansion, development, etc. and had restored $ 1,433,000.00 of this amount, leaving a balance of $ 13,822,000.00. Net loss for the Liberian Treasury amounted to $ 3,991,000.00 (46). In 1969 the firm of Main Lafrentz & Co. had been hired by the Government to investigate the business and accounting practices of L.M.C. (47). In 1970 it advised the Government that because of double-counting practices of L.M.C. the Liberian Treasury could have recovered approximately $ 2 million of an amount of nearly $ 4 million during the years 1958 to 1968 (48). In 1971 the Government officially claimed this amount (49).
The matter was solved with the Settlement Agreement dated August 8, 1972 when L.M.C. agreed to pay $ 2 million (in four instalments in 1972 and 1973). The company was allowed to continue to depreciate on three million dollars worth of assets, bought with funds derived from these reserves for contingencies etc. and was not compelled to restore to net profits an amount of some $ 13.3 million (being the reserves for contingencies etc.). However, in anticipation of the definite closing down of the company the Government and L.M.C. agreed that the sales proceeds of L.M.C.'s fixed assets (others than which would revert to the Government under the 1945 agreement) (50) would be included in the company's operating profits. (Thus the Liberian Government shared on a 50 - 50 basis in the sales proceeds of these assets) (51).

Other disputed issues

In 1957 an agreement had been reached between the Government and L.M.C. for the exploitation of the Mano River Iron Ore Reserves by the National Iron Ore Company (52). Management of the N.I.O.C. had been entrusted to the Mines Management Association of Liberia (M.M.A.L.). After N.I.O.C. in 1962, had encountered serious difficulties in the development and operation of its Mano River mine, both N.I.O.C. and the Government - a 50% owner of the company - requested the aid of L.M.C. in view of the experience it had required since the start of its operations in Liberia.

On January 3, 1963 a Memorandum of Agreement was signed (and approved by N.I.O.C., M.M.A.L., L.M.C., and President Tubman) according to which L.M.C. agreed to assist N.I.O.C. and M.M.A.L. with respect to operating matters and the supply of experienced personnel to operate the mine. It was explicitly stated that L.M.C. would have no responsibility with regard to sales or financial matters (53).
The consultancy fees which in subsequent years N.I.O.C. paid to L.M.C. were not included by L.M.C. in its net profits. L.M.C. here referred to the 1958 mining concession agreement between N.I.O.C. and the Liberian Government (54). The central question was whether or not the L.M.C. had been appointed agent by the 1963 Memorandum Agreement. If it had - which L.M.C. claimed (55) - fees from these activities were exempted from Liberian taxation, in conformity with Article 7 and Article 12 (g) of the N.I.O.C. concession agreement of March 13, 1958. If it had not, - which was the view held by the Government, supported by the U.S. auditing firm of Main Lafrentz & Co. and confirmed by legal counsels both in the U.S.A. and in Liberia - L.M.C. had to pay taxes on this income. The total amount of fees which had been excluded by L.M.C. from its net income was for the period 1965 (when payment of these fees had started) through 1970 some $ 1,443,839.48 of which the Liberian Treasury claimed $ 721,920.00 (56). The question was solved with the Settlement Agreement of April 25, 1972 when L.M.C. agreed to pay the additional assessment although in later years some minor difficulties arose about the proper reporting by L.M.C. of the consultancy fees received from N.I.O.C. (57).

After an audit of the L.M.C. accounts in 1973 the Government demanded payment of nearly $ 590,000.00 by L.M.C., on the basis of nine different claims. Eventually the Government recovered of this additional assessment an amount of about $ 200,000.00 which was paid by L.M.C. (58). In 1977 the Liberian Government claimed another additional assessment, this time amounting to nearly $ 350,000.00. One of the issues of this assessment involved the Tropical Trading Company (T.T.C.) which was 100% owned by L.M.C.

L.M.C. had in 1961 loaned the N.I.O.C. $ 600,000 through the T.T.C. This loan had subsequently been written off against operating profits in the same year and in 1962 ($ 400,000 and $200,000 respectively). Thus the Government had been deprived of $210,000 (calculated at the tax rate of 35% then prevailing). Though L.M.C. had completely written off this loan on the grounds that at the time it was not certain at all that the N.I.O.C. would be a viable undertaking, a not unusual practice in the mining business, there is no proof that the Liberian Government had approved this decision (59).
The Tropical Trading Company had over the years paid its corporate income taxes to the Government, the rates applied being in conformity with the general income tax laws of Liberia,

but had not declared any profits (which would have resulted in an additional income for its parent company, L.M.C., to be taxed at the rate of 50% after 1965). Thus, over the years T.T.C. had accumulated its earnings which amounted to $ 1.4 million at the end of 1976. Part of these earnings had been derived from logging and sawmill operations, which were based upon a "Timber Sales Contract" concluded between the Ministry of Agriculture and T.T.C., entitling it to approximately 20,000 acres of timberland within the Yoma District of the Gola National Forest, and upon an addendum to this agreement granting T.T.C. permission to conduct timbering operations on forest land of the tribal authority situated in the Bopulu District, covering approximately 6,000 acres. This arrangement had become necessary as L.M.C.'s 1945 mining concession agreement restricted the timberland to the mining concession area. But although T.T.C. held the timber contracts, L.M.C. owned the sawmill facilities as well as all the equipment used in the timber and logging operations, and all operations were conducted under L.M.C. management, all of T.T.C.'s employees being directly employed by L.M.C. All charges connected with timbering and sawmill operations were also included in L.M.C.'s accounts as part of the costs of the mining operations (most of T.T.C.'s production being railroad ties for use on the Bomi Hills - Monrovia railroad) (60).

The Liberians had become aware - though (too) late that the lion's share of the proceeds of the sales of the Bomi Hills ore had been given away. It is not surprising therefore to discover that when the number of Liberians that had completed specialized studies abroad increased relations between the Liberian Government and L.M.C. deteriorated. All possibilities of obtaining more revenue from the enterprise were exploited - even when (in some cases) the amount of the additional assessments were relatively small when compared with the money which had - almost literally - been shipped abroad. The same tendency characterized the relations between the Government of Liberia and Firestone in the 1970's - as we have seen in Chapter 3.

In 1971 the U.S. Accounting Principles Board had declared that investments in subsidiaries which were both under the direct control of its parent company and had a minimum of 20% of its shares held by this parent company should be accounted for on the equity basis of accounting instead of on a cost basis (61). Given the general orientation in Liberia (especially of the governing group of people) on the U.S.A. and considering the origin of the investors behind L.M.C. it seems logical that the Liberian Government demanded that L.M.C. changed its practice of using costs as a basis for accounting for its investments in T.T.C. which the mining company had still not done by March 31, 1977 (when it closed down) despite its commitment under the Collateral Agreement to adhere to generally accepted accounting practices. Evidently in this case, the Government wanted to share in the accumulated earnings of the Tropical Trading Company though initially it only claimed an amount of nearly $ 52,000.00 which would have accrued to the Treasury in the period 1971 - 1977 if

L.M.C. would have acted in conformity with *"generally accepted accounting practices"* (62).

L.M.C.'s sales agents, the former participant in the concession Wm.H.Muller & Company of the Netherlands and the majority-shareholder Republic Steel, also shared in the proceeds of the sales of Bomi Hills ore. Muller & Company had been appointed L.M.C.'s sales agent on April 9, 1948, which agreement had been renewed in 1961 and altered in 1973. In 1948 it had been agreed that the Dutch company would receive a sales commission of 3.5% of the net value f.o.b. Monrovia of the ore exported or 10 cents per ton of ore exported, whichever was higher (in case of sales to countries other than the U.S.A.), and a commission of 1.75%, or 5 cents per ton exported, the higher of these amounts, in case of exports to the U.S.A., regardless of the fact whether or not the ore would have been exported through the intermediary of the Dutch company. Muller would also be paid an additional fee of 5 cents per ton of ore exported for examination, checkweighing, sampling, and analysis immediately upon arrival at the port of debarkation, except for a U.S. port. It is noteworthy to recall here the initial arrangement made between L.M.C. and the Liberian Government whereby it was agreed that the owner of the sub-soil and its wealth would be paid a basic royalty of 5 cents per ton of ore exported. On June 3, 1973 a new sales agency agreement was signed with Muller & Company whereby the sales commission was reduced to 2.5% of the net value f.o.b. Monrovia of all iron ore exported to countries other than the U.S.A. and to 1.25% on all sales of iron ore exported to the U.S.A.
In the same year in which it had bought a majority interest in the Liberia Mining Company (1949) Republic Steel had been made L.M.C.'s non-exclusive sales agent in the U.S.A. (additional to Muller) at a commission fee of 1.75% of the net value f.o.b. Monrovia or the sum of 5 cents per ton of ore exported, whichever amount was higher. Sales to Republic Steel, however, had been explicitly excluded (63). Simaltaneously with the change of the sales agency agreement with Muller, the arrangement with Republic Steel had in 1973 been revised and the commission reduced to 1.25%.
Compared with other mining ventures these fees which L.M.C. paid its sales agents were rather high, notably with respect to Muller & Company. In the 1951 - 1977 period the total of sales expenses amounted to about $ 17.5 million (64). In general, commission fees paid were a minimum of 3.5% (until 1973) which in the case of sales in the U.S.A. were equally shared between Republic Steel and Muller. LAMCO e.g. has since 1963 paid a sales agent's fee of 2% of the f.o.b. value for the first five million tons, and 1% for additional tonnage. A reduction of 1% of L.M.C.'s selling expenses would have meant an additional tax revenue of nearly $ 100,000.00 a year prior to 1965 (65).
The singularity of the arrangement according to which Muller was

paid a sales commission without performing any services, i.e. in the case of sales to the United States through Republic Steel, cannot be questioned but as it was not in conflict with the provisions of the Collateral Agreement and the 1949 Iron Ore Sales Agreement there were no legal grounds for the Government to interfere with these payments which in combination with the excessive commission fees allowed resulted in an estimated loss for the Treasury of at least $ 3,000,000.00 during the 1951 - 1977 period.

The Mano River Iron Ore Deposits

After L.M.C. had been granted on April 11, 1957 (66) a license to explore the Bea Mountains (67) and the Mano River area it conducted exploration work and discovered deposits with a Fe-content of over 55% in the Mano River area, about 45 - 50 miles north-west of Bomi Hills. The Government, however, did not want to give L.M.C. the de facto right to develop these deposits which right L.M.C. already had under its 1945 mining concession agreement with the Government. The official reason for this refusal was that L.M.C. already held nearly the maximum 25,000 acres of Exploitation Lots, allowed under the 1945 concession, but no doubt the enormous profits resulting from the mining operations in Bomi Hills will have influenced the Government's decision. President Tubman wanted the Mano River iron ore deposits to be developed by a new corporation in which the Liberian Government would have a 50% equity interest. In exchange for the rights which L.M.C. had under the 1945 agreement with respect to the exploitation of the Mano River deposits it was offered a 15% equity interest in the company to be formed, and the Government promised that the income and any and all other benefits which it would derive in the future from this 15% interest would be free from all taxes and would not be included in the "net profits" as defined in the Collateral Agreement, and that the Government would not be interested in the assets value of such investments (68). The following year (1958) a concession agreement for the development of the Mano River Iron Ore Deposits was concluded with the National Iron Ore Company (N.I.O.C.) in which L.M.C. had taken a 15% equity interest (69) (see further under N.I.O.C.).

The Bea Mountains Iron Ore Deposits

In early 1957 the Bea Mountains iron ore deposit was discovered by L.M.C. The Bea Mountains are located between Bomi Hills and the Mano River deposits, and are at only about 9 miles distance from Bomi Hills. However, by Executive Order No. 3, dated May 7, 1959 which was approved by the Legislature on May 11, 1960, the

area described as the Bea Mountains was included in the concession area which the N.I.O.C. held under the 1958 concession agreement with the Government. Directed by the Government L.M.C. suspended until further notice its exploration work until certain matters would have been resolved with the Government.

In 1961 N.I.O.C. discontinued exploration work in the Bea Mountains and after showing renewed interest, L.M.C. resumed exploration of the Bea Mountains under agreement with N.I.O.C. as from 1965. In the early 1970's it was realised in Liberia that the mining operations at Bomi Hills might come to an end during the first half of the 1970's. In view of this it became the Government's official policy to commit the exploitation of the Bea Mountains in such a way that it would phase in with the phasing out of Bomi Hills. For this purpose the Government, L.M.C., and N.I.O.C. reached an agreement relative to the Bea Mountains on September 4, 1973. By this agreement the Government granted the parties certain specific tax privileges and the parties agreed that L.M.C. would be automatically vested with a 50% individed interest in the Bea Mountains and all concession and exploration rights belonging to it, together with the exclusive right - jointly with N.I.O.C. - further to explore the Bea Mountains and to exploit iron ore materials, as soon as it would have spent $ 2,000,000.00 on the exploration of the (possible) iron ore deposits in the Bea Mountains which amount was allowed to include the expenses made in prior years with respect to the Bea Mountains (about $ 1.1 million) (70). As the costs of exploration of the Bea Mountains were allowed by the Government to be charged to expenses as incurred (71) the Liberian Government shared in the exploration expenses (in the same proportion as the corporate income tax rate).
The depletion of the Bomi Hills ore, first predicted for 1973, later said to occur in 1975, eventually became a reality in 1977. Although L.M.C. by 1975 had already spent over $ 2,000,000.00 on exploration activities, the parties involved (the Government, L.M.C., and N.I.O.C.) had since that date made no progress in the exploitation of the Bea Mountains ore deposits. It is not easy to allocate blame for this failure to combine the closure of the mine at Bomi Hills with the starting of new mining activities in the Bea Mountains : L.M.C., N.I.O.C., or the Government, although the former definitely showed itself to be keen on continuing its mining activities in Liberia - not in the least by spending its money on exploration activities in the Bea Mountains whose deposits are favourably located with respect to the existing Bomi Hills - Monrovia-Freeport railroad. The 1973 Agreement had obliged L.M.C. and N.I.O.C. jointly to negotiate a concession agreement for the Bea Mountains with the Government but owing to its financial situation in the mid-1970's N.I.O.C. could not show any interest in a new mining venture which would involve a considerable outlay of capital (72). The Government, finally,

seems to have intented to delay the development of the Bea Mountains iron ore deposits, officially basing its refusal effectively to grant L.M.C. the exploitation rights in respect of the Bea Mountains on the grounds that a concession agreement for this purpose should be jointly negotiated by L.M.C. and N.I.O.C. The real reason, however, was that the Liberian policy of taking a 50% interest in mining companies in the country (cf. LAMCO, NIOC, and DELIMCO) would have been violated by granting L.M.C. alone the rights it was seeking confirmation of, i.e. the exploitation rights with respect to the Bea Mountains (73). Underlying the Government's attitude were also the conflicts with L.M.C. over the title to and the salvage value of the company's assets at Bomi Hills, a dispute which also included the question of L.M.C.'s depreciation policy over the years, and that of the severance pay. This light on the role of the Liberian Government in the development of the Bea Mountains is not to suggest that the Government was unaware that the continuing dispute with L.M.C. was against its interest but its firm stand may well have evolved from L.M.C.'s record in Liberia which even had made that the Government was willing to consider the exploitation of the Bea Mountains ore deposits by others than L.M.C. (74).
The conflict between the Liberian Government and L.M.C. over L.M.C.'s assets drew attention once again to the company's accounting practices, i.e. its depreciation deductions. L.M.C. had based its depreciation charges on tonnage produced each year as related to the estimated extent of the ore reserves, according to one source a not uncommon practice in the mining industry (75) whereas no salvage value of the (fixed) assets had been recognized (76). Opinions on the appropriateness of the depreciation deductions, however, differ, not only between the Government and L.M.C. but also between the foreign firms hired in the 1960's by the Liberian Government to audit L.M.C.'s books. In 1964 the British firm of Whinnay, Murray & Company had already reported that in applying depreciation rates L.M.C. had not taken into account an estimated residual value which the fixed assets might have and, as the 1945 concession agreement excluded the Government from sharing in capital profits, recommended that a salvage value should be recognized and the depreciation rates adjusted (77). A decrease of L.M.C.'s depreciation rate with 1 percent, e.g. from the average of 6.3% (on the original value) which L.M.C. applied to 5.3%, would have increased income taxes by $ 110,000.00 a year prior to 1965 (78). On the other hand, the U.S. firm of Main Lafrentz & Co. in 1970 considered L.M.C.'s policy not to assign residual value to fixed assets as appropriate (79).
In 1972 L.M.C. recognized that the salvage value of its fixed assets was higher than zero as it offered the Government - in vain - a 27% interest in certain of these assets (80). The question remained unsettled until late 1977 when the Liberian Government gave L.M.C. an ultimatum to settle the issue within 30 days (81). The dispute was finally ended by a Memorandum of

Agreement signed by representatives of the Government and L.M.C. on January 20, 1978 approved by the Legislature on May 25 of the same year. It solved the problems as to ownership of L.M.C.'s assets and related tax-issues whilst both parties also agreed to resume negotiations for the exploitation of the iron ore deposits of the Bea Mountains.

Besides quarrelling over the share of the Treasury in L.M.C.'s assets the two parties in the 1970's also quarrelled over the Government's share in the company's retained earnings. The official Liberian point of view was that the Government was an equal partner with L.M.C. and should therefore in equity share in the treatment and distribution of these retained earnings (82). However, this Liberian claim was much less justifiable than the desire to recover a portion of the salvage value of certain assets which had been depreciated more than 100% over the years - as one of the company's senior employees told the present author in 1976 (83). Notably after the publication of the Government's standpoint in this issue L.M.C. adopted a policy of accelerated distribution of retained earnings to shareholders and the retained earnings, which in 1968 still had totalled $ 23.7 million, were down to $ 3.5 million in 1975.

The 1945 concession agreement had entitled the Republic of Liberia to all roads, railroads, bridges, docks, aquaducts and hydro-electric works constructed by L.M.C. in case of the termination of the contract (84). Under the 1978 Agreement the Liberian Government became the owner of assets of L.M.C. which would be necessary to the development of the Bea Mountains, further, salvageable assets which had (social) importance to the Government and which would not be necessary to the Bea Mountains development, and also to non-salvageable assets which would not be needed for the Bea Mountains project, all these assets being specified in the Agreement. A listed number of salvageable assets was to be sold; the net proceeds of these sales were to be divided on a 50 - 50 basis between the Government and L.M.C., the latter, its shareholders (or their subsequent shareholders) would be exempt from any taxes on this sales income. It was understood that the Government's share in the net sales proceeds would constitute L.M.C.'s tax payment on the sales income. The remaining, not mentioned assets would remain the property of L.M.C. and any income originating from them, e.g. through sales, would be subject to the tax laws of general application (85). Thus, for the first time in its history, the Republic of Liberia became the owner of a railroad (estimated value: about $ 6.7 million) including rolling stock and ancillary equipment. Also the company's dock facilities at the Free Port reverted to the Government (valued at $ 4.7 million) as well as its power plant ($ 1.2 million), factory-buildings, business offices and residential housing facilities ($ 2.6 million), hospital ($ 0.7

million), water system ($ 0.8 million), schools ($ 0.1 million), among other assets (86).

The list of disputed issues is far from exhausted by the above treatment of the major ones. E.g. the accounting procedure of stripping, dredging and exploration costs with respect to the Bea Mountains, the creation of general reserves and the handling of a reserve for belt replacement, the reporting system in respect of income from N.I.O.C., the contract with the Loffa Construction Company, to mention a few, have for practical purposes not been dealt with. Though the questioning of their appropriateness does have a significance within the total framework of the development of the relations between the Government and the concessionaire their minor financial importance does not make a detailed discussion imperative, the less so as the general trend of events will have become clear from the above issues extensively dealt with.

A closing remark will have to be made about a question which will undoubtedly have arisen during the discussion of the above aspects of L.M.C.'s performance in Liberia. How could certain of L.M.C.'s operations take place? As early as 1964 the report of Whinney, Murray & Company had disclosed details of a number of dubious arrangements and practices which in that year had already been found prejudicial to the interests of Liberia. The report had been presented to the Secretary of the Treasury in May 1964. The Liberian Government, however, had never reacted to it by taking any action against L.M.C. It is true that the 1965 Amendatory and Tax Agreement had five years earlier than had been stipulated by the Collateral Agreement raised the company's income tax liability to a level of 50% of the company's profits but, on the other hand, the agreement had explicitly confirmed the provisions of the Collateral Agreement in respect of the computation of "net profits" whilst at the same time waiving the right to any other payment including royalties which had averaged nearly $ 150,000.00 per year in the preceeding ten years (87). Consequently, Main Lafrentz & Co. in their report of 1970 could do nothing but confirm and repeat the main conclusions of their British colleagues with respect to L.M.C.'s activities.
The fundamental question here is whether the postponement of actions against L.M.C.'s accounting practices and financial manipulations had been deliberate. Or to phrase it in a different way, whether administrative reasons, i.e. the underdevelopment of institutions in Liberia, or political motivations, e.g. abuse of power and or corruption, were responsible for the continued lack of any actions of the Government against L.M.C.
The administrative machinery of Liberia will no doubt have left much to be desired in those days - and this still holds for the present - in the absence of a well-trained staff of disciplined

geologists, economists and lawyers, but the political top of the Administration had been well aware of the issues involved although it failed to contribute to their solution. The National Legislature of Liberia played - and continues to play - only a token role in the nation's decision-making process. The country's best known and wealthiest lawyer, Richard A. Henries, also represented the mining company's legal interests in Liberia. This relationship provides at least a clear case of conflict of interests as Henries was also the Speaker of the House of Representatives.

The Whinney Murray Report had been presented in 1964 to the Secretary of the Treasury, one of the few (foreign-) trained economists in those years, Charles D. Sherman, who had been one of the two Government representatives on L.M.C.'s Board of Directors and who had approved the company's final annual accounts including, i.a., the amounts for the annual appropriation for Replacement reserves (88). The second Government representative on this Board had been the Director of the Bureau of National Resources and Surveys, Arthur Sherman (older brother of the Secretary of the Treasury), who had been succeeded in October 1961 by Momolu A. Massaquoi. The report of the British auditors states that their approval had apparently been little more than a formality (89). Although it is true that the two Government representatives constituted a minority on the five member Board of Directors, they could nevertheless have voted against these annual accounts even if their disapproval would not have changed the final decision.

These considerations, however, still leave other possibilities open. Were attempts made to hide something by not taking any concrete actions against the obvious violation of the country's financial and other interest? Theoretically it is also imaginable that incompetence of Liberian members of the Board, or even possible irregularities, had to be concealed from others. The close relationship between President Tubman and Lansdell Christie and Tubman's powerful ruling of the country, hiring and firing Government officials at will, constitute another explanation for the fact that no actions were undertaken against L.M.C. Tubman's coverage of irregular activities of L.M.C. had earlier attracted attention, when officials of the Bureau of Natural Resources and Surveys had caught L.M.C. (on more than one occasion) inaccurately reporting the actual tonnage mined and shipped, thus depriving the National Treasury of an amount of money equal to the amount of royalties missed through these manipulations. Tubman, however, refused to discuss this issue with his best friend Christie. It was even alleged by these officials of the Bureau of Natural Resources and Surveys that Christie had paid Tubman not to undertake any action in this respect (90).

Although this serious accusation is difficult to prove Liberians will nevertheless readily concede that there may be some truth in this allegation. That the close friendship between Tubman and

Christie hindered an efficient approach of L.M.C. by the Liberian Government is, however, the least one may conclude from the situation (91). The events of the 1970's seem to confirm this leading role which Tubman played in the warding off of a confrontation between Liberia and L.M.C.'s owners. At the end of the 1960's some Government officials had already rejected some of L.M.C.'s practices. Notably Liberia's second (foreign-trained) economist, J. Milton Weeks, who had succeeded Charles Sherman as Secretary of the Treasury in 1967 had pleaded that L.M.C. be prevented from continuing its practices of making deductions for both amounts set aside for Reserves for Replacement etc. and amounts constituting depreciation on the relevant fixed assets, among other issues (92). But it was not until Tubman's death that Secretary of the Treasury Weeks undertook firm action in this respect, viz., in December 1971 (93). This job was completed by Stephen Tolbert, appointed Minister of Finance by his brother in January 1972. With the support of the President, William Tolbert, L.M.C. was forced to pay additional assessments and a firm Government stand in respect of the exploitation of the Bea Mountains ensured that what had happened with the Bomi Hills orè reserves, i.e. inefficient natural resources administration, would not happen again in the foreseeable future in the Bea Mountains. With respect to the Bomi Hills this realization came too late; provisions for replacement etc. as well as buying at privileged prices by Republic Steel stopped at the end of the 1960's. In 1977 operations at Bomi Hills ended, and "Bomi Hills had become Bomi Holes" as Liberians soon joked cynically. Yet it remains to be seen whether the lessons from the Bomi Hills ore exploitation will bear fruit with respect to Liberia's dealing with the other investors in the iron ore mining sector, notably the attitude vis-à-vis LAMCO's gradual transportation of the Nimba Mountain, "a mountain of iron ore", to the coast. This will be discussed in Chapter 8.

CHRONOLOGY

SUMMARIZED HISTORY OF L.M.C.

1934	Discovery of the Bomi Hills iron ore deposits
1945	Concession agreement with Lansdell K. Christie
1948	Sales agency agreement with Wm.H. Muller & Company
1949	Republic Steel Corporation takes a 59.2% interest in LMC Sales agreement and sales agency agreement with Republic Steel $ 4 million loan from the Export-Import Bank
1951	Completion of the railroad First shipment of iron ore Sole producer of iron ore in Liberia until 1961
1952/1953	Collateral agreement introducing corporate income taxes
1955	First payment of corporate income taxes
1957	Washing plant installed Discovery of Bea Mountains and Mano River iron ore deposits
1958	Construction of a beneficiation plant Participation in the N.I.O.C.
1960	Record production of over 3 million tons of ore
1961	Renewal of sales agency agreement with Muller Expansion of beneficiation plant Installation of an electronic central traffic control system for railroad operations
1962	Expansion of beneficiation plant Change in mining operations' Completion of a new finger pier
1963/1964	Replacement of the 6 day, ten hour working week by a 5 day, eight hour working week
1965	Amendatory and tax agreement with the Government
1972	Renegotiation of the 1945 concession agreement Two settlement agreements with the Government Completion of the Jones High Intensity Magnetic Separator
1973	Revision of the sales agency agreements with Republic Steel and with Muller Memorandum of Agreement relative to the Bea Mountains
1974	264 Liberian hourly workers laid off in anticipation of the closing down of the mine
1977	Definite closing down of the mine
1978	Agreement with the Government in respect of the ownership of the assets

THE NATIONAL IRON ORE COMPANY

The circumstances connected with the desire of President Tubman to have the Mano River Iron Ore Deposits, discovered by L.M.C., exploited by a new company in which the Government would take a 50% interest, private investors 35%, and L.M.C. 15% - in recognition of its original rights to develop these deposits - were already explained (see above). The subsequent granting of a concession for the mining of these deposits to the National Iron Ore Company Ltd. had taken place on March 13, 1958, and was approved by the Legislature one week later.
Total equity capital of N.I.O.C. consisted of 1,000,000 shares with a par value of $ 10.00. In accordance with the Statement of Understanding of 1957 the Government subscribed to 500,000 shares, L.M.C. paid for 150,000 shares, and for the remaining $ 3.5 million worth of shares the Liberian Enterprises Ltd. was created by Lansdell Christie in which he, together with a small number of his associates, invested $ 1.5 million. Christie also developed a loan scheme which encouraged Liberian participation in the new mining company (through Liberian Enterprises, Ltd. (L.E.L.)). He advanced (interest-free) $80. for each share of $100. of L.E.L. to which Liberian citizens subscribed whereas small investors were permitted to pay their $20. in three installments. Fifty percent of N.I.O.C.'s future profits accruing to Liberian Enterprises would be used to repay the total amount thus lent to Liberian shareholders, some $ 1.6 million (94).
In this way total investments of Liberian citizens in N.I.O.C. amounted to $ 2.0 million. Through L.M.C. and L.E.L. Christie and his associates owned 21% of the capital stock of N.I.O.C., and Republic Steel was the owner of about 9% of N.I.O.C.'s equity capital (through its 59.2% interest in L.M.C.). Though N.I.O.C. was thus 70% in Liberian hands and the company might for that reason have been excluded from this study the strong involvement of L.M.C. and of Lansdell Christie in the Mano River Mine justify a more than superficial look at it.

In accordance with the concession agreement on August 28, 1958 a Management Agreement was signed between N.I.O.C. and the Mine Management Associates Ltd. (M.M.A.L.), a company especially created for the management of N.I.O.C. and assisted by another (New York based) company, the Associated Mines Services (A.M.S.). Both companies were 100% owned by Lansdell Christie and, after his death in 1965, by his heirs, the Christie Estate. On December 31, 1960 N.I.O.C. and L.M.C. signed a Trackage Agreement for the use of L.M.C.'s railroad as well as other facilities by the Mano River mine and on January 3, 1963 the two mining companies concluded the Memorandum of Agreement earlier referred to under which L.M.C. was to provide technical services (on operational matters only) to N.I.O.C. (see above).
Owing to the disappointing Fe-content of the Mano River ore an Ore Purchase Agreement was reached, in a letter from L.M.C. to

N.I.O.C. dated January 1, 1964 for the purchase of ore from L.M.C. by N.I.O.C. which made it possible to upgrade the Mano River ore with the high-grade iron ore of Bomi Hills, thus making a saleable product of N.I.O.C.'s ores. The agreed joint exploitation of the iron ore deposits of the Bea Mountains, through the 1973 Memorandum of Agreement relative to the Bea Mountains, signed by the Liberian Government and the two mining companies, was referred to above. The complex relations between the Christie Estate, M.M.A.L., N.I.O.C. and L.M.C. - as of 1977 - are shown in Chart 1. The two mining companies also had in common the Dutch firm of Wm.H. Muller & Company which acted as N.I.O.C.'s sales agent until 1973. Its iron ore sales agency agreement with N.I.O.C. was then terminated and replaced by an agreement with CAEMI International B.V., a Dutch/Brazilian company in which former Muller employees participated (see below).

In practice, M.M.A.L. was responsible for the management of N.I.O.C., did nearly all of the administrative work for N.I.O.C., did all of the administrative and other corporate work for Liberian Enterprises Ltd., and arranged all of the institutional loans and suppliers credits which were made available to N.I.O.C. Lansdell Christie had personally and directly lent an amount of $ 2.6 million to N.I.O.C. and some $ 1.6 million to the Liberian shareholders in the Liberian Enterprises, and L.M.C. had loaned $ 1.4 million to N.I.O.C. besides its involvement in the operations of the mining company already referred to. (95)

The production of ore started in 1962 and by the end of 1977 nearly $ 290,000,00 worth of iron ore had been shipped out of the country. The Government's income from N.I.O.C. during this 16-year period, however, was only $ 2,523,000.00 - excluding exploration and surface taxes which during the last ten years (1968 - 1977) amounted to little over $ 1,000.00 a year, being the rental for the use of 10,144 acres (see Table 9). With less than 1 per cent of sales revenue reaching the Treasury the question arises why the Republic of Liberia received so little income from a promising mining venture in which it had even invested $ 5 million? Part of the answer is found in the provisions of the 1958 concession agreement as well as in the 1957 Statement of Understanding between the Liberian Government and L.M.C. By exempting L.M.C. from paying taxes on the income which this company derived from its 15% equity interest in N.I.O.C. and agreeing to take 50% of N.I.O.C.'s equity capital while waiving its right to demand payment of a royalty and exempting N.I.O.C. and its shareholders as well as its (managing) agent(s) from all taxes or other charges - except an exploration and a surface tax (96) - the Government certainly made a very costly gesture. It is worth noting that it was not the first time that the Government participated in a private company. It also held a 25% interest in The Liberia Company for which, however, it had not made a cash contribution (see Chapter 4). The concession

CHART 1

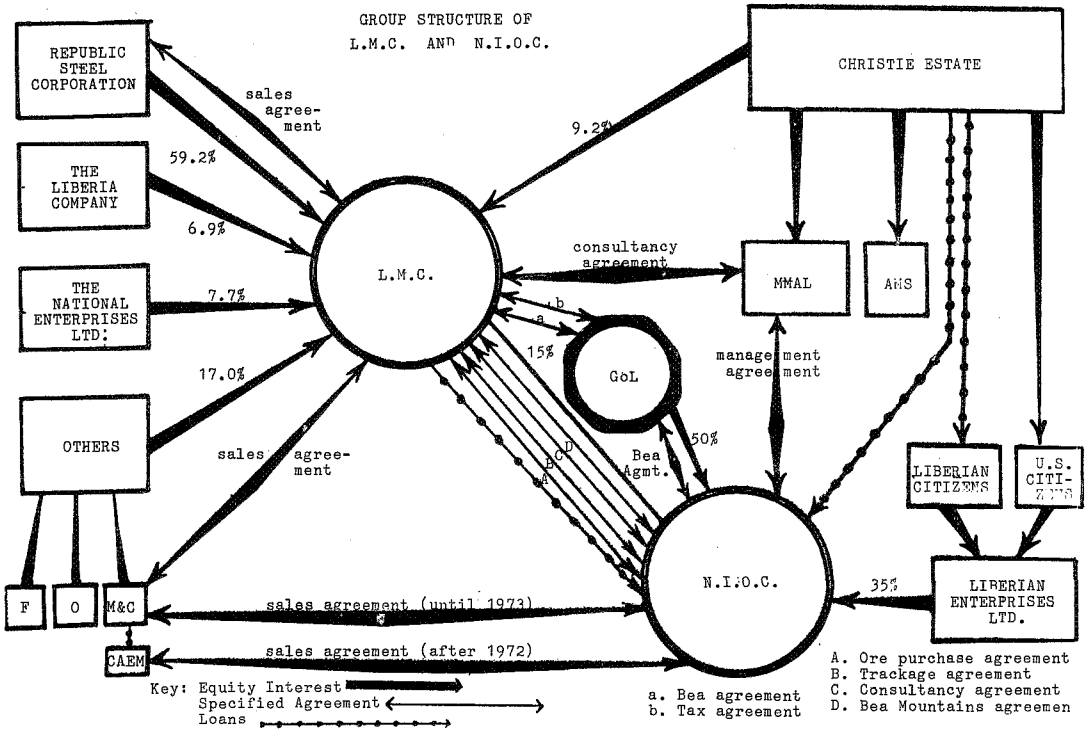

GROUP STRUCTURE OF
L.M.C. AND N.I.O.C.
REPUBLIC STEEL CORPORATION
THE LIBERIA COMPANY
THE NATIONAL ENTERPRISES LTD.
OTHERS
sales agree-ment
59.2%
6.9%
7.7%
17.0%
sales agree-ment
L.M.C.
CHRISTIE ESTATE
9.2%
consultancy agreement
MMAL
AMS
management agreement
GoL
15%
a
b
A
B
C
D
Bea Agmt.
50%
N.I.O.C.
35%
LIBERIAN CITIZENS
U.S. CITI-ZENS
LIBERIAN ENTERPRISES LTD.
F
O
M&C
CAEM
sales agreement (until 1973)
sales agreement (after 1972)
Key: Equity Interest
Specified Agreement
Loans
a. Bea agreement
b. Tax agreement
A. Ore purchase agreement
B. Trackage agreement
C. Consultancy agreement
D. Bea Mountains agreemen

TABLE 9

FISCAL ASPECTS OF N.I.O.C.'S OPERATIONS IN LIBERIA 1962 - 1977

(in millions of U.S. dollars)

Year	Sales Income (1)	Profits Before GoL Share (2)	Profits After GoL Share (3)	Royalties (4)	Income from Partic. (5)	Total Income - NIOC (6)	(6)as% Total GoL Income (7)
1962	2.941	- 0.726	- 0.726	-	-	-	-
1963	10.701	0.806	0.806	-	-	-	-
1964	15.878	2.250	2.025	0.225	-	0.225	0.6
1965	18.238	2.879	2.583	0.133	0.163	0.296	0.7
1966	17.452	2.227	1.902	-	0.325	0.325	0.7
1967	20.182	1.931	1.778	-	0.153	0.153	0.3
1968	19.409	1.722	1.403	-	0.319	0.319	0.6
1969	21.976	1.506	1.201	-	0.305	0.305	0.5
1970	20.800	1.761	1.461	-	0.300	0.300	0.5
1971	19.922	1.253	0.953	-	0.300	0.300	0.4
1972	19.197	- 0.668	- 0.968	-	0.300	0.300	0.4
1973	16.696	- 1.664	- 1.664	-	-	-	-
1974	19.982	- 1.627	- 1.627	-	-	-	-
1975	19.227	- 0.901	- 0.901	-	-	-	-
1976	21.516	- 0.051	- 0.051	-	-	-	-
1977	23.654	1.421	1.421	-	-	-	-
1978		- 0.147	- 0.147	-	-	-	-
TOTAL 1962 through 1977	$ 287.841	$ 12.118	$ 9.595	$ 0.358	$ 2.165	$ 2.523	

Source:

- Concession Secretariat, Ministry of Finance, Monrovia

agreement signed with Lee Detwiler in 1953 provided for a 50% Government participation and in September 1958 a concession agreement with DELIMCO had been concluded which gave the Government also a 50% interest. However, Government-participation in the equity capital of these two mining companies had been so constructed that no cash payment by the Government was required. In the case of N.I.O.C., however, the Government invested $ 5 million from public funds. (Actually, the Treasury made a cash payment of $ 500,000.00 and financed the balance of its participation in N.I.O.C. with a $ 4,500.000.00 loan from the National City Bank)(97).
If it would have charged the company's profits with a 50% corporate income tax the Government's income from N.I.O.C. would have been the same as it was now while it would still have had the possibility of demanding the payment of the royalty and of spending the $ 5 million investment on alternative projects or development programmes. Another reason for the low income from the Mano River mine is the mismanagement which has characterized the company. The managing company contracted, M.M.A.L., had, prior to its involvement in N.I.O.C., no experience with mining operations nor was it familiar with the marketing of the ore. This lack of experience had manifested itself soon after the start of operations and had formed the basis for the consultancy agreement signed with the neighbouring company in Bomi Hills in 1963 under which L.M.C.'s experienced ex-patriate personnel worked with the Mano River mine.
Thirdly, certain excessive charges influenced the company's net profits. Among these were the management fee paid to M.M.A.L. and the sales commission paid to Wm.H.Muller & Company. The fourth reason for N.I.O.C.'s disappointing financial performance was the quality of the Mano River ore, which was lower than was originally expected, and which caused additional expenditures before it could be sold in the international markets.

The concession agreement

Except for the differences referred to above the 1945 concession agreement with Lansdell Christie and the concession agreement with N.I.O.C. are virtually identical. One of the identical Articles provided that any Corporation which may acquire the N.I.O.C.-concession should be at least 60% owned by Liberian and/or U.S. citizens, a remarkable feature of the 1958 concession agreement after 14 years of an officially propagated economic Open Door Policy (98). Minor differences between the two concession agreements are found e.g. with respect to the duration of the exploration period (extensible periods of 3½ and 5 years respectively), the sizes of exploration and mining areas (25,000 acres and 50,000 acres resp.), and the amount of annual surface tax which in case of N.I.O.C. was fixed at 6 cents per acre for the first ten years, 10 cents per acre during the next ten years, and 20 cents per acre during the remaining years of the concession which had an over-all term of 80 years. See Annex 12

for further details of the 1958 agreement with N.I.O.C. But whereas the shortcomings of the 1945 agreement had been partly corrected in the 1953 Collateral Agreement and the 1965 Amendatory and Tax Agreement, the agreement with N.I.O.C. was never amended, with the exception of an insignificant change in 1973 when through an addendum to the concession agreement of 1958 N.I.O.C. was granted an additional 300 acres of land for the disposal of the company's tailings.

One of the major areas in which the concession agreement fails to provide any provisions concerns the matter of financial accountability. It is therefore impossible to determine whether the company's financial statements were drawn up in accordance with the spirit and letter of the concession agreement although an examination of the company's accounts in 1977 revealed various deviations from generally accepted accounting principles. The financial and fiscal consequences of these accounting practices, however, were limited and, if corrected, would not have turned N.I.O.C.'s losses (in the 1970's) into profits and would not have generated any revenue for the Government (99). Following the disappearance of L.M.C. in 1977 and the revision of the concession agreements with the two other iron ore mining companies (LAMCO J.V. and B.M.C.) in 1974, N.I.O.C. has become the sole concessionaire in Liberia with the right to exploit not only iron ore but also other (not specified) ores, metals, minerals and precious stones, and with a concession agreement for 80 years which has also become an exception (100). One wonders why the anachronism which constitutes the N.I.O.C.-concession was not eliminated and why the undesirable situation resulting from a concession agreement which was signed twenty years ago, has remained unchanged. As early as September 1970 recommendations had been made in favour of certain amendments by the Government-commissioned auditing firm of Whinnay, Murray & Company but in its May 1977 report the company had to report the same *"inequities, anomalies and ambiguities"* as it had been seven years earlier (101). With the ownership of fifty percent of N.I.O.C.'s shares the Government certainly is in a better position to modernize the agreement with N.I.O.C. than it was during the discussions with Firestone, LAMCO, and Bong Mining Company - which even so resulted in the revision of their concession agreements.

One wonders what the role of the Liberian participants in the mining company might have been. Though the owners of Liberian Enterprises Ltd. are not known, except the Christie Estate, there are indications that the list of Liberian shareholders - who together hold about 57% of the shares of this company - includes a large number of small investors but also reflects the political top of the 1950's which, apparently, was put under pressure by Tubman to invest in the Mano River mine (102). The list of N.I.O.C.'s senior officials for the 1960's shows the names of Charles D. Sherman, President, William Tolbert Jr., Treasurer,

and Richard A. Henries, Secretary, whilst George Padmore was President of N.I.O.C. and Richard Henries the company's Treasurer in 1977. It is, however, not certain that these appointments were based upon personal investments.
Theoretically, they may as well find their explanation in the Government's 50% interest in the mining company - all these persons just mentioned being high-ranking Government officials - although the concession agreement fails to mention Government representation on the Board of Directors. The company's legal interests in Liberia were once again represented by Richard Henries, whose residence served in the 1960's and 1970's as the place where the annual meetings of the Board of Directors of N.I.O.C. usually took place (103). A curtailment, or, after 20 years, elimination of N.I.O.C.'s privileges by the introduction of e.g. a corporate income tax liability, the obligation to pay royalty and to pay customs duties, and a strict definition of "net profits" would undoubtedly conflict with the personal interest of Liberian citizens-shareholders whoever they may be. What they have in common is that in the 1950's they were able to invest cash money in a new company.

THE VIABILITY OF THE MANO RIVER MINE

Management and sales agents

The future of N.I.O.C. and its Mano River Mine seems clouded in view of the quality of the ore mined, its actual management, its financial obligations, and the closing down in March 1977 of L.M.C. Much will depend on the decision the Government will take in respect of the cancellation or the re-negotiation of the Management Agreement with M.M.A.L., its ability to attract capital to finance necessary investments-developments, its relations with the Executors of the Christie Estate, and its policy with respect to the development of the Bea Mountains ore deposits. Past experiences do not justify over-optimism as to the outcome.
The Management Agreement with M.M.A.L., which came into force on September 1, 1958, had an initial term of twenty years and was to be automatically extended for another twenty years (on the same conditions) unless one of the parties, N.I.O.C. or M.M.A.L., was to give notice of termination prior to two years before the end of the first or any subsequent twenty years' period (104). Consequently, in respect of the first period of twenty years, notice of termination should have been given before September 1, 1976 - if termination was desired. The management fee paid to M.M.A.L. amounted to 4% of development expenditures before the start of ore production and thereafter 4% of the value of gross sales of N.I.O.C.'s products, an amount which was split into equal shares between M.M.A.L. and L.M.C. after the consultancy agreement of 1963 and until the termination of this agreement on January 3, 1975.
The failure of M.M.A.L. to provide proper management services was

soon demonstrated by the calling in of L.M.C.'s aid. In the 1963 - 1975 period, this company provided assistance to N.I.O.C.-M.M.A.L. in respect of operational matters. M.M.A.L. remained in charge of financial affairs and the accounting system of the company but its handling of these affairs also resulted in mismanagement. In the absence of a register of fixed assets (!) all assets purchased or constructed since the start of the project were included every year in the company's Balance Sheet, regardless of the fact that some assets had been sold or scrapped in the meantime. The result was a situation in which the latter category of assets continued to be subject to depreciation. The company did not have an effective budgetary and cost control system until 1976, neither did it have effective control over the warehouse. The practices connected with the calculation of the depreciation rates and the perpetual shortage of liquid cash are other examples of mismanagement (105).

In the 1960's the fairness of the management fee paid to M.M.A.L. had already been considered within the Treasury Department and calculations then made led to the conclusion that the fee was excessive but as a former Secretary of the Treasury, J. Milton Weeks, stated (in 1972) the time had not been ripe for any formal action. The former Secretary also was of the opinion that the rate of return on M.M.A.L.'s investments, which had ranged from 23% to 100%, had been excessive, especially as the management fee was exempt from taxes (106). (M.M.A.L. also received interest income and income from shipping agency services but as a result of the 1970 audit by Whinney, Murray & Company it paid Liberian income taxes on this income)(107).
In the 1970's management fees amounted to $ 598,000.00 (1973), $ 795,000.00 (1974), $ 770,000.00 (1975), $ 861,000.00 (1976) and $ 994,000.00 (1977) (108) resulting in a total net income for M.M.A.L. of about $ 1.6 million during these years of which L.M.C. had received about $ 210,000. A (minor) difference of opinion existed between the Government and M.M.A.L. as to the appropriateness of including despatch income in total sales revenue on which the management fee was calculated. In 1975 the management fee approximated 27 cents per ton of production (compared with 10 cents per ton received by Granges for the management of the LAMCO J.V.). In the U.S.A. in the same year two large iron ore mining companies, which had acted as managers of other iron ore mines in various parts of the world, had received management fees of about 21 cents per ton (109).

Already in 1972 a Committee had advised the Government to revise the original management agreement either by the imposition of an income tax of general application on the income of M.M.A.L., or by the reduction of the 4% rate, or by an (equal) participation by the Government and/or N.I.O.C. in the equity of M.M.A.L. (110). However, the Government hesitated to undertake appropriate action and pending a definite decision it was eventually decided to reduce the period of termination to one year only. Prior to

September 1, 1977 the Government could still not determine its position, and despite the negative advice given by the Government employed auditing firm of Whinney Murray Ernst & Ernst concerning an unchanged continuation of the relationship with M.M.A.L. (111), the Government decided to extend the existing management agreement by another year, until September 1, 1979, and to extend the notice period accordingly to August 31, 1978. This, of course, could not solve the problem with respect to N.I.O.C.'s (expensive) mismanagement but highlighted a general characteristic of the Tolbert Administration, i.e. the postponement of decisions on delicate and major issues (which only resulted in a continuation of the status quo). The relations with the Christie Estate and its financial interests in N.I.O.C. may have played an important role here (see below).

Finally in 1978 the management agreement with M.M.A.L. was amended (pending negotiations for its termination). The contract period was again extended to August 31, 1983 with a subsequent renewal for an additional five year period unless written notice of termination was given at least one year prior to the expiration date. The management fee was reduced to 3.5% of the first 25 million dollars of gross sales and 3% of the excess with a limit of one million dollar fee per contract year, effective from September 1, 1978 (112). Whether this will solve the existing problems in relation to the quality of the management services rendered is doubtful.

The excessive sales commission amounting to 3.5% of sales proceeds which had been paid to Wm.H.Muller & Company (a similar arrangement as had been made between L.M.C. and the Dutch company) had been reduced in 1972. In that year the Muller Company was replaced as N.I.O.C.'s exclusive sales agent by CAEMI International B.V. though this was caused by factors outside the Mano River Mine. The merger of Wm.H.Muller & Co. with another Dutch firm in 1972 had resulted in Mullers' making certain staff members redundant, and these then decided to form an organization of their own. Lacking the necessary capital they found a willing partner in the Brazilian company of *"Companhia Auxiliar de Empresas de Mineracao"* (CAEMI) which was looking for a sales agent to take care of the marketing of its products. Subsequently, with the know-how and experience of the former Muller employees and the capital of CAEMI International S.A. (Rio de Janeiro, Brazil) a Dutch subsidiary was formed, CAEMI International B.V. (113). N.I.O.C./M.M.A.L. preferred to continue business with the (former Muller) employees who were now working with CAEMI and with effect from August 22, 1972 CAEMI International B.V. was appointed its exclusive sales agent though the agreement was not signed until January 26, 1973.
The sales commission paid to CAEMI is less than what was paid to Muller. The commission payable to CAEMI consists of 2.5% of the net sales proceeds of the first 3.2 million long tons shipped, and 3% of the net sales proceeds of the tonnage shipped in excess

of 3.2 million long tons in any calender year. In addition to this, CAEMI is entitled to additional income of 0.5% of the proceeds of the first 3.2 million tons of ore shipped in any calender year which 0.5% additional income will lapse when it totals $ 800,000.00.
This figure is the amount which CAEMI advanced to enable N.I.O.C. to make a financial settlement with Muller as compensation for commission on quantities undelivered under sales contracts negotiated by Muller. CAEMI also receives a fee of 5 cents per long ton for checkweighing, sampling and analysis of all iron ore products shipped under the arrangement (114). The Dutch also assist M.M.A.L. by hiring staff personnel for the Mano River Mine, making travel arrangements for the company's European personnel, and making minor purchases for which services CAEMI does not receive any fee but is reimbursed at cost (115).

Loans

N.I.O.C.'s financial record shows two distinct periods. The first period is characterized by the initial investments which were necessary for the development of a new mine and additional investments needed because of the disappointing Fe-content of the ore. The second period is marked by the expansion programme which was introduced in 1968 in view of the expected disappearance of L.M.C. in the early 1970's.
The originally planned investments were financed by various loans totalling $ 10 million (6 million from the Export-Import Bank, $ 2.6 million from Lansdell Christie, and $ 1.4 million from L.M.C.) and the company's cash equity. These initial investments totalled approximately $ 30 million (the balance being financed by suppliers credits) and consisted of a railroad between the Mano River and the Bomi Hills mines, $ 10 million, plus rolling stock, $ 2 million, facilities at the port of Monrovia, $ 4 million, a power plant, a crushing plant and a washing plant at the mining site, $ 4.5 million, buildings for its employees and staff personnel, the administration, community services, and transportation facilities (roads and equipment), $ 9 million (116).
During the preparatory work for the opening of the mine in 1960, it was discovered that the average Fe-content of the Mano River ore would be much lower than the 63% which had been predicted. This necessitated extra expenditure amounting to about $ 7 million in addition to the $ 20 million investment originally envisaged (117), and a $ 7 million loan was provided by Muller & Company ("Mano I").

As a result of the borrowing, debt service was considerable in the early years of the operations of the company and interest payments alone represented over 15% of all costs during the years 1962 through 1964 and amounted to $ 4.3 million during these years. On the other hand, the Government only received in this period $ 225,000.00 from the $ 3.8 million profits made

during this three-year period. In 1965 a re-scheduling agreement with certain creditors became unavoidable and for this purpose a Memorandum of Agreement was signed on February 11 of that year. Christie, who made an (additional) loan of $ 0.7 million during the stand-by period when the first signs of financial difficulties were noted, agreed to subordinate his previous loans, amounting to nearly $ 1.9 million and with interest rates averaging less than 5%, to all other creditors (118), while his $ 0.7 million loan was included in the Rescheduled Indebtedness.

The use of Bomi Hills ore to upgrade the Mano River ore and the expected closing down of L.M.C. in the 1970's induced N.I.O.C. in 1968, to initiate a new investment programme "Mano II". To finance this expansion programme new loans were sought and subsequently over $ 5.3 million long-term credits were attracted. Among the banks that provided loans were the Bankers Trust Company and the Export-Import Bank (both from the U.S.A.). The obtaining of these loans had been facilitated by the Christie Estate which had agreed to accept a further postponement of the amortization of its $ 1.9 million loan to N.I.O.C., already subordinated in 1965 (119). However, in 1974 N.I.O.C. failed, both the amortization of the newly attracted loans and the liquidation of the Rescheduled Indebtedness of 1965, re-structured its long-term debt again in 1974 but was once more unable to meet the instalments on its long-term debt in December 1976. Though the company managed to make some repayments in 1977 the financial future looked extremely discouraging at the end of the year. The company explained the recent financial difficulties by referring to the harsh conditions of the 1974 Rescheduling Arrangement and the delay in reaching full production under the Mano II project, which in its turn had been caused by a badly designed new plant for beneficiating the ore and by the 1976 rainy season (which indeed had been very bad) which had affected production and shipments of ore (120).

The Mano II expansion programme had aimed at a production of 5 million tons of fines per year. As can be seen from Annex 13 (see also Table 11) the actual production was much lower and averaged in the years 1974 through 1977 only 2.2 million (long) tons of fines (apart from the production of a modest quantity of siliceous fines and of blast furnace). One of the main causes of this low production was the plant. This had been designed and constructed by a foreign company and could not cope with the required tonnage. In February 1977 legal action was started against this company, the Randolph M. Parsons Company, and its subsidiary, Parson-Jurden Company, for damages arising from the defective design of the beneficiation plant, and N.I.O.C. claimed an amount of $ 50 million (121). On December 31, 1977 N.I.O.C.'s long term liabilities totalled $ 8.4 million whereas its current liabilities as of the same date amounted to $ 7.9 million. As can be seen from Table 10, N.I.O.C. owed the Christie Estate about $ 5.9 million. L.M.C. $ 2.2 million and U.S. banks $ 6.0 million at the end of 1977.

TABLE 10

FINANCIAL OBLIGATIONS OF N.I.O.C. AS OF DECEMBER 31, 1977

(in U.S. dollars)

Current Liabilities:	
- Short term notes payable (to M.M.A.L.)	$ 550,000.
- Accounts payable (suppliers credit)	2,864,192.
- Payable to L.M.C. (mainly due under the Railroad Trackage Agreement[1])	1,235,189.
- Accrued payroll and annual leave	276,947.
- Accrued interest	18,876.
- M.M.A.L. (management fee mainly	2,938,414.
	$ 7,883,618.
Long-Term Liabilities:	
- Bankers Trust Company (several loans)	$ 2,696,133.
- Citibank (Liberia)	399,894.
- Citibank (New York)	175,781.
- Export-Import Bank (two loans)	2,175,074.
- Cabila S.A.	515,827.
- Cabila S.A. and L.K. Christie Trust	1,894,473.
- M.M.A.L.	526,000.
	$ 8,383,182.

Note:

(1) N.I.O.C. paid to L.M.C. for the right to transport ore from the Mano River Mine over the railroad between Bomi Hills and Monrovia's Free Port a fee of 10 cents per gross ton of ore according to the Railroad Trackage Agreement based on the ore's natural weight but in practice based on its dry weight reducing the effective rate per natural ton to around 9 cents.

Source:

- National Iron Ore Company, Ltd., Financial Statements, Year ended December 31, 1977

The financial obligations to the Christie Estate, their interest in N.I.O.C., and this mining company's general financial situation may have had an impact on the Government's decision in respect of the continuation of the management contract with M.M.A.L., which has previously been discussed. In 1977-1978 the Mano River mine was on the brink of bankruptcy and among its creditors were M.M.A.L. and the Christie Estate to whom the Mano River mine owed $ 4.0 million and $ 1.9 million respectively as of December 31, 1977. A cancellation of the management contract by the Government would have made the debts, at least with respect to M.M.A.L., immediately claimable and as the company had already failed to meet the instalment on a major long-term debt due on December 20, 1976 this might have acted as the final straw which broke the camel's back. In 1976 relations with the Christie Estate had reached a very delicate stage indeed with the death of Christie's main partner and Executor of his Estate, Vernon Lynn. Apparently, the Christie Family was willing to terminate its involvement in Liberia (122), especially after the financial losses of N.I.O.C. in the 1970's which the company had only overcome with the help of its accumulated earnings and the unexpected sales of a product (siliceous fines) which had always been considered as a waste product. The prospect of participation in the development of the Bea Mountain ore deposits, secured through N.I.O.C., may well have been the main motive of the Christie Estate in not giving up the investment.

In 1978, N.I.O.C. again failed to meet the instalments on its long-term debt (of which $ 4.9 million had been due in that year) and the company suspended debt-servicing. In addition a short-term loan of $ 500,000.00 was in arrears as of December 31, 1978. In fact practically all of the December 31, 1978 liabilities were current at that date, a total of about $ 15.1 million and the company was faced with bankruptcy. N.I.O.C.'s assets showed a total value of $ 33.1 million as of December 31, 1978 (December 31, 1977; $ 34.4 million) but without a register of fixed assets and the already mentioned practices with respect to the depreciation of certain fixed assets the reported value of $ 22.3 million (1977; $ 24.3 million) for the company's fixed assets has become so inaccurate that it renders the reported total value of N.I.O.C.'s assets extremely unreliable (123).

From a commercial point of view the prospects of the Mano River mine do not warrant such a catastrophic situation. The Mano ore, despite having a high moisture content and being of relatively low Fe-grade, has fairly good market opportunities. Its special characteristic, e.g. its relatively high aluminium content makes it a desirable product for certain steel works in Europe. In addition, the favourable location of the mine, as compared to Australian or Indian ore with similar characteristics, places the Liberian mine in a favourable (competitive) position (124). Proof of this is the sales contracts which the company's new sales agent, CAEMI International B.V., has managed to conclude on behalf of N.I.O.C. since August 1972. These remarkable

achievements were made in spite of the slump in the iron ore market in 1975. Due to the technical difficulties mentioned above the Mano River mine failed to meet the production commitments under the long term sales contracts (see Table 11). As a result of this failure the prospective buyers found elsewhere supplies of ore and whereas contracts for the sale of Mano River iron ore deliverable in 1978 and following years approximated 25.7 million tons as of the end of 1977, a year later (December 31, 1978) this had been reduced to a contractual quantity, deliverable in 1979 and following years, of approximately 18 million tons. With sales of only 2.4 million tons in 1978 (125) potential sales of over 5 million tons were lost within one year.

TABLE 11

N.I.O.C.'s PRODUCTION COMMITMENTS AND ACTUAL OUTPUT 1973-1977

(in tons)

Contracted

Year	Annual Quota	Actually Delivered
1973	3.5 m	2.2 m
1974	3.5 m	2.1 m
1975	4.0 m	2.2 m
1976	4.2 m	2.2 m
1977	4.1 m	2.3 m

Source:

- Whinney, Murray, Ernst & Ernst, Audits of Accounts of Major Concessionaires 1973 - 1975, National Iron Ore Company, Ltd. (N.I.O.C.)
- CAEMI International B.V.

CHAPTER 8 IRON ORE:
THE LIBERIAN AMERICAN-SWEDISH MINERALS COMPANY
THE DEUTSCH-LIBERIAN MINING COMPANY
THE LIBERIAN IRON AND STEEL COMPANY

THE LAMCO JOINT VENTURE: Historical Background

The 1953 concession agreement with Lee Edgar Detwiler

A U.S. sponsored programme of airborne photogrammetric and magnetometer surveys which had been carried out in 1952 and 1953, covering approximately 87 per cent of the land area, had revealed substantial iron ore deposits in the Putu Range, about 70 miles from the coast in the eastern part of Liberia (1).
On September 9, 1953 the Secretary of the Treasury, William E. Dennis, (on behalf of the Liberian Government) and Lee Edgar Detwiler, President of the "United African American Corporation" (U.A.A.C.), a U.S. corporation, signed a mining concession agreement. This act marked the official start of the largest iron ore mining venture in Africa though nobody could have imagined that at that time. The agreement, which was approved by the National Legislature on November 18 of the same year, granted a 70-year concession during which period the concessionaire would have the right to explore, mine, process, manufacture and undertake other activities necessary to develop minerals (such as iron ore, manganese, bauxite, and including oil and by products) in an area in the country not clearly defined but which was not to exceed 500 square miles (nearly 320,000 acres).
The inclusion of iron ore deposits of the Putu Range and two manganese deposits near the border with the then French colony of Ivory Coast were specifically mentioned.
In consideration of granting the concession and making available its knowledge of mineral deposits in the country, Detwiler gave the Government a 50% interest in the mining company (the "Liberian American Development Company"), which was to be formed. This 50% interest would entitle it to 50% of the company's annual net earnings, as defined by the agreement. This profit-sharing arrangement exempted the concessionaire of any and all taxes or other charges - existing and future - with the exception of royalty and rental payments. The assigned company, the "Liberian American Development Company" (L.A.D.C.), would pay a royalty of 1% of the value of the exported minerals (alongside port of shipment). This payment would cease as soon as profit-sharing by the Government were to have started. It was further agreed that a rental of 6 cents per acre per year would be paid for all public lands that would be used (except when used for the construction and operation of railroads, roads, ports and airports). It is worthy of note that not a single provision had been included with respect to the use of privately owned lands or the protection of the environment of the people living in the "Hinterland" (2).

After the change of the name from the "United African American Corporation" to "International African American Corporation", on February 17, 1954, the concession agreement was amended and supplemented by agreement on March 31, 1955, reflecting the change of name already mentioned as well as the change of the name of the assigned company, L.A.D.C., to "Liberian American-Swedish Minerals Company"(LAMCO), which resulted from an agreement reached between Detwiler and a group of Swedish investors. The Legislature approved these changes almost one year later, on March 21, 1956. The original 1953 agreement was a second time amended and supplemented by an agreement between the Government and LAMCO on November 12, 1958 (which was approved by the Legislature on December 18, of the same year). The major change in the 1958 amendment was a more specific description of the concession area, explicitly including, among others, the recently discovered iron ore deposits of the Nimba Mountains and the Bassa Hills.

The following detailed history outlines the realisation of the largest single investment ever made in Liberia. It is presented here with the purpose of eliminating, once and for all, the image of a Government, Liberian, which allegedly lacked awareness and knowledge of certain facts within the world of international finance and technology which provided the needed capital. Despite this, the Government complained later that certain features of the arrangement were detrimental to the interest of the Liberian State and its people (3). Simultaneously, one gets the idea of the tremendous task which had to be performed before the mining venture became a reality.

The search for investment capital

The original concessionaire Lee Detwiler was one of those enigmatic prospective investors who, despite lacking sufficient capital, roamed the African continent in the 1950's and 1960's and managed to conclude important deals with Governments of newly independent States. Little is known of their legal or sometimes illegal activities and at times even less of their financial background. Generally, they conformed to the type of energetic international businessman, the fast talker, with limited time available as they are always en route to the next appointment. At times they were bluffing but some of them were endowed with a highly developed business-acumen. In the 1960's Detwiler, reputedly representing U.S. bankers and businessmen, concluded a $ 2 billion deal with the Government of Congo (Kinshasa) for the supply of technical personnel. (4) In the case of Liberia, given the country's Open Door Policy, in combination with a political structure which facilitated business activities once one had become friends with the nation's leader, numerous investors arrived to do business but few were successful. Prior to the signing of the original concession agreement Detwiler had already established cooperation with the British firm of

Elsbridge Trust Ltd. In November 1953 the Stockholms Enskilda Bank was contacted with a view to a possible Swedish participation. It is not known whether Detwiler already foresaw that Elsbridge Trust Ltd. would not be able to involve itself in the project which at that time was not expected to be a successful venture.
In June 1954, the Scottish geologist, A.W. Clarke, was sent by the British company of Elsbridge Trust Ltd. to commence exploration of the Putu Range, but in the course of the year doubts arose as to whether the Putu Range ore deposits would ever warrant commercial exploitation. The (exploration) activities slowed down and Detwiler almost lost the concession (5).
In the beginning of 1955 Elsbridge Trust Ltd. withdrew from the project and subsequently the I.A.A.C. (6), on February 5, 1955, signed an agreement with a group of six Swedish companies which joined the Project as a partner to the I.A.A.C. This Swedish Syndicate acquired 50% of the "B" shares in LAMCO from I.A.A.C. - the "A" shares being owned by the Liberian Government - in return for cash considerations and a commitment to make certain advances to the Project to cover one half of the exploration costs. It was also agreed that the management of LAMCO was to be vested in the Syndicate, which was named the Swedish Putu Syndicate. The Swedish Syndicate consisted of six companies which provided a wide range of technical, managerial and financial experience. They had been brought together by the Stockholms Enskilda Bank (S.E.B.) which institution later proved instrumental in the realization of the mining venture. The Bank was (then) headed by Marcus Wallenberg who was the co-owner of the Wallenberg Group of Companies, part of which formed Grangesbergbolaget, an iron ore mining and transportation company, and in those days the world's largest iron ore exporter. Grangesbergbolaget participated in the Syndicate and eventually became its most important member. The other five members (in 1955) were Atlas Copco AB (engineering business), AB Nordströms Linbanor (manufacturer of mechanical handling equipment), Skanska Cement AB (Sweden's largest manufacturer of cement, also engaged in construction activities), AB Ifö verken (manufacturer of building materials) and Svenska Entreprenal AB Sentab (a civil engineering and contracting firm) (7).

The discovery of the Mount Nimba iron ore deposits

Later that year (1955) I.A.A.C. appeared no longer able to bear its share of the exploration costs and had to borrow from the Syndicate in order to finance a continuation of the activities in the Putu Range. In October a start was made on the exploration of the Nimba Mountains and on the eve of Christmas 1955 the Scottish geologist Clarke made his historic discovery at Mount Nimba which was to change fundamentally the outcome of the venture (8).
Immediately it was decided to suspend work in the Putu Range and

to concentrate on the new find. By the end of 1956 total exploration expenses already exceeded the $ 1 million mark ($ 400,000.00 had been spent in connection with the Putu Range). A year later exploration expenses amounted to $ 4 million, which amount includes the costs of exploration of the Bassa Hills which had started at the beginning of 1957.
Meanwhile the Syndicate was looking anxiously for co-financers of the project which became increasingly ambitious. Test borings and (surface and underground) excavations of the Main Ore body in the Nimba Mountains had by early 1958 indicated a quantity of 200,000,000 tons of ore with a Fe-content of 66 per cent and of direct shipping quality as proven ore reserves. In an adjacent ridge an additional 35,000,000 tons of proven ore reserves had been located. A major advantage was the location of the ore reserves which were at the surface in a relatively concentrated area of the Nimba Mountains, making mining by open pit methods possible. However its location in the far interior of Liberia, combined with the absence of roads and railroads in the country, necessitated the construction of a 165 miles long railroad to the coast where the ore would be shipped to overseas markets. Moreover, at that time there was no harbour on this part of the coast and therefore a port had to be constructed by the mining enterprise.

In the first half of 1958 the giant of the U.S. Steel Industry, the Bethlehem Steel Corporation, was approached to discuss a possible participation in the Project and investigations were also made as to the possibility of interest in West Germany for buying iron ore from LAMCO. On June 26, 1958 a new agreement, superseding all previous agreements was entered into between I.A.A.C. and the Swedish Nimba Syndicate, the new name for the same group of six Swedish companies. I.A.A.C.'s inability to keep pace with the growing need for capital to finance the project was reflected by the change in LAMCO's ownership structure. The previous 50 - 50 position between I.A.A.C. and the Swedish Syndicate in respect of the ownership of LAMCO's "B" shares changed into a 40 - 60 position in favour of the Syndicate, and the mining company's name was altered to "Liberian American-Swedish Minerals Company" (LAMCO). All the "B" shares were transferred to a newly created company, registered in Canada, the Liberian Iron Ore Ltd. (L.I.O.). The reason for this preference for Canada was based mainly on the assumption that insurance companies (which then were expected to provide the bulk of the money needed to finance the project) might insist on or prefer a United States or Canadian corporation as borrower of their funds (9). Legal registration of both L.I.O. and the Swedish Syndicate (under Canadian and Swedish laws respectively) subsequently took place in September 1958.

The next step towards realization of the (investment) plans was made in October 1958 when a Letter Agreement was signed with Bethlehem Steel. An attempt to secure funds from the Export-Import Bank, however, failed in March 1959. By the end of 1958

accumulated exploration costs had already exceeded $ 10.5 million. They had been mainly financed by the Swedish Syndicate, in particular by its major member, Grangesbergbolaget, which until 1957 had participated with the Swedish Government in the exploitation of iron ore deposits in Sweden but which had been forced to give up its interest in the joint venture in favour of the Swedish Government which had paid substantial compensation for it. This considerable amount in fact allowed Grangesberg to pre-finance the initial investments for starting up the mine (10).

In April 1959 a new Letter Agreement was signed between LAMCO and the Bethlehem Steel Corporation regulating Bethlehem Steel's participation in the mining project. This agreement was presented to the Government together with a Joint Venture Agreement (stating the relations between LAMCO and Bethlehem Steel in respect of the joint exploitation of the Nimba Mountains ore deposits in addition to other affairs), a Tax Convention (to rule Bethlehem's tax liability in Liberia), a Management Agreement (providing for the management of the Venture by Grangesberg), and a revised Mining Concession Agreement. During the preceeding years the Government had been kept well informed about the status of the Project and the results of the negotiations. Among those who had been involved in the discussion of significant proposals and documents were President Tubman, Secretary of the Treasury Charles D. Sherman, Attorney-General Garber, Director-General of the National Planning Agency J.Milton Weeks, Director of the Bureau of Natural Resources and Surveys A. Momolu Massaquoi, and Speaker of the House of Representatives Richard A. Henries - the latter mainly as LAMCO's Counsel in Liberia (11). They were thus well aware of the intentions of the investors in respect of the financing of the mining venture.

On May 7, 1959 President Tubman approved in principle the submitted documents by authorizing the signing of a letter which, in fact, had been drafted by LAMCO's (and LIO's) General Counsel in the U.S.A., the firm of Sullivan & Cromwell (12). In early July of the same year Bethlehem Steel withdrew from the joint financing of the Project and announced its decision to finance its share in the investments (according to the Joint Venture Agreement 25% of the total costs) entirely from its own funds, leaving its Swedish partners to find the balance of the money needed to finance their 75%. The project had again been revised in April of that year, and total costs of investments were now estimated at about $ 200,000,000, which was and still is an astronomical amount in Liberia. In 1958 Government's revenues had totalled some $ 18 million. (Only at the end of the 1970's yearly domestic revenues were to reach the $ 200 million mark). The investment would make possible a yearly production of six million tons of ore, or more than double L.M.C.'s yearly output. The long term ore contract with German buyers, which had been negotiated over a number of years, finally materialized in November 1959 and an agreement was signed with a group of thirteen German Steel mills. If the Liberian Government had ever thought that the vast and rich ore reserves of the country could lead to the (subsequent) construction of steel mills, or only

one steel factory, in the country, then this hope was definitely shattered with this long term contract since a major share of LAMCO's future output was thus committed for export whereas Bethlehem Steel Corporation was already entitled to 25% of the Joint Venture's total yearly output under the Joint Venture Agreement with LAMCO. With the cooperation of these German ore buyers the German financial (lending) institution, Kreditanstalt für Wiederaufbau became a likely source of a $ 50,000,000 loan to LAMCO (13).

After having already invested so much in the Project (about $ 18,000,000.00 by the end of 1959) the Swedish became anxious to complete the financing and to start the first construction activities with respect to the Project. The Export-Import Bank was again contacted, this time for a loan of $ 36,250,000.00. When a final decision on this loan application was delayed and after the First National City Bank of New York had made known its willingness to supply $ 6,250,000.00 of this loan (December 1959) it was decided not to wait any longer but to raise more funds from the general public than had been originally planned. The Joint Venture and Management Agreements, the Mining Concession Agreement and the Bethlehem Tax Agreement were once more revised and again approved by the Government on May 7, 1960, and by the National Legislature four days later. Among other things it was then decided that Stockholms Enskilda Bank would receive from LAMCO $ 750,000.00 (over five years commencing July 1, 1960) for its services in respect to the entire financing of the project. Nearly all of the activities referred to had been carried out by S.E.B.-officials. Notably Marcus Wallenberg, the President of the Bank, Erik "Lionhead" Leijonhufvud, the Bank's Assistant Vice-President, and - at a later stage - Jan Ekman, also an Assistant Vice-President of the Bank, had been the chief negotiators with the Liberian Government and with the other investors (Bethlehem Steel, the banks) as well as with the ore buyers, besides their activities in respect to the obtaining of the consent of the Swedish exchange authorities for both the size and the form of the investment (14).
In early July 1960 the Kreditanstalt für Wiederaufbau officially agreed to provide LAMCO with a $ 50 million loan. The public sale of shares to secure the balance of the funds needed was due a few days later, on July 7, but the development of events in the Congo following the independence on July 1, combined with the nationalization of U.S. investments in Cuba resulted in a last-minute cancellation of this method of attracting public funds. The Export-Import Bank was again approached and it decided just in time, in December 1960 to supply the balance of the funds needed to finance the Project.

Finally the financing of one of the largest undertakings by private investors in Africa at this time had been completed. In fact, it had been a "narrow escape" as Bethlehem Steel could have withdrawn from the project if the financing had not been

completed by the end of 1960 (15). The consequences of financing this mining venture by nearly 90% borrowed funds in combination with the extraordinary provisions of the 1960 Mining Concession Agreement, were to reduce considerably the benefit of this mining enterprise for Liberia but it should not be forgotten that representatives of the Liberian Government had at all times been fully informed about the details of the arrangement. Some of them had even provided legal advice to LAMCO, such as the Speaker of the House of Representatives Richard Henries (comparable to William Tubman advising Firestone in 1925), or were affiliated to the Swedish investors in another manner, such as the Director of the National Planning Agency and later the Secretary of the Treasury Milton Weeks who became a Director and the Vice-President of the L.I.O., the private partner of the Liberian Government in LAMCO (16). These relationships, to say the least, represented potential conflicts of interest.

In order to evaluate LAMCO's performance and to judge the Liberian criticism of later years it seems appropriate to have a look first of all at the major agreements, notably the 1960 Mining Concession Agreement and the Bethlehem Tax Convention. As the existing literature on LAMCO amply deals with these documents (17) the main provisions of these agreements will only be summarized below, further details of the concession agreement being presented in Annex 14.

The Mining Concession Agreement

The concession agreement (18) granted exclusive rights in respect of iron ore, iron bearing material, manganese, bauxite, columbite, mica, oil and natural gas within specified areas and gave the Liberian American-Swedish Minerals Company (composed of the Government of Liberia and the L.I.O. Ltd. in equal shares) a 75% undivided interest and the Bethlehem Steel Corporation a 25% undivided interest in the Concession. The concession area consisted of six regions which were known to contain iron ore deposits: three in the Nimba Mountains, two in the Bassa Hills and one in the Putu Range. In addition there was granted an area at Lower Buchanan (in Grand Bassa County) for a port with related installations, an area for the construction of a railroad running from the projected port to the mining site in the Nimba Mountains, two areas for the supply of materials needed in respect of construction activities and an "Exploration Area" to be selected within a distance of 25 miles on each side of the railroad line before November 18 1960 from a described area which would become part of the concession area once certain prescribed formalities had been met. The aggregate total of these areas was not to exceed 500 square miles (nearly 320,000 acres). Further details and additional rights and obligations are presented in Annex 14. An attempt to also include the Bong Range in the concession area failed (also see DELIMCO/B.M.C.).

The Liberian Government owns 50% of the shares in LAMCO (1,000,000 shares of Class A Stock of the par value of $ 1.00 each) for which no cash payment was made. Although the 1960 concession agreement does not give an explanation this was supposedly agreed upon in consideration of the Government's ownership of the soil and the granting of the concession. This 50% interest entitles the Government to name five members of LAMCO's Board of Directors, the other six being appointed by the owner of the other 50% of the company's shares (1,000,000 shares of Class B Stock of the par value of $ 1.00 each), the Liberian Iron Ore Ltd.
The discrimination in rights with respect to the appointment of the Company's Directors was to be the only legal difference in the rights of the owners of Class A Shares and of Class B Shares. Each of the shareholders is entitled to 50% of the annual net profits of LAMCO and the Government agreed to forfeit all and any existing or future taxes, fees, or charges which the Company, its managers, money-lenders or contractors, would normally be liable to pay (including customs duties, royalties, corporate income taxes, withholding taxes, etc.), in consideration of this profit-sharing arrangement (19).

Section 11 of the 1960 Concession Agreement deals with the calculation of LAMCO's annual net profits and obliges the Company consistently to apply the depreciation methods chosen. But the most important part of this Section allows for the following deductions from the Company's annual gross business income in order to arrive at its net income, which is available for distribution to the shareholders:

I cost of production of ore sold (including an allowance for depreciation of facilities);
II all operating and management expenses;
III previous losses incurred ("loss carry forward privilege");
IV charges for reserve funds for capital expenditures, for working capital, for maintenance, for depreciation and amortization of indebtness incurred prior to production;
V annual interest charges and sinking funds payments on any borrowed capital and any other repayments of the principal amounts of the loans (provided the loans' terms are reasonable and without duplicating one of the foregoing items);
VI any specific losses sustained; and
VII donations or contributions made by the Company to the Republic of Liberia or to any charity, religious, or educational organization and approved by the Secretary of the Treasury.

It was further agreed that generally accepted accounting principles would be employed in determining the Company's annual

net profits (20). Whilst agreeing with this section, especially with the deductions stated under V above, the Liberian Government accepted the financial burden which the private investors had consciously attracted and, which, notably in the absence of a maximum debt-equity ratio in the concession agreement, was going to be shouldered 50% by the Treasury. The consequences for the Treasury of financing over $ 200,000,000.00 of investments with only $ 21,000,000.00 equity capital will against this background be obvious. (See also the commentary given in the section on LAMCO's debt-equity ratio).
LAMCO agreed with the Government to sell its output at prices which will be consistent with market prices and conditions at the time of the sale or of the contract to sell and in accordance with good business practices. Sales to LAMCO's partner in the Joint Venture, the Bethlehem Steel Corporation, were to be excepted from this arrangement and would be ruled by the conditions provided in the Joint Venture Agreement.

The 1960 Concession Agreement did not provide for a revision of the agreement and will expire on November 18, 2023. In case of any dispute followed by arbitration the decision of the two or three (as the case may require) arbitrators would be final and obligatory to all parties (who renounced all appeal by this Agreement) (21).

The dispute over the Kitoma Range

The Mining Concession Agreement concluded with LAMCO in 1960 does not only have economic significance, as it resulted in the largest iron ore mining operation in Africa and one of the largest in the world, but also has political implications. In a period in which the Tubman Administration announced important decisions, i.e. fundamental changes of practices of the past, as in 1962 the abolishment of the recruitment policy with respect to labour for the foreign-owned plantations and the administrative reform granting more civil rights to the tribal population of the Hinterland in 1964/1965, there was a collusion between foreign investors and Liberian citizens, a confrontation which was won by the foreign investors who could show a legal(ized) document which superseded the rights of the Liberian citizen who was contesting the validity of the foreign investors' claim.

The case relates to a dispute between LAMCO and the Liberian Dr. Joseph N. Togba over the rights in and to the Kitoma Range, an area situated approximately 25 miles south-west of the Nimba Mountains. Dr. Togba, a Kru originating from Sasstown, one of the first and few Liberian medical doctors who from 1943 till 1953 headed the National Public Health Service (until 1953 called Public Health and Sanitation), had acquired in October

1952, legal ownership of about 2,000 acres in the Sanniquellie District of the Central Province (now Nimba County), and in particular in the region which is called the Kitoma Range. Two years later he founded the Kitoma Mining and Trading Company.

Sections 2(k) and 3(a) of the concession agreement which had been signed with LAMCO on April 28, 1960 and which had been approved by the National Legislature on May 28, of the same year, stipulated that the concessionaire would select an additional area (the "Exploration Area") before November 18, 1960, which was to be included in the concession area. On November 16, 1960 LAMCO had filed with the Bureau of Natural Resources and Surveys the geographical description of the selected area - comprising 17,977 acres - together with a related map, all in accordance with section 3(a) of the Mining Concession Agreement. The area which had been selected included the Kitoma Range. With regard to Togba's legal rights respecting his property in the Kitoma Range, Section 6 of the 1960 Mining Concession Agreement provided that

> *"In the event that the Concessionaires would wish to make use of any private property included within the Concession Areas, they may endeavour to come to an agreement with the owner of the land or may request the Government to condemn the property involved. When so requested, the Government agrees promptly to condemn the property involved and to include it in the public lands covered by this Concession Agreement and the Concessionaires agree to reimburse the Government for the fair value of the property as determined and paid in the compensation proceeding following condemnation"* (22).

The Liberian Constitution prevents foreigners from owning real estate (23) and through this construction (Section 6 of the Mining Concession Agreement) the Government would expropriate private lands needed by the foreign investors and subsequently allow the latter to use these public lands, including the mining of minerals etc. lying beneath its surface. LAMCO's legal right to make use of any private land lying within its Concession Area was the subject of a discussion between President Tubman and several government officials (among whom were Cabinet ministers) during the same month (November 1960), and apparently it was the Government's view that the Company could not claim all the mining area in the country and preclude other entrepeneurs fr developing them. One of the results of this conclusion was tl LAMCO had to give back to the Government the Putu Range, included in its Concession Areas. Another consequence was that the Director of the Bureau of Natural Resources and Surveys, A. Momolu Massaquoi, never approved LAMCO's filing for the Kitoma Range. On April 25, 1963 Togba and Massaquoi had signed a Preliminary Agreement whereby the Director of the Bureau of Natural Resources and Surveys approved the granting of the right to explore and exploit the Kitoma Range to the Kitoma Mining and Trading Company. This was followed by the granting of a

concession agreement, on September 16, 1964 which granted Togba's company the exclusive exploration and mining rights with respect to all kinds of ores, metals, minerals, including gold, diamonds, coals, oil and natural gasses in an area of 500 square miles (320,000 acres), including the Kitoma Range, and for a period of 80 years (24). (Also in Liberia ownership of real property is limited to the surface of the land and according to law, all mineral deposits in the Republic area owned by the State (25). Therefore, though it concerned Togba's own land, he still needed a concession agreement with the Government). According to Massaquoi he had been instructed in both cases (both the Preliminary Agreement and the Final Concession Agreement with Togba) by the President to do so (26) although this had been in obvious violation of Section 4 of the Concession Agreement with LAMCO which granted the concessionaires the exclusive exploration and mining rights in the Concession Area, and also included an explicit commitment from the Government that for the entire duration of the concession (until November 18, 2023) it would not grant to anyone apart from the Concessionaires any concession for the same purposes in this concession area (27).
Contention over the issue - both between the Concessionaires and Togba and between the Concessionaires and the Bureau of Natural Resources and Surveys - had already arisen within a year after the Concessionaires' filing. When the Director of the Bureau of Natural Resources and Surveys refused to acknowledge the filing the Company's money-lenders, the banks - for which the concession rights served as security - had threatened to consider this (refusal) as a violation of the Agreement by the Government. This might result in unwillingness to grant the Company loans which - in its turn - would impair (at that stage) the Project (28). After the Government and Togba had signed the agreement granting Togba exploration and mining rights relative to the Kitoma Range. LAMCO's Counsel, the Speaker of the House of Representatives Richard Henries, contacted President Tubman. Subsequently Tubman directed Massaquoi to solve the problem *"using the Concession Agreement between Government and LAMCO as your guide" (29).*

In 1963 LAMCO had started exploratory work in the Kitoma Range despite the fact that the area was still Togba's, his property not being ex-propriated as LAMCO had failed to request the Government to condemn the property in accordance with Section 6 of its concession agreement. This incited Togba to file several claims against the Company. The question was only solved in 1965. On June 4, 1965 the Attorney-General of Liberia, James A.A. Pierre, declared the concession agreement with Togba a voidable and unenforcable document and with respect to private lands lying within the concession area he said

> *"Also in keeping with the terms of the Concession Agreement (Section 6), the Concessionaires request for condemnation of private property could have only one result, and that is the granting of the request by Government"* (30).

This second part of the conclusion of the country's Attorney General has general importance as the language used in this Section 6 of the 1960 Agreement with LAMCO did not differ fundamentally from that used in concession agreements with other foreign investors. In practice it meant that private owners of land, once their lands had been included in a concession area granted to a foreign investor lost title to these lands and could only claim indemnification, whereas the foreign investor could claim these lands without even having the obligation to actually develop the area (as happened with the case in question: LAMCO never used the Kitoma Range area).

The Attorney-General's opinion in respect of foreign investors with a legal document entitling them to a certain area having priority over the (legal) rights of Liberian citizens to the same area seems to be contradictory to two aspects of the Constitution of the Republic. First, Article 1, Section 1 of the Constitution reads that the right to own real property in the Republic of Liberia is inherent in each and every citizen. The major question which emerges here is: is there in existence any limitation to this right? Comparison with the Constitutional rights of freedom of expression or of assembly shows that a limitation of these rights follows from the State's obligation to protect the rights of others. Likewise it can be reasoned in respect of the right to own real property. But in the case of the rights to the Kitoma Range one cannot uphold the idea that the decision to limit the right to own real estate, exercised by Togba in respect of the Kitoma Range, was justified by the need to protect LAMCO's rights in this respect. The Company was entitled already to the Nimba Mountains ore deposits, among others, and experience had shown how difficult it had been for the Company to find funds for the development of the Nimba ore deposits only. Thus it could be expected that development of the Kitoma Range by LAMCO was not going to take place in the foreseeable future. Furthermore, according to the Constitution of the Republic the rights of citizens of the Republic are inalienable as is the right to the possession of property. (31).
Secondly, Article V Section 12 and 13 respectively of the Constitution read that only Liberian citizens can own real property and that *"none but Negroes or persons of Negro descent shall be eligible to citizenship in this Republic" (32).*
By subordinating the Constitutional rights of Liberian citizens to the - constitutionally - discriminated position of Caucasian and other non-black foreigners the spirit of the Constitution in this respect is violated, whatever one's opinion may be on this characteristic of the Liberian Constitution.
Of course, the main issue was that the rights granted to LAMCO had been too broad and too many. As a result of these, and because LAMCO had obtained its concession and the accompanying rights prior to the date Togba had concluded an agreement with the Government, LAMCO's rights prevailed. On August 11, 1965 President Tubman confirmed the Opinion of the Attorney General as the decision of the Government. Togba was granted compensation for his property in the Kitoma Range which was expropriated -

to enable LAMCO to exercise its rights in the area - and he was refunded by LAMCO all expenditures made with respect to the exploration of the area. Furthermore, the Government granted Togba the right to explore Mount Wutivi in the Wologisi Range in Lofa County or elsewhere for iron ore deposits and promised to cede him such area for the duration of any Concession Agreement that might be concluded between the Kitoma Mining and Trading Company and Government (33).

THE ORGANIZATIONAL STRUCTURE AND THE OWNERSHIP OF THE LAMCO J.V.

The Lamco Joint Venture is a venture in which LAMCO owns a 75% interest, and the Bethlehem Steel Corporation a 25% interest. Since November 1, 1967 Bethlehem Steel's interest in the Joint Venture has been owned by the Liberian Bethlehem Iron Mines Company ("Libeth"), a 100% subsidiary of the Bethlehem Steel Corporation. The Joint Venture's legal base is formed by the LAMCO Joint Venture Agreement which was signed on April 28, 1960, and later amended in 1974. Bethlehem Steel Corporation, one of the five largest mining companies in the world, signed (also on April 28, 1960) a Tax Agreement with the Government of Liberia which governs its fiscal obligations in respect of the West African Republic (see below for more details). As stated before, LAMCO (a company which is organized under Liberian Laws) is 50% owned by the Liberian Government and 50% owned by the Canadian-registered holding company Liberian Iron Ore Ltd. which in its turn is owned by the I.A.A.C. and the Swedish Lamco Syndicate. The Syndicate is the predominant shareholder in L.I.O. with Grangesberg owning a controlling interest of 53.6% of the Syndicate's 74.8% interest in L.I.O. As of December 1977 three other Swedish companies held the remaining portion of the Syndicate's share in L.I.O. (see Chart 2). I.A.A.C. holds the remaining 25.2% of L.I.O.'s shares. The names of these private shareholders are U.S. citizens , followed by Canadians. Over 2,700 Liberians also participate in L.I.O. but their number is disproportionate to their financial interest which apparently does not exceed 4% of I.A.A.C.'s share in L.I.O. (34).
The S.E.B. was made the Exclusive Advisor of both LAMCO and L.I.O. but the Bank also provides services such as the general financial administration and other administrative services of the companies (35). The Bank's relationship with Grangesberg was mentioned before.

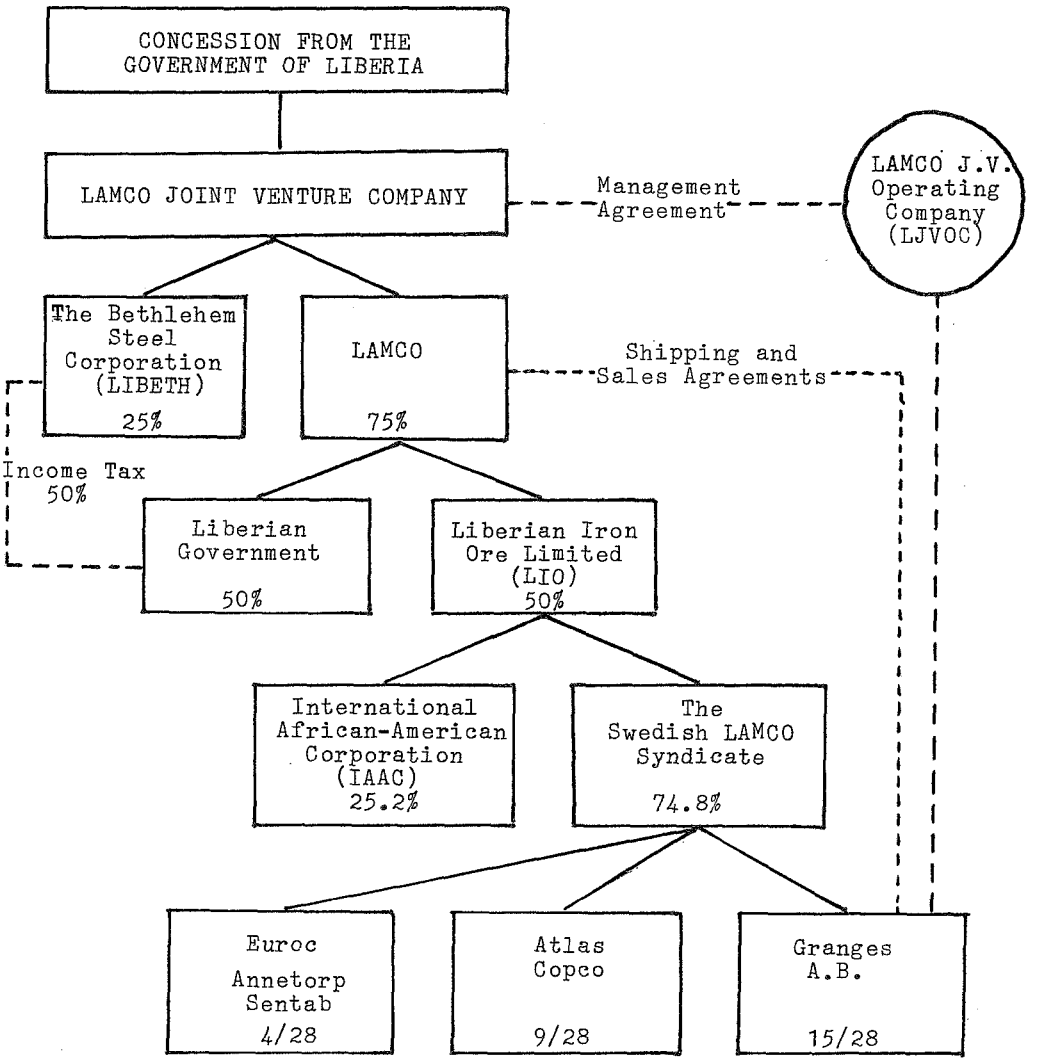
The actual producer of the ore in the Nimba Mountains is the LAMCO Joint Venture Operating Company, as a result of yet another agreement signed on April 28, 1960 by LAMCO and the Bethlehem Steel Corporation, ("the LAMCO Joint Venture") and the Swedish LAMCO Syndicate. The Syndicate accepted the management for the Joint Venture's operations but delegated it to its main participant, Grangesberg, which in its turn assigned the management to the Granges International Mining Company (G.I.M.),

one of its sixteen Swedish subsidiaries which subsequently created the LAMCO Joint Venture Operating Company (36). This construction reduced LAMCO to a holding company, and the Government's participation in the Board of Directors has become a token representation in a Company which has neither a fulltime nor centrally located and permanent staff nor a Head Office of its own (37).
Granges' role in the entire enterprise is not limited to that of supplier of both equity and loan capital and manager of the mining operations (including related activities such as exploration work). By an agreement signed February 3, 1959 the Swedish company had become the exclusive sales representative for the 75% of the total Nimba ore production accruing to LAMCO whereas by the same agreement Granges was made the only shipper of LAMCO's portion of the ore output. The activities in respect of the sales of the ore are carried out by Malmexport AB, a Swedish company in which Granges owns a majority share. Granges owns directly 50% of Malmexport's shares, and also has a 4.3% interest in the co-owner of Malmexport AB, the (also Swedish) company of Luossavaara - Kiirunavaara AB. The remaining shares in the latter company are owned by the Swedish Government (38). On the initiative of the Liberian Government the 1959 shipping arrangement was changed three years later. Through the Shipping Arrangement of October 1, 1962 with LAMCO the Government became entitled to ship 50% of all the ore sold by LAMCO on a c.i.f. basis despite Section 4 of the 1960 Mining Concession Agreement which had granted, exclusive rights to ship, sell and export the produce of the company. For this purpose another company was created, the Providence Shipping Company, in which both Granges and the Liberian Government took a 50% equity interest, while the management of this new shipping company was given to Granges. The shipping activities related to the sales of the Nimba ore are carried out by Granges Shipping, a 100% subsidiary of Granges AB.

The Management of the Mine (39)

Management related activities inside Liberia are carried out by G.I.M.'s Liberian subsidiary, the LAMCO Joint Venture Operating Company. Activities outside Liberia in respect of the management of the mine were at first undertaken by a specially created Liberia Division within the Stockholm-based G.I.M. In the late 1960's G.I.M. completely took over these functions by dissolving this Liberia Division. The managerial responsibilities of G.I.M. cover the entire production process and include the construction of the needed infrastructure (buildings, railroad, port facilities, etc.), the recruitment of personnel and the purchase of equipment, the conduct of the actual mining operations, the transportation of the ore from the Nimba Mountains to the Port of Buchanan, the management of the pelletizing plants, the railroad, and the Port of Buchanan, the shipment of the ore as well as the administration related to all these activities and the conduct of exploratory activities.

THE OWNERSHIP AND ORGANIZATIONAL STRUCTURE OF THE LAMCO J.V.



For these services G.I.M. is paid a management fee which includes a reimbursement for the expenses made in respect of these activities as well as a "fee proper" which amounted to $ 175,000.00 per year until the start of the production (i.e. in 1963). Thereafter the LAMCO J.V. paid to G.I.M. a fee of 7.5 cents per ton of ore produced for the Joint Venture and delivered to the participants (LAMCO and Libeth) either f.o.b. vessel at the loading port (Buchanan) or in stockpile (also in Buchanan). In 1973 the management and sales agency contract between LAMCO and Granges AB was changed and the management fee was raised to 10 cents per ton of ore produced and delivered to the two participating companies in the Joint Venture.
Under the 1960 Mining Concession Agreement LAMCO's or the Concessionaire's Manager had become exempted from all and any taxes, fees, royalties etc., including corporate income taxes (40). In the 1960's this situation was changed as in 1968 a Liberian-Swedish Tax Treaty was concluded (see below), and the following year a Tax Agreement was signed by the Liberian Government, Granges AB and the LAMCO Joint Venture Operating Company. After the signing of these two agreements the Liberian Government received 25% of the dividends which Granges AB was paid by the management company (the amount which the Liberian Treasury received represented one half of the Swedish tax savings resulting from the Treaty). In 1976 the Liberian Government's participation in these dividends was raised to 50%.

Ore Sales (41)

The output of the Nimba Mountains Mine is divided between the two participants in the (LAMCO) Joint Venture, LAMCO and Libeth, in proportion to their financial involvement in the venture: on a 75 - 25 basis. The Bethlehem Steel Corporation supplies its own steel plants in the U.S.A. with the ore but LAMCO sells its share of the output on the international markets in competition with other ore producers. Under its management and sales contract with LAMCO, Granges is paid for the services rendered in respect of the sales of the LAMCO ore a 2% commission on the f.o.b. value (Buchanan-Liberia) of the ore sold in case of the first five million metric tons (on a yearly basis) and a commission equivalent to 1% of the f.o.b. value (Buchanan-Liberia) of the ore for all sales in excess of five million metric tons. This compares favourably with the commission paid to Wm.H.Muller & Co. by L.M.C. and by N.I.O.C. (see Chapter 7). The fact that Granges has also a direct interest in the best obtainable prices - being an important shareholder in L.I.O., the Liberian Government's private partner in LAMCO - seems to serve as an additional guarantee that the best obtainable prices for the ore are received. However, at least in one case a very dubious deal was concluded which cost LAMCO over $ 4,000,000.00, thus reducing the Government's income from the Company by 50% of this amount. This is made clear by the so-called "Triton-affair".

The Triton - affair

Though LAMCO is not a captive mine for its owners (unlike Bethlehem's participation in the Joint Venture) the financial involvement of certain members of the Swedish LAMCO Syndicate in a foreign steel company which purchased ore from the Nimba Mountains Mine would seem to induce a clash of interests. In 1963 a major long-term sales contract for LAMCO's iron ore had been concluded with the S.A. Métallurgique d'Espérance-Longdoc, a Belgian steel company, which was then in need of additional capital to finance an expansion programme. In early 1964 the Belgian company contacted Granges for a participation in these investments and in consideration of a $ 7.5 million Swedish participation in its equity capital the Belgian firm agreed to extend its initial five years'sales contract with LAMCO beyond the expiration date of 1968 to 1974, with an option to renew the contract in 1974, and during this period to double the quantity of LAMCO ore it already had agreed to buy viz.,450,000 tons. The importance of having a secured market for a (substantial) portion of its ore is an obvious and understandable feature of a mining company, or a company responsible for its sales. Therefore this factor, in combination with others, resulted in a positive response of Granges to the invitation of the Belgians. The Swedish Triton Syndicate was subsequently formed, in which Granges AB, the S.E.B. and Atlas Copco (also a member of the Swedish LAMCO Syndicate) participated. This Swedish investment consortium was to deal with Espérance-Longdoc. As a result of this arrangement a ten years' sales agreement was in 1964 signed with the Belgian steel company. The full background of the following decision is not known but LAMCO, i.e. its participants, then decided to pay the Triton Syndicate an additional (and much higher) sales commission on the quantity of ore sold to Espérance-Longdoc in the 1964 - 1974 period.
Although LAMCO's supply of ore to the Belgian steel company was delayed because of the construction of a second pelletising plant in Buchanan and the effective delivery did not start until 1967, LAMCO in the remaining period 1967 through 1974 sold to Espérance-Longdoc (which meanwhile had merged with another major Belgian steel company, Cockerill, into Betr-Cockeril) some 8.1 million tons of ore with a total value of about $ 67.7 million. Consequently LAMCO paid sales commissions amounting to $ 1,355,000.00 to Granges (in accordance with the sales agency agreement) and $ 4,174,000.00 to the Triton Syndicate. To the Swedish participants in the Belgian company this income represented more than 50% of their investment in this company, but above all it meant for the Liberian Government a loss of potential revenue amounting to over $ 2,000,000.00 as increased (sales) costs had resulted in a corresponding reduction of the net profits in which it shared fifty per cent. After 1974 Betr-Cockerill bought additional quantities of ore from LAMCO but sales commission paid on these sales were restricted to payments to Granges proper (42).

Prior to 1974 fifty per cent of all LAMCO-ore sold on a c.i.f. basis was shipped in Granges-owned ships, the remaining fifty per cent in ships owned by the Providence Shipping Company or ships designated by the Liberian Government. As a result of the 1974 amendment of the Shipping Arrangement the Providence Shipping Company acquired 100% of these shipping rights but given the fact that the fleet of this shipping company, a joint venture between the Liberian Government and Granges, consisted of only one vessel at the end of 1977, the practical outcome of this arrangement differed little from the previous situation.

The Financial Advisor (43)

By contract, the Stockholmsk Enskilda Bank (later Skandinaviska Enskilda Banken, after the merger of the Stockholmsk Enskilda Bank with other Swedish banks in the 1970's) was to act as LAMCO's Financial Advisor for an indefinite period, an arrangement which is subject to cancellation at 90 days notice. S.E.B.'s activities with respect to the realization of the mining venture were discussed before and for a number of years the Bank's prime function remained that of being LAMCO's contact with its lenders and - in later years - that of contacting potential future lenders. Besides managing the financial affairs of LAMCO the Bank rendered financial advice if actions were considered by the Company's Board of Directors. In the past the Bank's personnel were not paid by LAMCO; the only direct charges to LAMCO by the S.E.B. were for travel, telegram and overseas telephone expenses. The bank usually bore the costs of advising services, which in 1968 were estimated by the Bank at some $ 100.000.00. Besides the $ 750,000.00 which the S.E.B. received under the 1960 arrangement the S.E.B. received a fee of $ 150,000.00 per year starting from 1965 and until 1975. Since that year LAMCO has paid the S.E.B. $ 200,000.00; the decision in June 1975 to raise the fee by 25% was taken in order to compensate for the cost increases which had occurred since 1961 and the devaluation and depreciation of the dollar after 1971. Thus a total of $ 2,850,000.00 was paid by LAMCO for these services to the S.E.B. In spite of these services LAMCO experienced severe liquidity problems (caused primarily by the Company's borrowing practices). In 1976 the Government therefore expressed the desire to terminate the contract with the Financial Advisor.

The Debt-Equity Ratio

Perhaps the best-known feature of the LAMCO-investment is its extreme reliance on non-equity capital, which sometimes took the form of disguised equity capital. Less generally known, however, are the full details and costs of these borrowing practices. Neither is it generally known that the Company continued to finance the operations of the mining enterprise with loans,

even after the initial investments had been made and substantial profits were accruing to the owners each year.

LAMCO's share in the Joint Venture represented an (initial) investment of about $ 152.2 million, which amount was financed as is shown in Table 12. One could say that the non-interest bearing equity capital amounted to $ 15,750,000.00 which results in an over-all debt-equity ratio of about 9:1 but one author, Tarpeh, even arrived at a ratio of 27:1 by excluding from the equity capital an amount of $ 10,250,000.00 which the Swedish LAMCO Syndicate and I.A.A.C. advanced LAMCO prior to 1960, and which amount was later assigned to L.I.O. in return for L.I.O.'s capital stock. This amount is carried forward on LAMCO's financial records as a non-interest bearing "Capital Obligation" which LAMCO is obliged to pay back to L.I.O., at cost, even in the event of the liquidation of LAMCO (44). In terms of the definitions provided in the 1960 LAMCO Joint Venture Agreement, however, Equity Financing means *"all loans, advances and contributions by the Participants, subordinated to the Loan Financing, for the Construction Costs, excluding any participation by a Participant in the Loan Financing" (45).* Thus defined, the debt-equity ratio would approximate 2:1, but such a definition does not make much sense because of a deviation from generally accepted accounting principles.

In 1961 the Bethlehem Steel Corporation paid (cash) about $ 11.4 million to LAMCO. Of this amount $ 4.5 million represented Bethlehem's "entrance fee" into the LAMCO Joint Venture and some $ 6.9 million was the U.S. company's participation (25%) in the total amount which LAMCO-i.e. the Swedish LAMCO Syndicate, I.A.A.C., and L.I.O.- had spent on the Project up to December 31, 1960 (46).
It might with some truth be said that 50% of this "entrance fee" belongs to the Liberian Government, which has a 50% interest in LAMCO, and that - in a similar manner - the Government may claim 50% of the contribution to the investments which LAMCO made through iron ore sales amounting to $ 10,590,000.00 (see Table 12). Thus calculated the contribution of the Government to the financing of LAMCO's share in the initial investments amounts to some $ 7.5 million.
However, by allowing for the deduction of interest payments and debt amortization from the Company's annual gross business income the Government contributed the most costly incentive to the realization of the mining venture. In this way the Government's income from LAMCO was reduced by 50% of the amount borrowed, i.e. a loss of some $ 68.2 million (excluding the Capital Obligation to L.I.O. of $ 10.2 million) whereas during the years 1963 through 1977 a total of $ 119 million was paid on interest on outstanding loans (47), thus reducing the Government's income from LAMCO-profit-sharing by a further $ 59.5 million. Besides, the deductions from annual gross business income which LAMCO was allowed to make not only included debt amortization and interest payments but

depreciation of (capital) equipment (investments) as well. Obviously, the deduction of both debt amortization and depreciation resulted in double-counting as these loans had been used for the acquisition of capital goods which subsequently were depreciated every year. This certainly was not in accordance with generally accepted accounting principles as specified in Section 11 of the 1960 Concession Agreement.

TABLE 12

THE FINANCING OF LAMCO'S PARTICIPATION IN THE LAMCO JOINT VENTURE

(in thousands of U.S. dollars)

- LAMCO's Class B Shares (paid and held by L.I.O.)	$ 1,000
- "Entrance Fee" paid by Bethlehem Steel	4,500
- Advances made prior to 1960 by I.A.A.C. and the Swedish LAMCO Syndicate ("Capital Obligation to L.I.O.")	10.250
- The Swedish LAMCO Syndicate (25 Year Subordinated Debentures at 6.25%)	38,000
- Kreditanstalt für Wiederaufbau (20 Year First Lien Collateral Bonds at 6.75%); DM 208,450,000	52,112
- Export-Import Bank (20 Year First Lien Collateral Bonds at 5.75%)	30,000
- First National City Bank of New York (15 Year Secured Notes at 6% due 1967)	5,700
- LAMCO contribution through sale of ore (1963 and 1964)	10,590
GRAND TOTAL	$ 152,152

Source:

- Tarpeh: 1978, p.190

Despite the substantial interest payments (see Annex 15) which in 1964 and 1965 amounted to over $ 9 million, the company's total indebtedness did not decrease as it should have done. This was due to a continued policy of attracting long-term loans to finance its share in the capital needed by the Joint Venture, such as a $ 51.4 million investment in a new washing and pelletizing plant (1965 - 1967). LAMCO even relied to an increasing extent on periodic short-term loans in order to meet some of its most urgent financial obligations such as the payment of its declared annual dividends and royalties (to L.I.O. and the Liberian Government respectively) (48).
In spite of its tacit approval of these financial policies and methods the Government felt increasingly uncomfortable at the undercapitalization which resulted from the use of these loans and which so adversely affected its share in the Company's profits. In the 1970's the Government sought means to change this situation. With the acceptance of the 1974 Amendment of the 1960 Mining Concession Agreement, the Government and its partner in LAMCO, L.I.O., agreed to convert the Company's subordinated Debentures of $ 53 million held by the private investors in LAMCO (which in fact had been disguised equity capital) into Preferred Stock and to let the Government share in the dividends paid by LAMCO to the owners of this Preferred Stock. The greater part of this stock was issued to the Swedish LAMCO Syndicate in substitution for about $ 42 million which the Company then owed the Syndicate.

The basis of this arrangement is a Liberian-Swedish Double Taxation Treaty which had been concluded in 1968. The Swedish investors had been subject to full Swedish taxes on all income derived directly from Liberia (management fees, sales , commissions, financial services fees, income from shipping as well as interest income). By the 1968 Tax Treaty the Swedish investors agreed to enter into sharing agreements with the Liberian Government thereby transferring to the Liberian Treasury the benefits of the Treaty, at the expense of the Swedish Treasury (49). The Liberian Government and the Swedish investors in 1969 signed an agreement under which the Liberians received a portion of the savings in Swedish Tax which resulted from the Tax Treaty, an amount of about $ 400,000 a year. But the Tax Treaty provided for even greater Swedish tax savings in the case of the payment of dividends by a Liberian corporation to a Swedish national ore company. In 1974 the Syndicate's debt was converted for this reason into Preferred Stock. In the following years the Liberian Government consequently received practically all the Swedish tax savings on the dividends, or some $ 800,000 a year (50). One only wonders why it took six years to accomplish this.

Also converted into Preferred Stock was an amount of about $ 11 million of Subordinated Debentures which were held by L.I.O. As no Tax Treaty between Canada and Liberia existed at the time

of the revision of the 1960 Mining Concession Agreement, in 1973/74 the Liberian Government could not share in the dividend paid on this Preferred Stock after 1974, some $ 668,000.00 per year, as it did in the case of the Swedish investors. A 25% tax on these dividends was therefore imposed with the 1974 Amendatory Agreement to the Mining Concession Agreement (51). L.I.O.'s approval of this arrangement is explained by external factors. The Canadian-registered holding company had always been exempted from Canadian taxes but in keeping with internal tax legislation in Canada in the early 1970's the company had become taxable in Canada on the interest received from LAMCO, as the Swedish LAMCO Syndicate always had been in Sweden. As under the new legislation in Canada the dividends which it was to receive on Preferred Stock would still be exempted from taxes L.I.O. easily agreed upon the conversion of its debentures into Preferred Stock and a 25% Liberian tax on the dividends payable on this Preferred Stock (52). In 1974 negotiations started for a Canadian-Liberian Double Taxation Treaty in view of the shortly expected general tax liability of L.I.O. in Canada. Although it is clear that the Swedish LAMCO Syndicate and L.I.O. had not been inspired by altruistic motives, the Liberian Treasury through these fiscal arrangement yearly (1974-1977) gained an amount of nearly $ 1 million.

The costs of financing the mining venture with borrowed funds were not limited to the foregoing. As a result of LAMCO's excessive reliance on non-equity capital the Company's major lenders had made their loans conditional upon the provision that over a number of years LAMCO would set aside about 50% of its yearly profits as a capital reserve. As early as 1964, however, it was openly acknowledged that such a practice would hamper the yearly payments of dividends and on January 1, 1965 an agreement was concluded under which the Swedish LAMCO Syndicate guaranteed the Company's debt to certain non-affiliated companies against a yearly fee of $ 300,000.00 (payable on a quarterly basis). L.I.O. was to pay this fee but it would be reimbursed 50% of the amount by LAMCO. Under the 50% profit-sharing arrangement in LAMCO the Liberian Government thus contributed indirectly to this paid guarantee, viz., $ 75,000.00 a year. The agreement of January 1, 1965 will expire on December 31, 1980 (53).

Royalty payments (54)

The 1974 Amendment of the 1960 Mining Concession Agreement also introduced the payment of a royalty. It was agreed that the insertion of a minimum royalty provision would assure the Government of a minimum revenue each year, regardless of the profit level of the Company. Royalty payments were determined at 4% of LAMCO's net sales of iron ore and iron ore products during each quarter. However, as a result of the Government's 50% ownership of LAMCO the effective royalty payments amounted to

only 2% of net sales proceeds.
This alteration in the original agreement was, from the point of view of the Liberian Government, a decided improvement. However, at the same time it was agreed that after the royalty was paid, LAMCO would pay L.I.O. a so-called "Special Dividend" equal to the amount of royalty paid. Thus, L.I.O. was paid $ 4,216,000.00, $ 4,530,000.00, $ 4,677,000.00 and $ 4,226,000.00 by LAMCO in the 1974 - 1977 period. As these expenses of the Company reduced the net profits the Government's share of LAMCO's profits went down accordingly. The arrangement thus cost the Liberian Treasury about $ 8,824,000.00. Its worst effect however, was that it completely nullified the Government's gain of revenues which resulted from this royalty payment.
Furthermore, it was agreed that royalty payments would be subordinated to LAMCO's outstanding debt. Though this has not affected the Government's income from LAMCO in the period under review, it means theoretically that if in a certain year LAMCO were to make no profit, no royalty payments would be made to the Government regardless of the level of production or the exports of ore by the Company (55). These two aspects of the arrangement form curious deviations from the generally accepted view of "royalty" being a compensation for the owner of the sub-soil and its contents for the extraction or production of a certain product. The curious thing, however, was that it had been the Liberian Government's own proposal. The dividends to L.I.O. equalizing the royalties had been an integral part of the Government's royalty proposal during the renegotiation of the original concession agreement whereas the subordination of the royalty to the Company's debt had been offered by the Government in recognition of the position of LAMCO's lenders after the introduction of a royalty payment (56).

THE 1974 REVISION OF THE 1960 MINING CONCESSION AGREEMENT

Political changes since 1971

Though the 1960 Mining Concession Agreement with LAMCO and Bethlehem Steel lacked a provision which made a periodic review of the agreement possible or obligatory the Government of Liberia in 1972 requested the concessionaires to participate in a review of the agreement. It should be pointed out here that until that year the prevailing Liberian philosophy had been that if a concession agreement did not provide for a (periodic) review of the contract, such a review or revision was not legal and therefore impossible. This explains why not one concession agreement was reviewed during the 27 years of President Tubman's Administration though in this period numerous Amendments and Supplementary Agreements to Concession Agreements came into being. During the Tolbert Administration, however, a review or renegotiation of existing agreements was justified. This was on the grounds that if the contracts did not contain any clause

prescribing such a review it would not be against any provision to start or to introduce a review.(The proposed changes were aimed at eliminating clauses considered inconsistent with the needs and interests of the country and its people, or which were necessitated by the change of time and circumstances, and the introduction of new provisions which would have been better adapted to the new circumstances). It is significant to note that none of the exponents of this new philosophy in Liberia were lawyers. The three leading men in this respect - backed by President William Tolbert - were Stephen A. Tolbert, Milton J. Weeks, and Cyril Bright, all three trained abroad and with a long experience in Government. In the early years of the Tubman Administration Stephen Tolbert had obtained a scholarship for studies abroad. He had returned with a degree in Forestry which, eventually, brought him in the 1960's at the head of the then called Department of Agriculture and Commerce. His success in private business activities was mentioned before (see Chapter 4). When in 1971 his brother succeeded President Tubman Steve Tolbert was appointed Minister of Finance (January 1972).
Among the three men the only trained economist was J. Milton Weeks. He had obtained a degree in Economics in the 1950's and subsequently, in the 1960's, had headed and organized the newly created National Planning Agency, had become the first Secretary of the Department of Planning and Economic Affairs when the Office of National Planning was elevated to the status of Department, and after that had served as Secretary of Finance, (from the late 1960's until the appointment of Steve Tolbert in January 1972). Cyril Bright, holder of a degree in Agricultural Economics, had been Weeks' successor at the Department of Planning and Economic Affairs. The role played by these three men in the review of concession agreements in the 1970's is characteristic of the changes the Liberian economy and Government are undergoing. The task of renegotiating agreements is shifted gradually, very slowly, from lawyers and armchair-politicians to a growing group of trained specialists in economic and financial affairs. The change in leadership of the country was another important factor. The power and decisions monopolizing Tubman was succeeded by William Tolbert who controls the political actors on the Liberian scene but who grants his collaborators in the cabinet more "freedom".
Despite this shift, the outcome of the discussions and the subsequent revision of the 1960 Mining Concession Agreement failed to bring about substantial alterations in the situation as it existed prior to the review of the agreement. This does not imply a contradiction with respect to the developments just referred to but rather reveals the existence of other factors which persistently hamper a fundamental change of policy in respect of the role of foreign investments in the national development process. This tendency towards leniency was further enhanced by the physical disappearance of Steve Tolbert, in 1975, and the political disappearance of the other two Government officials (57). The exclusion of Milton Weeks and Cyril Bright from active politics is to be explained from Liberia's internal politics of changing alliances, one of the hampering factors referred to above.

The improvements

Besides the four alterations of the agreement already mentioned (the conversion of subordinated debentures into preferred stock and the Government's taxing of the dividend paid on this Preferred Stock, the introduction of royalty payments effective retro-actively as of January 1, 1974, and the increase of the Management Fee as well as the fee paid to the Financial Advisor) the 1974 Supplementary Agreement introduced some innovations and changes among which feature the elimination of loan repayments as deductible items, the reduction of the concession area to 300 square miles (192,000 acres), the limitation of exclusive rights to iron ore and iron containing minerals, and the increase of the rental to 50 cents per acre per year effective retro-actively as of January 1, 1973. Provisions with respect to the health and safety as well as the education and training of employees and their families, lacking in the 1960 Mining Concession Agreement, were also introduced. Further, the Liberianization of staff personnel, the preferment of Liberian produced goods and services, including the shipping of the ore, the depositing of funds such as sales revenue in Liberian banks, the sales of a specified portion of the ore to the Liberian Government in case of processing in Liberia of iron ore into finished (steel) products, and a vague obligation to participate in the creation of steel manufacturing facilities in Liberia; in short, increased Liberian participation in the production, processing, sales and export of the ore and the financial affairs related to it. Also added were anti-pollution clauses and a stricter definition of the concessionaire's transportation rights. A Technical Committee was created though the function of this committee will merely be that of acting as a forum for the discussion of certain issues. The Government's (and the concessionaire's) rights to ask for a review of the agreement were explicitly included this time. Also included for the first time was a provision giving the Government the right to inspect and audit the Company's books and records, the audit being carried out by an independent auditor. Against the background of the Government's 50% ownership of the Company this may seem a strange construction. It, however, confirms the previous statement that the Government's 50% interest in LAMCO is just a token ownership, which does not entitle it to more than 50% of what the (private) investors have agreed to consider as Net Profits. Finally, the Supplementary Agreement included the recognition of the basic principles that the entire enterprise must be subject to the laws of general application of Liberia with only those exceptions allowed which are explicitly mentioned in the Concession Agreement.
Traditionally, the legal position of foreign enterprises operating under concessions agreements in Liberia was one of being excluded from the country's laws of general application. This resulted in a strengthening of the enclave character of these economic entities.
LAMCO was no exception to this "rule".

But now, having accepted being subject to all Liberian laws, the Company also accepted realty lease taxes, fees and charges of general application such as motor vehicle registration fees, drivers licenses fees, documentary stamp taxes, other generally applied taxes, fees, charges, duties etc. (e.g. freight taxes, harbour duties, customs duties), consular fees (which were set at a flat fee of $ 240,000.00 per year), and a theoretical tax on the interest paid on certain new loans, to mention some of the fiscal obligations, the Company had been exempted from before (58). The increase of the Government's revenue from LAMCO as a result of these and other changes of the 1960 Mining Concession Agreement was estimated at a little over $ 2 million per year (59).

Despite these improvements the unresolved issues of the Review such as the Company's liquidity problems, the contract with S.E.B. to act as LAMCO's Financial Advisor, the Government's exclusion from management decisions, and the Government's claim on 50% of LAMCO's reserves built up at the expense of dividends proved very unsatisfactory to certain Government officials. They moreover regretted the royalty arrangement, and in early 1976, they approached the foreign investors in LAMCO with a view to revising the agreement again (60). The foreign investors' reaction - which was a somewhat bitter response to the Government's "invitation" to review the agreement again - is less interesting than the impatience demonstrated in this second request. It may be indicative of the future treatment of foreign investors in Liberia. There seems to be a growing economic nationalism in Liberia, brought home by young Liberians who have studied abroad and supported by some members of the older generation who have become disillusioned with respect to the benefits of foreign investments for Liberia and Liberians. This trend may even lead to the Closing of the Door.
After the "invitation" to participate in another review of the Agreement the private investors in LAMCO successfully put pressure on the Liberian Government to withdraw its proposal. One of the means used to achieve this was the Company's contemplated expansion programme. For, as the private investors stated, if future buyers of (LAMCO) ore were to lose faith in the Government this might affect future sales and, consequently, the Company's income, and, again, the expansion programme contemplated (61). The economic life of the mine, which produces one of the world's highest grade of iron ore, is alleged to be in serious danger. The mine's lifespan may not even reach beyond 1986, and unless new investments are made in the development of new deposits Africa's Largest iron ore mine will be closed down in the near future. The consequences of a closing down of LAMCO to the Liberian Treasury, its economy and its society caused the Government of President Tolbert to be careful not to frighten the investors. Additional factors taken into account were the precarious situation of the Mano River mine, the difficulties with respect to the development of the iron ore deposits of the Wologisi Mountains, and the approaching of the final date of the closing down of L.M.C.

The possible depletion of the ore deposits on the other hand, incited those in favour of a firmer grip on the Company to even greater impatience and to an even greater demand for Government intervention (62).

LIBETH

In accordance with the Tax Agreement of April 28, 1960 Bethlehem Steel paid a corporate income tax amounting to 50% of the net income derived from the sale of its share of the LAMCO J.V.'s ore production. In the years 1963 through 1977 these payments totalled $ 36.6 million (63).
Net income is here the difference between Gross Income and a series of deductions, Gross Income being defined as the difference between (I) the total costs of Bethlehem's share of the Joint Venture's ore (f.o.b.) plus Bethlehem's costs of shipping the ore from Liberia - Buchanan - to the U.S.A. and (II) the value of the ore calculated on the basis of the iron ore market prices of the northern U.S. Atlantic Coast Ports of the date the ore was shipped from Liberia minus the costs of freight, insurance and other customary charges (64). Bethlehem Steel is allowed to deduct from this Gross Income the same type of expenses as LAMCO had been allowed. In addition, they were also allowed to deduct (i) annual interest charges on any borrowed capital or - in the absence of interest bearing loans - one third of the amount which LAMCO deducts each year as interest charges, and (ii) an annual depletion allowance of an amount equal to 15% of its Gross Income, or 50% of the Net Income derived from the sale of the ore without deductions for depletion. The official explanation for this artificial percentage depletion deduction was to provide the Bethlehem Steel Corporation with an incentive to contribute cash to G.I.M. to cover its share (25%) of the capital needed by the managing company to finance the annual operating and investment expenses of the LAMCO Joint Venture (65).
Although full details concerning the granting of this "incentive" are not available it is reported that one official of the Bethlehem Steel Corporation, when asked to provide an explanation, recalled that at that time - when the Tax Agreement was negotiated - the Government was in the mood for giving away free benefits, and *"...thus Bethlehem took its chance and requested a depletion allowance and Bingo! the Government granted our company's request" (66).*
In any case it may be said that through this depletion allowance the owner of the subsoil and its contents pays the concessionaire a royalty, instead of the other way round. To make things worse, prior to 1973 Bethlehem Steel duplicated the artificial percentage depletion deduction by writing off certain expenditures made in the early 1960's in connection with the acquisition of its interest in the LAMCO concession. During the review of the 1960 Tax Agreement in 1972 it was therefore decided to eliminate this duplication (67).

As a result of this review in 1972 the Liberian Government and Libeth on January 1, 1973 signed a Supplemental Tax Agreement. The Government had apparently aimed at eliminating the depletion allowance (68) but the Supplemental Tax Agreement only lowered its rate to 11% of Libeth's Gross Income from the sale of its ore, thereby constituting the only difference between the two Tax treaties (69).

Critics of the current Administration here point to President Tolbert's comprising relations with the Bethlehem Steel Corporation (70). In 1974 President Tolbert received from the hands of Bethlehem Steel's President, Lewis W. Foy, the "Family of Man Award", thereby becoming the twelfth recipient of the "Family of Man Gold Medallion" which is yearly awarded by the Council of Churches of Greater New York City. (Among previous recipients of this Award are the U.S. Presidents Kennedy, Eisenhower, Nixon, Johnson, as well as former U.S. Secretary of State Kissinger, further John D. Rockefeller III). Bethlehem's Director Foy presented William Tolbert with the Award *"for being the leader of one of Africa's most progressive republics and for his continuing commitment as a Baptist clergyman to the Christian religion in African and the whole world" (71).*

Despite the lowering of the percentage depletion allowance Libeth during the years 1973 through 1977 deducted an amount of $ 15,966,000.00 as depletion allowance, compared to $ 12,819,000.00 deducted in the 1963 - 1973 period (72). The loss of potential revenue for the Liberian Government here amounts to about $ 14.4 million. Total income of the Government from Libeth amounted to $ 36,608,000.00 (1963 through 1977) but as a result of these and other (legal) practices Bethlehem's share in the profits in the same period amounted to $ 69,335,000.00.

Fiscal aspects of the LAMCO JOINT VENTURE

Total direct income (i.e. profit-sharing and royalties for the Government from the LAMCO Joint Venture amounted to $ 111,425,000 in the years 1963 through 1977 (see Table 13). This was a very substantial amount, indeed, and a significant portion of the total national revenue but still less than the sum LAMCO's lenders alone received as interest income in the same period: $ 119,029,000 (see Table 14).

The total value of the LAMCO Joint Venture's ore output in the years 1963 through 1977 was $ 1,291,593,000.00 which means that out of every dollar of sales of the Joint Venture, the Government had received 8.6 cents, against the private investors 18.0 cents. A comparison shows that the Government's income per dollar of sales were higher in the case of Libeth than in that of LAMCO. In the case of Libeth the Liberian Government received 11.5 cents

TABLE 13

LAMCO J.V. : PAYMENTS TO THE TREASURY 1963 - 1977

Year	Libeth	LAMCO	LAMCO J.V.	Libeth	LAMCO	LAMCO J.V.
	in millions of U.S. dollars			as a % of total Gov. revenue		
1963	0.158	0.893	1.051	0.4	2.4	2.8
1964	1.154	2.953	4.107	2.9	7.4	10.3
1965	2.035	3.704	5.739	4.8	8.7	13.5
1966	1.943	3.223	5.166	4.2	7.0	11.2
1967	2.454	3.020	5.474	5.1	6.3	11.4
1968	1.759	3.699	5.458	3.4	7.1	10.5
1969	2.009	4.812	6.821	3.3	7.8	11.1
1970	1.630	6.710	8.340	2.5	11.6	14.1
1971	1.611	5.004	6.615	2.3	7.2	9.5
1972	1.833	6.062	7.895	2.3	7.8	10.1
1973	2.890	5.506	8.396	3.2	6.1	9.3
1974	4.000	6.834	10.834	3.7	6.3	10.0
1975	4.778	7.530	12.308	3.8	6.0	9.8
1976	5.962	7.677	13.639	4.0	5.1	9.1
1977	2.392	7.226	9.618	1.4	4.2	5.6
1963-1977 TOTAL	36.608	74.817	111.425	1963-1977 AVERAGE 3.1	6.3	9.4

Source: Annexes 15 and 16.

TABLE 14

FINANCIAL COSTS OF CERTAIN PRIVILEGES
ACCORDED TO LAMCO AND LIBETH 1963 - 1977
(in U.S. dollars)

- Depletion Allowance (Libeth)	$ 28,785,000
- Interest Payments (Libeth)	38,974,000
- Interest Payments (LAMCO)	119,029,000
- Debt Amortisation (Libeth) (60% of $ 50,740,000)	30,444,000
- Debt Amortisation (LAMCO) (60% of $ 163,471,000)	98,082,600
- Guarantee Swedish LAMCO Syndicate	2,950,000
- Special Dividend Paid to L.I.O. (1974 - 1977)	17,649,000
TOTAL	335,913,600
- Loss of Potential Revenue: (50% of $ 335,913,600)	167,956,800

Sources:
- Annexes 15 and 16

out of every dollar of sales, against the Bethlehem Steel Corporation 21.5 cents (net profits) whereas every dollar of sales of LAMCO added only 7.7 cents to the National Treasury while the private investors (L.I.O.) received 16.8 cents. (see Annex 15 and 16).
The Treasury's income from the concession would have been nearly triple the amount it actually received if the companies had not enjoyed privileges such as a depletion allowance (Libeth), interest payments and debt amortization deductable from taxable income (Libeth) or from gross profits (LAMCO), exemption from certain taxes and duties (notably customs duties and excise taxes), and the payment of a Special Dividend to L.I.O. by LAMCO. An estimated amount of between $ 160,000,000.00 and $ 175,000,000.00 was thus "given away" to the (mainly foreign) investors in a period of 15 years, i.e. about $ 11,000,000.00 per year (see Table 14). Not included in Table 14 are the exempted customs duties and excise taxes. Little is known of the total loss of revenue caused by these tax-free privileges but the exempted excise tax on petroleum products alone in only one year,

1975, amounted to $ 4,836,000.00 (73) half of which amount represents the Government's loss of revenue. Also excluded are the currency exchange losses which LAMCO wrote off in the 1968 - 1976 period. As repayment of loans took place in the original currency of the loans but the Company's earnings were based on a U.S. dollar which was subject to devaluations and a continued depreciation in this period some $ 22.7 million currency exchange losses were incurred (74).

As has been discussed before, debt amortization and depreciation are basically referring to the same items (as the loans had been used to finance the acquisition of long-life assets which were subsequently gradually written off). Therefore it may be said that of the total of $ 214,211,000.00 which was spent on debt-amortization and depreciation in this 15 years' period at least 50% was spent on debt-amortization alone. But it is very likely that debt-amortization totalled more than 50% as the rate of loan repayments exceeded the rate of depreciation, the terms of the loans being shorter than the lifetime of the concession on which the depreciation was based, at least until 1969 (75). Therefore in Table 14 debt-amortization was estimated at 60% of the amount of $ 214,211,000.00, i.e. $ 128,526,600.00.
In the case of Libeth, the loss of potential revenue because of the depletion allowance (though Libeth is not the owner of the sub-soil in the concession area) and the deduction of interest payments alone already amounted to some $ 33.9 million (76). This amount nearly equals the total amount of corporate income taxes actually received by the Government ($ 36.6 million).
If the loss of potential revenue due to debt-repayments is added the total fiscal "costs" of these three privileges even exceed the amount of corporate income taxes (still, however, disregarding the loss of revenue caused by duty-free privileges and other tax exemptions).

It may be said that the Government's 50% interest in LAMCO was obtained by the granting of this 70 years' concession - including the granting of various incentives - and the ownership of the sub-soil which includes (or included) the ore. In financial terms, the Liberian Government made more "investments" in the 1963 - 1977 period than its (private) partners, for the financial value and fiscal costs of certain of the privileges benefiting the concessionaires far exceed the private investors' equity investment in the mining venture. Therefore, it seems appropriate to decide whether (a) the Government's share in the profits of the venture will be increased in accordance with the financial sacrifices it has made in the past ans still continues to make, or (b) these privileges which present considerable losses to the National Treasury and whose enjoyment can no longer be justified by the initial intention, i.e. to make considerable investments in a project whose profitability has not yet been assured more attractive, will have to be eliminated.

DELIMCO/B.M.C.

Long-standing German interests in Liberian iron ore

German interest in iron ore from the West African Republic of Liberia is nearly as old as the commercial iron ore mining activities in this country. Through the Dutch company of Muller a considerable portion of the Bomi Hills area had found its way to the steel works in the Ruhr Area of West-Germany and the start of the mining operations in Nimba had been greatly facilitated by the long term sales contract concluded with German buyers. With a growing demand for ore and its derivatives by the German industry a gradual change became noticeable in the German attitude towards the supply of raw materials needed for its booming industry of the 1950's. Instead of buying from other producers investments were made in mining operations with a view to reducing the dependency from outside suppliers and achieving a relatively guaranteed supply of the ore needed for the industry. Reference to this tendency was made in Chapter 7.

In 1957 German steel producers, represented by "Gewerkschaft Exploration" from Düsseldorf, West Germany, contacted the Liberian Government with the aim of negotiating possible investments in the country's vast iron ore reserves. The ore deposit which had been abandoned by LAMCO after the discovery of the rich Nimba ore deposits first drew the attention of the Germans and the development of the Putu ore deposits was seriously considered. Simultaneously, however, they showed an interest in an ore deposit which had been reported in 1934 - 35 by the Holland Syndicate (77). This deposit, located in the Bong Range - 50 miles north-east of Monrovia - compared favourably with the Putu deposits. Both deposits were fairly similar as to types of ore and composition. The disadvantage of the Putu ore was not so much the quantity of the deposit as the fact that the Putu Range is located at some 120 miles' distance from the coast, in the South-Eastern part of the country, in an area covered by high bush. There were only a few places - especially in the valleys - where "low bush" was to be found. To make things worse, there was no well-equiped port on this part of the coast. Therefore, because of insufficient infrastructure in an area difficult of access, the German prospective investors abandoned their plans for the further investigation of this area and concentrated their efforts on the Bong Range (78).
Early in 1958 the German interest in the Bong Range conflicted with the Swedish investors' desire to include this area in LAMCO's concession area. LAMCO had already filed a claim covering this Range but the Government had postponed the formal acceptance of the claim and, subsequently, had entered into negotiations with Gewerkschaft Exploration for the conclusion of a mining concession agreement for this area (79). The subsequent dispute between LAMCO and the Germans was won by Gewerkschaft

Exploration, a subsidiary of Barbara Erzbergbau A.G., which in its turn was owned (in these days) by four German steel producers: August Thyssen Hutte (50%), Hoesch A.G. Huttenwerke (34%), Rheinstahl Huttenwerke A.G. (8%) and Friedrich Krupp Huttenwerke A.G. (8%).
An essential contribution to the start of the Bong Project was made by the lawyer Emmett Harmon, an important Government official, who had been employed by the Germans and who had the advantage of being able to approach President Tubman at any time (80). As is stated elsewhere direct contact with the President in those days, as in earlier days, virtually constituted a sine-qua-non for doing business in Liberia (81). This situation has not undergone any changes in recent years. Without the proper contacts it is difficult to succeed or even to survive in business in Liberia. The fact that non-Liberian are not allowed to practise law in Liberia has greatly contributed to this state of affairs (82).
On September 16, 1958 a Concession Agreement was signed between the Republic of Liberia and the Gewerkschaft Exploration which was approved by the Legislature of Liberia three months later, on December 18. It is important to note that in this case, as well as in the cases of LMC and LAMCO J.V., the financing of the mining venture was not yet settled on the date of the signing of the Agreement (83), neither was there any guarantee that the investors would indeed raise sufficient capital to have the mining operations started.

The concession agreement (1958) and the opening of the mine (1965)

Gewerkschaft Exploration obtained exclusive exploration and exploitation rights in respect of all kinds of ores, metals, minerals, including oil and natural gases but excluding gold and diamonds within an area of a maximum of 300 square miles (192,000 acres) which included the Bong Range Area in the Salala District of the then called Central Province. The concession would be assigned to a company yet to be formed, the Liberian Iron Ore Company, though eventually the "Deutsch-Liberian Mining Company" (DELIMCO) was formed, on November 25, 1958.
Gewerkschaft Exploration had rejected the name "German-Liberian Mining Company", which would have led to the abbreviation GELIMCO (84), possibly in order to avoid confusion as to the meaning of the first part of the new company's name, which might just as well have stood for an abbreviation of "Gewerkschaft Exploration".

The shares of DELIMCO were equally divided into Class A shares - all owned by the Liberian Government in consideration of the granting of the exploration and exploitation rights as well as the supply of all exploration data relevant to the specific mining rights granted - and Class B shares which were owned by Gewerkschaft Exploration. The Government thus had obtained a 50% interest in DELIMCO though it made no cash payment for this

equity participation (unlike in the case of N.I.O.C. with which a Concession Agreement was signed in the same year 1958). This partnership with the European investors entitled the Government to elect five of the eleven members of DELIMCO's Board of Directors. The Government was to receive 50% of the net profits as a corporate income tax but would receive no dividends (unlike the arrangement with LAMCO).

In consideration of the Government's right to levy a 50% corporate income tax on DELIMCO's net profits the Liberians waived any and all royalty under the Agreement (with the exception of the provisions of Article 12) and in addition exempted the company from import and export duties, excise taxes or any other tax, charge or duty for the entire life of the Agreement (70 years), with the exception of an exploration tax and a surface tax. These tax exemptions also applied to the company's private shareholders, the managing company, contractors etc. Article 12 of the Agreement provided that if during the first ten years of operations the income tax payments to the Government would not be equivalent to 25 cents per ton of ore exported the concessionaire would in any event pay a minimum royalty equivalent to 25 cents per ton thereby deducting the income tax payments made (85).

Early in 1962 the management of the mining operations as well as related activities were - by agreement - given to another company, the Bong Mining Company (B.M.C.), in which Gewerkschaft Exploration participated 67.5 per cent and Italian steel producers which had joined in 1961, the Finsider Group, 32.5 per cent. For (German) tax purposes the German investors created the "Konsortium Liberia" which held their interest in B.M.C. Through this construction the Liberian Government was excluded from the management decisions, as in the case of the exploitation of the Nimba ore deposits, since it was not represented in B.M.C. Also in this case records available in the Government's files do not provide an explanation as to what made the Government accept this situation. One suggestion mentions the granting of five shares in B.M.C. (each worth $ 1,000.00) to President Tubman which alleged "pay off" would have facilitated this arrangement (86). Not clear in this respect is the role of the Government's chief negotiator with the private investors, the Secretary of the Treasury Charles D. Sherman, who together with his older brother Arthur, the Director of the Bureau of Natural Resources and Surveys, had had the main responsibility of "daily" negotiations with the German (as well as with the Swedish) investors.
After the signing and the Legislative Approval of the Concession Agreement the financing of the Bong Project was ensured, step by step. A major obstacle - in raising funds - was the expected low profit margin of the mine. The ore deposits of the Bong Range, then estimated at some 400 million tons, were of a low Fe-content making upgrading imperative before it could be shipped to the steel works abroad. This upgrading involved considerable investments in a concentrator whereas the costs of

a railroad from the Bong Range to the Free Port of Monrovia already required a considerable outlay of capital.

The construction of the mine, which began in 1962, was completed in 1965. A total of $ 76.1 million had been invested, the major investments representing the construction of the railroad ($ 18.3 million) and a concentrator ($ 22.0 million) (87). On November 12, 1965 the formal opening of the Bong mine took place. On this occasion President William Tubman, then over 21 years in power, made some statements about his policy of economic development:

> *"The Open Door Policy has benefitted many Liberians and Liberia itself, but until now it had perhaps benefitted more greatly those of our foreign partners whose pockets are too deep for us to plump. However, we are not in the position to contest this issue."*

He contradicted, however, the tendency of these remarks by continuing

> *"We can only rely on those concessions which have preceded you, for they have established a tradition of which both of us are equally staisfied and proud".* (88)

This statement of William Tubman is one of his most critical evaluations of his own policy of "equal sharing" and "mutual benefits" with respect to the distribution of the benefits of private foreign investments. By admitting that he was not in a position to contest this issue he may have intended to refer to his powerlessness to have this situation of unequal sharing changed. This acknowledgement implies that he needed the support of the foreign investors to remain in power. For, against the background of Liberia's historical fight to remain an independent and sovereign nation, it is highly probable that a dependency on foreigners was only implicitly accepted with a view to deriving short-term political advantages. In other words, the aim was to continue the control of the domestic political affairs of the country and to gain strength as a nation by using the nation's untapped natural resourses.

Fiscal aspects of B.M.C.

The contribution of the Bong mine to the Treasury was considerable in absolute amounts though in relative terms it represented only about 2 per cent of the Government's total income in each of the years 1965 - 1977, with the exception of 1975 when Bong contributed nearly 10 per cent of Total Revenue of the Treasury (see Table 15). In 1968 the Gross Profit of B.M.C. which was transferred to DELIMCO was - after deducting the latter company's administrative and other costs - for the first time sufficiently large to have the Liberian Government share in these net profits, which yielded tax payments amounting to $ 1,158,000.00 (89). In previous years Article 12 of the Agreement had applied resulting in royalty payments to the Government. Total tax and royalty payments to the Government in

TABLE 15

B.M.C.'s importance with respect to the Treasury 1965 - 1977
(absolute amounts in millions of U.S. dollars)

	B. M. C.			T R E A S U R Y			
Year	Sales Income (1)	Profit Before Taxes (2)	Profit After Taxes (3)	Royalties (4)	Corporate Income Taxes (5)	Total Gol-income /BMC (6)	(6) as % of Tot. Gov Revenue
1965	10.855	-0.590	-0.982	0.392	-	0.392	0.9
1966	20.532	0.434	-0.295	0.729	-	0.729	1.6
1967	22.750	1.282	0.469	0.813	-	0.813	1.7
1968	26.646	2.358	1.200	-	1.158	1.158	2.2
1969	25.994	2.350	1.192	-	1.158	1.158	1.9
1970	35.229	2.816	1.429	-	1.387	1.387	2.0
1971	39.820	0.427	-0.761	1.188	-	1.188	1.7
1972	50.483	4.174	2.505	-	1.669	1.669	2.1
1973	63.763	4.021	2.011	1.698	0.313	2.011	2.2
1974	82.676	5.250	2.617	2.480	0.153	2.633	2.4
1975	101.458	22.684	11.342	3.044	8.296	11.342	9.1
1976	127.060	16.194	8.097	3.812	4.285	8.097	5.4
1977	124.119	8.092	4.046	3.723	0.322	4.046	2.4
TOTAL	731.385	69.512	32.870	17.879	18.741	36.623	

Source: Annex 17

the 1965 - 1977 period represented 5 per cent of the mining company's aggregate sales income in this period, considerably less than in the case of L.M.C. and also below the Government's share of the sales proceeds of both LAMCO and Libeth. This is explained by the fact that the ore of the Bong Range is a low grade ore (with an Fe-content of less than 40%) which needs upgrading before it is fit to be shipped to Europe. B.M.C. thus operates at higher costs than the two mining companies referred to above, which mine ore of an extremely high Fe-content and of direct shipping quality.

Another difference with L.M.C. and the LAMCO J.V. is the fact that B.M.C. forms a captive mine for its private owners. The ore mined by the two former companies is sold on the international market (with the exception of the ore bought by Republic Steel from L.M.C. and Bethlehem Steel's share of the production of the LAMCO J.V.). Practically all of B.M.C.'s production, on the other hand, is supplied to the German and Italian owners of the mine, in proportion to their shareholding in the mining company. Though profits remain a yardstick for the efficiency of the mining operations the driving force behind these European investors' coming to Liberia was not the desire to make profitable investments but that of ensuring a continued and independent supply of raw materials for their steel works. To illustrate this, interest payments - which are tax-deductable - alone amounted to $ 92.7 million in the years 1965 through 1977, B.M.C. having financed the greater part of its investments with borrowed funds (mainly from the "Kreditanstalt für Wiederaufbau", a German lending institution which consequently occupies one seat in B.M.C.'s Board of Directors). Before B.M.C.'s major expansion programme of 1975 - 1977 which involved investments of over $ 120 million - also partly financed with funds from the Kreditanstalt für Wiederaufbau - the Kreditanstalt für Wiederaufbau had lent a total of $ 120 million to B.M.C. as of December 1974 (90).

Some of the loans which were contracted to finance this expansion programme have exorbitantly high terms. In December 1975 the Kreditanstalt granted a $ 32 million loan which has an interest rate of 10.25% per annum and which will be due for repayment by December 1982. In June 1976 another loan was taken out from the same institution, this time amounting to $ 23 million, with an interest rate of 9.75% and due for repayment by August 1986. The second of these loans had been granted in U.S. dollars in which currency it will have to be paid back; the former loan had been made in Deutsch Mark.

B.M.C. had been able to finance its investments of the first half of the 1960's with disguised equity although this practice had then already proved to be detrimental to the interest of the Liberians (by LAMCO's way of financing the mining of the Nimba ore deposits). However, the same financing methods were used with respect to the financing of B.M.C.'s expansion programme of the 1970's. As of December 31, 1976 the Italian Finsider Group had granted loans totalling $ 37 million with respect to the expansion programme. Of this amount $ 12 million had been obtained through the E.E.C. In March 1976 Finsider channelled

these funds to B.M.C. in the form of a loan. The interest rate is 10.85% (which probably is less than the percentage Finsider pays to the E.E.C.) and the loan is due for repayment by January 1985. This loan is also in U.S. dollars (91).

The borrowing practices of the investors in combination with the use of a currency - the U.S. dollar - which showed fundamental weaknesses during the past decade has constituted further losses for the Liberian Treasury. As most of the loans with respect to the Bong Project had been made in Deutsch Mark and Swiss francs whereas repayments had to be made from dollar funds the mining company incurred exchange losses which totalled $ 40 million in the years 1969 (when the first major DM/US $ fluctuation occurred) through 1976. Of this amount $ 21.4 million had been charged to income as of December 31, 1976 resulting in a loss for the Liberian Treasury amounting to $ 10.7 million.
The conversion of two loans in December 1972 which Finsider had granted B.M.C. in March 1966 and November 1972, totalling $ 5.2 million, into a loan of DM 16.8 million (at the rate of exchange then prevailing) while simultaneously (slightly) lowering the interest rate - a decision taken without consulting the Government of Liberia - cost the Government almost $ 1 million (up to December 1976) as B.M.C. suffered larger exchange losses after this conversion. As the then Minister of Finance and member of the Board of Directors, Stephen Tolbert, at the May 1973 Board meeting objected to this conversion because of its consequences for the Government and consequently abstained from voting on the resolution approving the 1972 financial statements the Liberian Government may well be able to contest the validity of the company's decision and refuse to bear the financial consequences of this conversion (92). The 1958 Concession Agreement had also exempted interest payments on stockholders' loans from taxes - which constituted another loss for the Liberian Treasury. In the beginning of the 1970's this situation was changed.

In 1971 a Tax Treaty between Liberia and the Federal Republic of Germany was concluded, retroactively effective as of 1970. On November 15, 1971 the Government and the German owners of B.M.C. signed an agreement which introduced a non-resident withholding tax, to be paid on the interest income on stockholders' loans - though at a reduced rate of 8.5% instead of the regular 15% - and retroactively applicable to interest paid by B.M.C. on or after July 1, 1970. This increased Government's revenue from the mining venture by over $ 1 million in the 1970 - 1977 period. The Italian participants in B.M.C. also agreed to pay withholding taxes on interest income from stockholders' loans as of January 1, 1975 by the Supplemental Concession Agreement of December 16, 1974 (see below).
However, the interest paid on the $ 12 million loan provided by Finsider through the E.E.C. will not be subject to withholding tax under this Supplemental Concession Agreement, the 1974 Agreement, which exempts loans granted by

> *"any creditor of the Concessionaire which is a governmental or international lending institution"* from tax (93).

Interest payments on the balance of the funds which Finsider

loaned Bong for its expansion programme, $ 25 million, was also exempted from withholding taxes. A two years' exemption was granted on December 26, 1975 by the then Minister of Finance and Steve Tolbert's successor at the Ministry of Finance, Edwin Williams. In 1977 Finsider claimed continued exemption from withholding taxes on the interest payments on this $ 25 million loan, basing its claim on the exemption granted the Kreditanstalt für Wiederaufbau (94). Though the Italian company's position was far from strong in this respect the dispute was not yet solved on December 31, 1977 when the two-year exemption period expired.

As a result of B.M.C.'s borrowing practices the company's debt-equity ratio was 4.9 : 1 as of December 31, 1976. The original Concession Agreement did not include a maximum debt-equity ratio. However, the revised Concession Agreement of 1974 stated that interest and financing charges on loans contracted between August 1973 and December 31, 1980 could only be charged against Profits if the debt-equity ratio did not exceed 3 : 1. The provision, however, had been waived in the case of interest and financing charges on

> *"any long-term indebtedness incurred in connection with special circumstances on any major expansions, or investments related to an improvement of the productivity, provided the Concessionaire shall first have obtained the approval of the Government"* (95).

It is not certain that the Government has officially given its approval in this respect though the Government's representatives on B.M.C.'s Board of Directors (one of the results of the 1974 Revision) appear to have given their approval to these borrowings. However, the explicit mentioning of the long-term character of these loans in the case of a waiver may entitle the Government to restrict a waiver precisely to those loans which deserve such a qualification and are neither medium-term nor short-term borrowings.

The 1976 debt-equity ration of nearly 5 : 1 constituted an increased dependency on borrowed funds when compared to the 1965 situation. After the completion of the initial investments in 1965 (which had been financed with loans of over $ 66 million) the debt-equity ration had been 4 : 1. In the second half of the 1960's stockholders' loans had represented approximately 25% of all borrowed funds at a cost to the Liberian Treasury of some $ 1.8 million in the 1965-1969 period only (96). This excessive use of "disguised equity capital" had led to an agreement between the Government and the private shareholders in 1972 (when the debt-equity ratio had risen to 6.17 : 1) according to which part of these stockholders' loans, amounting to $ 4 million, would be treated as non-interest bearing loans for a period of eight years commencing January 1, 1973. In connection with the expansion programme of the 1970's it was later agreed that a further $ 10 million of shareholders' loans would be treated as non-interest bearing as from July 1, 1977 (97).
Bong's debt-equity ratio had also been involved in the

negotiations which were held between B.M.C. and the Government, mainly represented by J. Milton Weeks and Cyril Bright, Secretaries of the Departments of the Treasury and Planning and Economic Affairs respectively. These negotiations focussed on a revision of the 1964 pricing formula. In 1964 B.M.C. had agreed that for a period of ten years the sales price of its concentrated ore would be the same average price the German steel works had paid L.M.C. during the past five years. As prices dropped substantially in the years following this agreement the owners of the mining company wanted to revise this pricing agreement according to which they were paying more for the concentrates produced by their own company in Liberia than it would cost to buy them on the international market.
An attempt to have this arrangement changed, already made in 1966, failed, although a compromise was reached in that any production in excess of 3 million tons could be sold at the prevailing world market prices. (This largely explains Bong's expansion activities of 1967 - see Table 16 the "Summarized History of B.M.C."). The second effort of the Germans was more successful In September 1968 it was agreed that Bong would be allowed to abandon the 1964 pricing arrangement in exchange for (I) a withholding tax (on interest payments) provided, however, that a tax credit be obtained in the country of the investor(s) (which was realized 1971 and 1974 with respect to the German and Italian investors respectively, see above), (II) a vague promise to undertake as soon as would be possible an appropriate modification of the debt-equity ratio, and (III) an expansion programme of approximately $ 44 million (98).
Though the Treasury did benefit from these withholding taxes, the majority of B.M.C.'s loans were exempted from this tax (i.e. the interest payments made on loans from the Kreditanstalt für Wiederaufbau which loans formed the major portion of B.M.C.'s indebtedness in combination with the exemption granted to Finsider). This, together with the loopholes included in the provisions of the 1974 Supplemental Agreement with respect to the maximum debt-equity ratio of 3 : 1, makes the overall result of the 1968 revision of the pricing formula appear to have been to the advantage of B.M.C. and to the disadvantage of the Liberian Treasury.

The 1974 Supplemental Agreement

In April 1973 negotiations started for a review of the 1958 Concession Agreement. A supplemental Agreement was concluded on December 16, 1974. The signing coincided with the merger of B.M.C. and DELIMCO, a merger which was effective retro-actively to January 1, 1974, and which made B.M.C. the Concessionaire. The ownership structure was not fundamentally changed, the Government maintaining its 50% interest through the ownership of the Class A Common Stock of B.M.C. whereas an equivalent amount of Class B Common Stock is being held by the private investors, the owners of the German, Italian and Dutch steel works.

TABLE 16

CHRONOLOGY

SUMMARIZED HISTORY OF B.M.C.

1935	Discovery of iron ore deposits in the Bong Range
1957	Geological Surveys of the Bong Range by Gewerkschaft Exploration
1958	Surface prospecting and ground magnetic surveys by Gewerkschaft Exploration Concession Agreement with Gewerkschaft Exploration/ DELIMCO Incorporation of DELIMCO
1961	Formation of Bong Mining Company Participation of Italian steel works in B.M.C.
1962	Assignment Agreement between DELIMCO and B.M.C. Consulting Agreement between B.M.C. and Gewerkschaft Exploration (amended 1965)
1962/1965	Construction Period
1964	Pricing Arrangement for concentrates and pellets Financial Agreement between DELIMCO and B.M.C.
1965	First shipment of concentrate
1966	New pricing arrangement for concentrates and pellets
1967	First extension of the Concentrator
1968	Start corporate income tax payments New pricing arrangement
1969	Second extension of the Concentrator
1970	Improvement of facilities for ore-carriers in the Freeport Construction of a blending plant for crude ore Extension of the power plant Agreement between the German steel works and the GoL
1971	Completion of the first pelletizing plant
1972	Third extension of the Concentrator Further extension of the power plant as well as of other facilities
1973	Extension of ore storage capacity at Freeport
1974	Merger of DELIMCO with B.M.C. into Bong Mining Company Revision of the 1958 Concession Agreement
1975	Start of a $ 120 million extension programme
1976/1977	Construction of a second pelletizing plant

Sources:

- "Technical Information", pamphlet published by B.M.C., Bong Range, Salala District, Bong County, Liberia, December 1976 (pp.3 and 4);
- Information Pamphlet "Bong Mine" published by the Information & Public Relations Department, Bong Mining Company (Undated; probably published in 1976);
- Concession Secretariat, Ministry of Finance, Monrovia.

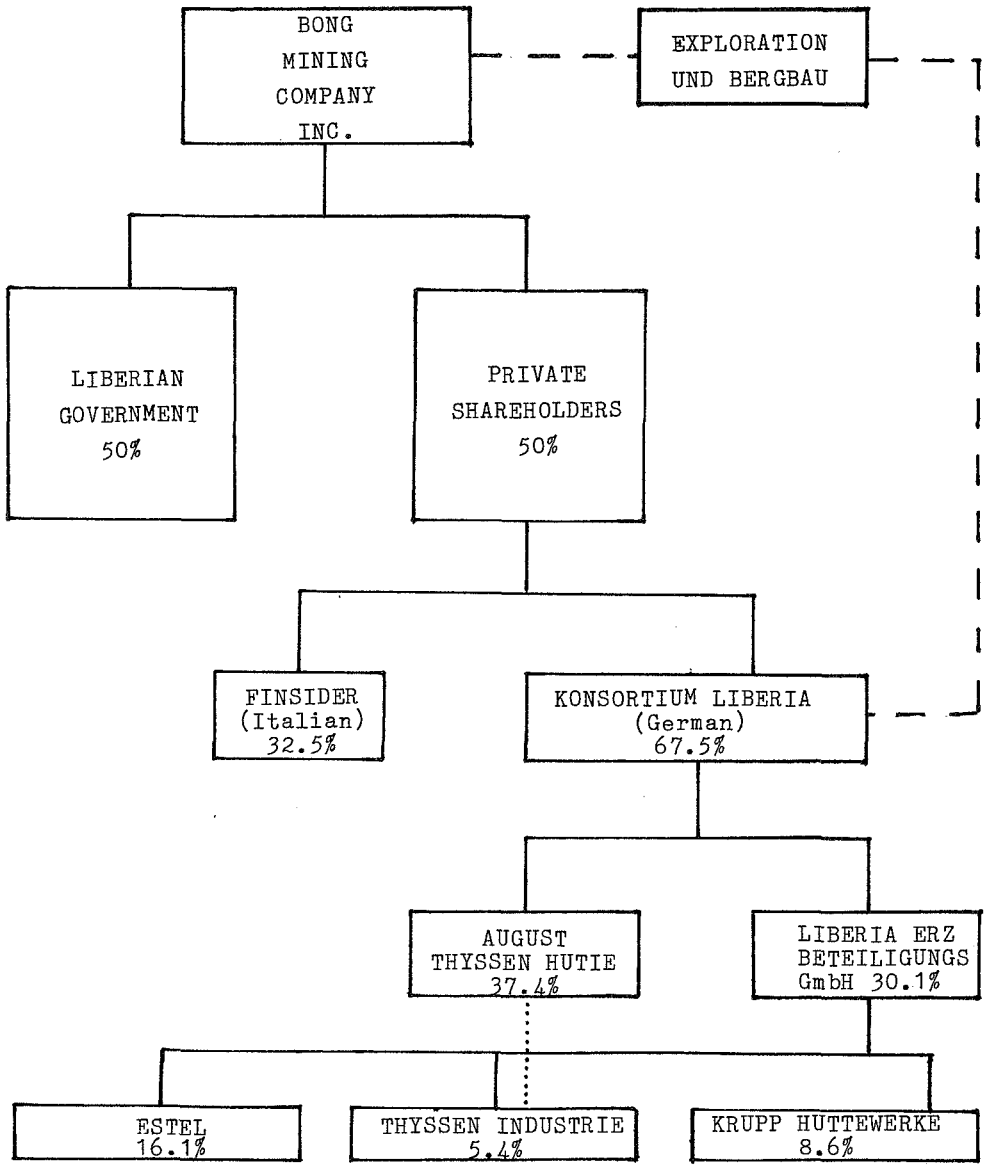
The Dutch had already joined in 1972 through the merger of Hoesch A.G. and the Dutch steel company of "Hoogovens" into "Estel". In 1976 yet another change in ownership occurred when the German Steel Company of August Thyssen-Hutte, the largest single private shareholder in B.M.C. acquired Rheinstahl A.G. (including its 5.4 % interest in B.M.C.) through its 100% subsidiary of Thyssen - Industrie A.G. Lastly, in 1975 the Iranian Government had bought a substantial portion of the shares of Friedrich Krupp Huttewerke, owner of 8.6% of B.M.C.'s Class B Common Stock. (see Chart 3 "Ownership Structure of B.M.C. as of December 31, 1977").

Exploration und Bergbau (formerly Gewerkschaft Exploration) plays an important role in the mining company. Under the Consultancy Agreement of August 1, 1962 Gewerkschaft Exploration already handled all work in connection with the Bong mine which was not undertaken in Liberia, e.g. investment planning and control; tendering, the signing and supervising of contracts; recruitment of ex-patriate labour; accounting and bookkeeping; financing and management of funds outside Liberia. In 1965 the original agreement (of 1962) - under which a fee of 7.5 cents per ton of shipped concentrate was paid for these services - was substituted by an arrangement which provided for only the reimbursement of actual costs of these services whereas Gewerkschaft Exploration was (by the same agreement) charged with all work concerning the planning, construction and operation of the first pelletizing plant (which started operations in February 1971). Actual expenditures made on behalf of B.M.C. were considerable and were equivalent to 32.4 cents per metric ton or 1.6% of sales revenue in 1976 (99).
Exploration und Bergbau is a non-profit organization and a service company to the German steel industry, providing services to both B.M.C. and the "Konsortium Liberia" (for which it is reimbursed at cost. This reimbursement does not include a profit margin - unlike Granges/LAMCO and M.M.A.L./N.I.O.C.). It holds the shares in B.M.C. on behalf of the German steel companies participating in the Konsortium Liberia. Exploration und Bergbau also acts as B.M.C.'s agent for sales to the German buyers but B.M.C. does not pay commission on sales to affiliated companies and as sales to non-affiliated companies are insignificant the costs of sales are virtually limited to the payment of sampling fees. In the 1970's these fees averaged about $ 150,000.00 per year in the case of Exploration und Bergbau and nearly $ 60,000.00 per year for Italsea, B.M.C.'s Italian agent for sales to Italian buyers. Contrary to Exploration und Bergbau Italsea is not affiliated to the private investors in Bong (100).

CHART 3

BONG MINING COMPANY

OWNERSHIP STRUCTURE AS OF DECEMBER 31, 1977



Prices of sales to affiliated corporations are defined as follows:

> *"Market prices f.o.b. Monrovia for sales of concentrates and pellets to any affiliate of Concessionaire will be calculated annually based on the contract price c.i.f. Rotterdam in respect of the iron content comparable concentrates or fine ores and comparable pellets, respectively, bought by the German and/or Italian steel works affiliated to the Concessionaire, deducting the annual freight cost, insurance and connected charges, contracted for the transport of concentrates and pellets, respectively, from Monrovia to Holland"* (101).

According to an investigation conducted in 1977 and covering the years 1973 through 1976 Bong's market prices had been fairly calculated (102).
A possible source of disagreement, however, is the testing of the ore at the port of discharge to determine the Fe-content of each shipment - the basis on which the f.o.b. value is determined - by an employee of Exploration und Bergbau on behalf of B.M.C. As the employee of Exploration und Bergbau who carries out the testing is indirectly employed by the buyers of the ore an undesirable potential conflict of interest is created (103).

The concession Agreement states that generally accepted accounting principles must be applied except where specifically excluded by the Agreement. However, in 1978 the Government commissioned auditing firm of Whinney Murray Ernst & Ernst concluded that for the period 1973 through 1976 in eight different instances deviations from these principles had occurred resulting in an understatement of the company's net profits in this period of $ 4,460,000.00. In this way the Government was deprived of about $ 2.2 million in corporate income taxes from the company (104). The auditing firm at the same time reported that certain comments, criticisms and suggestions made by Whinney, Murray & Company in 1970 when submitting an audit report of the company's 1968 Financial Statements - and which resulted in over $ 100,000.00 additional payments - were still valid (105).
The Supplemental Agreement failed to bring about improvements with respect to fundamental issues such as the tax-exemptions. Exemption from customs duties and excise taxes alone saved B.M.C. over $ 6 million in one year (1976) (106). This represents a loss of about $ 3 million for the Treasury or nearly 40% of the amount actually received from the company in this year. Also B.M.C.'s claim on a concession area which is far in excess of its actual needs and for a period which far exceeds the expected life of the mine remained unchanged in the 1974 Supplemental Agreement. The Agreement will expire on December 18, 2028 whereas the ore reserves of the Bong Mine will be depleted by 1990. It should be borne in mind, however, that these remarks apply to most of the Agreements held by other Concessionaires.

A major improvement of the Agreement was the clause providing for a minimum royalty to be paid by B.M.C. and amounting to 3% of the company's sales revenue. This royalty has to be paid each quarter and at the end of the year the Government receives corporate income taxes amounting to 50% of the company's net profits whereby royalties paid act as a credit against tax payments. Thus, in years when profits are low or even zero, the Government is sure of receiving a minimum of 3% of the total sales proceeds from the venture (107).

Some aspects of B.M.C.'s performance

Despite the above, B.M.C.'s performance both with respect to the Liberian economy in general and in terms of cooperation between private investors and the Government of an underdeveloped country which possesses valuable natural resources still ranks among the best when compared with the activities of other foreign investors. B.M.C. is the only foreign concessionaire which keeps complete financial and operational records in Liberia. Documents pertaining to operations in Liberia and transactions and expenditures in the F.R.G. are kept in the company's offices in Bong.

The company's administration is entirely computerized. Warehouse inventories, the handling of materials, payrolls, expenses, depreciation, the fixed assets records etc. are all maintained on the computer. All payments made by Exploration und Bergbau and data with respect to sales transactions are punched onto computer tape in Germany and sent to West Africa for processing on Bong' computer. B.M.C.'s "on-line" computer system, in use since August 1976, was reported to be the first of its kind in West Africa (108). Given Liberia's poorly developed manpower potential the use of advanced technologies increases the country's dependency on foreign manpower - the more so as the country's educational system fails adequately to respond to these changing circumstances. At the same time it hinders the immediate access of Liberians to essential data with respect to the company's performance.

B.M.C. represented Germany's largest single private investment in tropical Africa (109). As of November 30, 1976 total investments in Liberia amounted to $ 246.5 million which constitutes this country's second most important private investment (the first being LAMCO J.V. whose investments roughly totaled $ 360 million on the same date). Replacement values of these investments are of course substantially higher than these amounts and may be estimated at twice the amounts mentioned above.

TABLE 17

INVESTMENTS OF THE BONG MINING COMPANY

November 30, 1976

(millions of U.S. dollars)

Mine	$ 25.1
Blending Plant	2.7
Concentrator	43.4
Pelletizing Plant	45.3
Operation Area	13.3
Power Plant	28.2
Water Supply	8.5
Railroad	29.5
Port	12.8
Townsites	22.6
Exploration and planning costs	15.1
TOTAL	$ 246.5

Source:

- "Technical Information", pamphlet published by B.M.C., Bong Range, Salala District, Bong County, Liberia, December 1976.

In financial terms some other Concessionaires contributed much more to the Liberian Treasury than the Bong Mining Company. This is mainly explained by the difference in character of the mining operations resulting from the use of an ore with a much higher Fe-content as is e.g. the case of LAMCO and L.M.C. The ore mined by these two companies was almost pure iron ore and needed no up-grading. LAMCO has even been called a transporting company rather than a mining company as its activities (prior to the installation of a pelletizing plant) were virtually limited to the blasting of rocks which form the Nimba Mountain, and the hauling, crushing and transporting of the ore thus produced to the port of Buchanan where the ships are waiting to receive the ore. The process of transporting the ore from the Nimba Mountains to the ships is fully mechanized (110). The pelletizing plant which LAMCO has operated since 1966 produces pellets (small "balls" of approximately ½ inch in diameter

which can be fed directly to blast furnaces) from hematite ore with a FE-content of 64 - 66%. Bong's pelletizing plant, on the other hand, treats itabirite ore with an average Fe-content of only 38.7% and which is first upgraded in a concentrator to 63.5%. The difference in character of the operations of the two mining companies is clearly demonstrated by LAMCO's policy to discard ore with an Fe-content of less than 45% (111).

THE LIBERIAN IRON AND STEEL CORPORATION

The Loma-people in the northwestern corner of Liberia knew of the existence of iron bearing rocks in the Wologisi Range and even developed small-scale smelting of iron in the 19th century (112). Twisted iron bars were produced and introduced as a medium of exchange. (Not until the second half of the present century was this locally produced money completely replaced by the U.S. dollar and by Liberian coins). In 1934 President Edwin Barclay made payment in western currency compulsory for traders who wanted to purchase products in the interior of the Republic (113).

The Wologisi Range is located in northwestern Liberia, about 140 miles from Monrovia - as the crow flies. The area was aeromagnetically surveyed for the first time in 1953 by the Aero-Service Corporation of Philadelphia as part of a general survey of Liberia (which also resulted in the "discovery" of the Putu iron ore deposits). The potential mining area occupies about 14 miles of the Range, between the villages of Kpandemai and Dabu. The greater part of the Range, however, is still covered by heavy, primary rainforest. Mainly to the west of the mountainous area there are open areas, the so-called "grass-fields" which form a landscape of a savanna type (114).

Lee Edgar Detwiler (1966)

Mid-1966 Lee Edgar Detwiler turned up again in Liberia, this time with the Liberian Iron and Steel Corporation (LISCO), the successor to the Kitoma Trading and Mining Company after he had reached an understanding with the owner(s) of this company.

As may be recalled, the Kitoma Trading and Mining Company, a Liberian-owned company, in 1964 had concluded a mining concession agreement with the Liberian Government. In 1965 LAMCO had successfully claimed the Kitoma area when the Attorney General, James A.A. Pierre, had declared the 1964 Agreement a voidable and unenforceable document. The owner of the company, Togba, subsequently had been compensated by LAMCO. He also had been granted exploration rights with respect to Mount Wutivi in the Wologisi Range and a promise of the Liberian Government that in

due time a mining concession agreement might be concluded in respect of this area.
Detwiler claimed that he was entitled to the Concession Agreement of the Kitoma Trading and Mining Company - with the exception of the rights to the Kitoma area - after his agreement with Togba. Then he approached the Liberian Government for a number of changes of his Agreement, apparently after going through all of the major concession agreements that had been concluded by that time and picking out those provisions which best suited his interest (115). The Liberian Government, in the initial stages of negotiations with Detwiler ably represented by the then Secretary of Planning and Economic Affairs, J. Milton Weeks, held the view that the Kitoma Concession of 1964 had been declared void and unenforceable and that no concession agreement existed in respect of the Wologisi Range as Togba had only been promised the Government's support in obtaining a concession agreement for this area for which he, Togba, had only been granted exploration rights as far as Mount Wutivi was concerned. Subsequently, on August 1, 1966 LISCO was granted a one-year exploration permit for the Wologisi Range (116).
On the basis of his - disputed - claim Detwiler had interested two major steel companies in the U.S.A. in the Wologisi ore deposits. The companies concerned here were the ARMCO Steel Corporation and the U.S. Steel Corporation. In August 1966 negotiations between the Government and Detwiler for a mining concession agreement started. However, relations between the latter and the Government's chief negotiator Secretary Weeks were far from harmonious (117) and when Detwiler submitted his draft agreement Weeks raised many and serious objections to Detwiler's proposals. By including in his draft agreement certain of the provisions of the Kitoma Concession Agreement, which he continued to claim through his Liberian Counsel William V.S. Tubman Jr., Detwiler applied for the exclusive rights with respect to a great variety of minerals and mineral products, not only including all kinds of ores but also hydro-carbons, precious metals, diamonds and " *nuclear materials*".
Secretary Weeks pointed out that the steel companies were interested only in iron ore in the Wologisi Range and that the inclusion of other minerals or of other areas in the concession area would be immaterial to their investment decisions (118). Detwiler's plans at that time were to assign the iron ore part of the Project to a Joint Venture consisting of ARMCO Steel and U.S. Steel which assigned company was to own and operate the iron ore venture whereas LISCO would retain the rights to the other minerals. LISCO's equity capital would be 80% owned by a holding company, the Liberian International American Corporation, a U.S. Corporation which Detwiler alleged consisted of a group of bankers. The remaining 20% equity of LISCO would be available to Liberian participants. The Joint Venture was to pay to LISCO (for granting the concession and other services) 34% of the net profits before taxes derived from the venture. (This payment constituted a finder's fee proper as LISCO did not commit itself to provide equity or raise capital in return for this fee). This income of LISCO would be subject to a 50% corporate income

tax in Liberia but only after a series of deductions, including administrative and operational expenses in respect of the development of the Wologisi concession area. The Joint Venture's profits would be subject to a 50% tax but as a result of the construction proposed by Detwiler, to which the steel companies had already agreed, the effective corporate income tax would only be some 33%. The Liberian Government would be assured of only this portion of profits as the income from taxes paid by LISCO would be very uncertain (119).
When the negotiations were not immediately successful Detwiler tried to put pressure on the Government by temporarily suspending the exploration work (120). On the one hand, the Liberians were anxious to conclude a concession agreement for the development of the Wologisi Mountains as after 1969 the country would be faced with accelerated debt-service payments as the result of the re-scheduling of the country's debt in 1963. This explains why President Tubman wanted the agreement concluded by September-October 1966 (121). On the other hand, Planning Secretary Weeks - both on the basis of past experiences and not wanting to establish a precedent - stressed the idea of gradually improving the terms upon which concessions would be granted, e.g. by requiring a minimum equity share in the total capital of the company, a limitation of the fiscal exemptions, a clearer definition of the obligations of the concessionaire, the removal of those provisions of Detwiler's draft agreement which were in conflict with existing Liberian legislation, and the questioning of the appropriateness and justification of the depletion allowance Detwiler had demanded (122). The steel companies seemed to be genuinely interested in the Wologisi ore, although they did not give the impression of wanting to rush things - unlike Detwiler. They demanded equality of treatment as compared to other U.S. steel companies operating in Liberia: Republic Steel (L.M.C.) and Bethlehem Steel (LAMCO J.V.) (123). One can say that where the Open Door Policy stands for equality of treatment, their demand was fair and justified.

The Government's policy during the negotiations in the second half of 1966 was to bring the steel companies directly into the negotiations thus reducing their reliance on Detwiler, the investors' chief negotiator. At the end of 1966, however, when no agreement had been reached, the steel companies withdrew from the Project. Little is known about the details of the subsequent negotiations in 1967 between Detwiler and the Liberian Government. However, in March 1967 Weeks was appointed Secretary of the Treasury and was succeeded at the Department of Planning and Economic Affairs by Cyril Bright, until then his Deputy at the Planning Department. At that time negotiations with prospective investors for the conclusion of concession agreements were entrusted to the Department of Planning and Economic Affairs, so that Weeks was no longer the principal negotiator with Detwiler. On August 1, 1967 LISCO's exploration permit with respect to the Wologisi area expired and seventeen days later a concession agreement was finally concluded.

The 1967 concession agreement with Lee Edgar Detwiler

LISCO was granted a 70-year concession which gave the company the exclusive rights to explore for iron ore, manganese, bauxite and other mineral resources in the Exploration Area, the Wologisi Mountain Range in Lofa County, during an Exploration Period of 5 years, and exclusive rights with respect to iron ore, manganese and bauxite deposits in Exploitation Lots, selected from the Exploration Area, but not totalling more than 300 square miles (approximately 192,000 acres). The company obtained an option to negotiate a concession agreement with respect to other ores, metals and minerals found in the concession area (124).

The concessionaire would pay a 50% corporate income tax but was allowed numerous deductions for tax purposes such as all taxes, fees etc. paid to the Government, explicitly excluding income taxes paid but explicitly including royalty payments and a depletion allowance. Thus the royalty of 15 cents per ton of ore in effect became 7½ cents per ton of ore.
A depletion allowance had been questioned from the beginning of the negotiations yet it was granted. This depletion allowance was a special allowance, officially intended to facilitate accelerated debt repayment by the Concessionaire. It amounted to 15% of LISCO's Gross Receipts, provided the amount of the deduction did not exceed 50% of the Net Income of the year in which it would be deducted and further provided that the amount of the deduction would be applied in its entirety against indebtedness in addition to current debt repayment from depreciation and amortization allowances. The depletion allowance would not be applied in any one year to the extent that it would reduce net taxable profits below an amount equivalent to one dollar per ton of ore exported nor was the depletion allowance or any part thereof which had not been deducted in any one year to be deducted in any of the following years. As soon as LISCO's indebtedness would be liquidated the depletion allowance would cease to be deducted (125).
The concession agreement did not provide for a maximum debt-equity ratio but instead included a rather loose and vaguely formulated obligation *"to guarantee the continuing solvency of the Company and to protect the legitimate interests of the Government, the lenders as well as the shareholders;" (126).*
Although only interest payments and not the repayment of the principal were to be deducted from Gross Income (unlike the arrangements made with LAMCO and DELIMCO) the deduction of a depletion allowance in the case of LISCO in effect served the same purpose and - if put into practice - would erode the Government revenue in the same way as it had already done in the case of the LAMCO J.V. and DELIMCO. In view of the experience gained in the gigantic debt-servicing of these two companies the Government should have known better.

Another disputed issue which the Government had lost was the

pricing of the company's output for tax purposes. In vain it had been emphasized by the Government that pricing for tax purposes should be more clearly defined. A small success for the Government was the limitation of a loss carry forward privilege to a number of years only, viz., 8 years (in the final agreement), though initially the Government had insisted that all deductions for tax purposes should be limited to a definite period. With the exception of the loss carry forward privilege this was not realized in the final agreement.
LISCO thus was for the entire term of the concession exempted from customs duties, excise taxes etc.
It was further agreed that the concession would be cancelled if active exploration had not started within 6 months after the Effective Date of the Agreement or if no commercial shipment of iron ore had been made within four years after the expiration of the 5-year exploration period (127). These conditions indeed constituted improvements when compared to e.g. the 1953 and 1960 Mining Concession Agreement concluded with LAMCO. These agreements did not contain such provisions but in the LISCO Concession Agreement *"active exploitation"* was very vaguely described, whereas e.g. in the Agreement concluded with Lansdell Christie in 1945 it was already stated that *"It shall be considered that exploitation work is carried on in an exploitation lot when at least five workmen work therein daily and some mechanical apparatus is in active use" (128).*
Even the 1958 Concession Agreement with NIOC still described *"active exploitation"* more precisely than the LISCO Agreement by providing that *"It shall be considered that exploitation work is carried on in an Exploitation Lot when an average of at least five workmen work there in an average of four months a year and some mechanical apparatus is in active use thereon or on access roads or means of transportation to such lots"* (129).
See Annex 14 for further details of the LISCO Concession Agreement.

Rumenian interest in developing the concession

Little is known of the ups and downs of LISCO after September 1967. The Rumenians apparently showed an interest in the Project in 1968 when a Trade Delegation from Rumenia visited Liberia and visited the Wologisi Range upon invitation of LISCO. Their interest did not result in participation, probably because of difficulties in obtaining hard currency although President Tubman's aversion to relations with Communist countries may also have had an influence. When in 1971 William Tolbert succeeded Tubman he changed, among other things, Liberia's official foreign policy towards the countries of Eastern Europe although attempts in the early 1970's to interest the Rumanians again in the Wologisi ore failed (130).

Changes of the concession agreement

The failure to have the Wologisi ore deposits exploited immediately after the signing of the concession agreement with LISCO in fact constitutes a clear signal to revise or adjust the official policy in respect of the development of the nation's natural resources by relying almost exclusively on foreign investors. Soon after the death of President Tubman an increasing number of persons expressed this view and subsequent political developments showed that a change of policy was contemplated.

The original concession agreement with LISCO, approved by the National Legislature on September 8, 1967, was amended on July 17, 1974. This amended version was approved by the Legislature two days later. The following year, on June 2, a new Concession Agreement was agreed upon and signed. The 1975 Agreement - which did not change the original term of the concession and will therefore expire on September 8, 2037 - partly revised the 1967 Agreement.

It contains a provision allowing for a periodic review (contrary to the original concession agreement). However, the right to demand a review was waived during the first 13 years after the date of the first commercial production.

The new agreement also reflected the changes of the concession policy of the Tolbert Administration with respect to iron ore mining concessions as this had already resulted in revised agreements with LAMCO and DELIMCO, though - as we have seen above - these changes did not fundamentally affect the relations between the Government of Liberia and the foreign investors and mainly aimed at increasing revenues for the Treasury, at furthering Liberian participation on the staff-level of the foreign companies and at rectifying some obvious omissions in the original agreements. On December 1, 1976 a Supplemental Agreement to the 1975 Concession Agreement was signed, followed on May 11, 1977 by an Addendum to this Supplemental Agreement (approved by the National Legislature on August 19 of the same year (131).

Management, sales, and technical services agreements; change of ownership

When LISCO and the Liberian International American Corporation (L.I.A.C.) signed a management agreement on October 20, 1967, the management of the concession was enthrusted to L.I.A.C. This company is 80 per cent owner of LISCO; under the 1967 Concession Agreement 20% of LISCO's shares had to be offered to

Liberian citizens. On October 11, 1974 the management contract was amended transferring the management to the Amax Liberia Corporation, a Liberian subsidiary of Amax Inc. (until July 1, 1974: American Metal Climax, Inc.). This U.S. mining company had become interested in the development of the Wologisi ore deposits. On December 24 of the same year a Manager's Tax Agreement was concluded between the Liberian Government and the Amax Liberia Corporation. The Tax Agreement stipulated that no exchange control regulations, if ever introduced in Liberia, would affect the Managing Company, that the transfer of e.g. dividends and of payments of interest, principal and premium by the Manager would at all times be free, and that the funds would always be convertible into U.S. dollars or any other currency at the then prevailing rate of exchange. Notwithstanding this, the Manager agreed to maintain one or more accounts with Liberian banks in amounts sufficient at all times to provide for payments of current operating expenses incident to its operations. It was also agreed that the Manager's (net) income from management fees would be taxed at a rate of 50%. No tax would be levied on or with respect to any income derived from the capital stock of the Managing Company. The Manager's company would be exempt from all other taxes or charges (measured by income) and would, in general, be subject to the Liberian income tax laws of general application. With respect to arbitration the same rules apply as had been agreed upon with the 1975 Concession Agreement (Article 14) (132).

On December 24, 1974 a Sales Agency Agreement had also been signed between LISCO, the "Japanese Group" and Amax Inc. The Japanese Group consists of five Japanese companies, notably Kawasaki Steel Corporation, C. Itho & Co. Ltd., Nissho - Iwai Co. Ltd., Marubeni Corporation, and Tiyo Menka Kaisha, Ltd. A Sales Agency Tax Agreement, necessitated by the Sales Agency Agreement, was signed the same day between the Liberian Government, the Japanese Group and Amax Inc. This Tax Agreement stipulated that the Sales Agent should maintain in Liberia complete and accurate financial records in connection with its sales agency activities. The other provisions of the Agreement were identical to those of the Manager's Tax Agreement (see above) (133). Also concluded in the same year was a Technical Services Agreement between Amax Inc. and the Japanese Group on the one hand, and Canadian Bechtel Ltd. and Bechtel and Company on the other hand.

The Management and Sales Agency Agreements of 1974 conformed to changes in ownership of LIAC, the parent company of LISCO. On October 11, 1974 a Stock Agreement had been signed, which was amended for the first time on May 13, 1975 and was followed by a second amendment on June 10, 1976. The Japanese Group now owns 51% of the capital stock of LIAC, the remainder being held by Amax (134).

Some reasons why the Wologisi Project did not materialize

The ore reserves of the Wologisi range are certainly attractive. Proven tonnages of iron ore in the Wologisi Main Ore Body are 685 million tons, with an Fe-content between 33.5 and 54% and if one includes the Balagisi ore body proven ore reserves amount to 1,285 million tons. At a mining rate of 28 million tons a year, envisaged by the prospective investors, this would be sufficient for over 20 years of (open pit) mining. Additional tonnages not yet proved may extend the life of the Wologisi mine by a further 20 years (135).
The opening of the Wologisi mine would necessitate investments which at the end of 1977 were estimated at $ 1 billion (136). Such a large investment raises difficulties as to the financing of such a venture (vide the difficulties LAMCO experienced in realising its investments in the Nimba iron ore deposits which were of much higher quality). It also raises the question of the profitibility because the higher the investment costs are the longer it will take before any profits are realized from the venture (regardless of any advantage such an investment may offer in view of its guaranteed source of supply).
The main disadvantage of the ore deposits is their location in the far interior of a country whose lack of infrastructure will necessitate large investments in infrastructural development by future investors. For that reason the Japanese Group suggested that the Liberian Government should seek assistance from the Japanese Government (in the form of loans) for some of the infrastructural development of the Project (137). This is reminiscent of the mining of the Bomi Hills ore reserves by Liberia's pioneering mining company L.M.C. whose exploitation was greatly facilitated by the construction of infrastructural improvements from U.S. Lend Lease Funds. The Wologisi Range is only accessible by laterite roads, laterite airstrip and foot trails which lead to the surrounding towns. None of these are any use for the transport of the ore to the coast where it will be shipped. Unlike the Nimba Ore reserves the Wologisi deposits are not of such an extremely high Fe-content that the construction of e.g. a railroad is warranted. The Wologisi ore would necessitate upgrading, as was the case with ore mined by B.M.C. in the Bong Range. But as Wologisi, like Bong Mines, appears likely to become a captive mine there seems to be no reason why the Wologisi ore should not be exploitable for (industrial) purposes by its owners. The investors have contemplated constructing a railroad as well as transporting the ore by slurry pipeline to the Port of Monrovia. Plans for developing a harbour at Williamsport (between Monrovia and Grand Cape Mount County's capital of Robertsport) have also been discussed but the costs involved were considered prohibitive. A possibility would have been to construct a railroad to the Nimba-Buchanan railroad operated by LAMCO, a distance of less than 100 miles, but the LAMCO Concession Agreement gave that Company the right to refuse to transport or ship iron ore of others using its

railroad or port (138). As may be recalled the port of Buchanan was initially constructed by LAMCO.

Another factor hampering the development of the Wologisi deposits was the slump in the steel industry in the mid-1970's. This can only be considered as a factor postponing the opening of the Wologisi Mine. As soon as the recovery of the international economic situation is a fact this will no longer play a role in the postponement of the investment decisions.
A last obstacle is the position of the U.S. dollar, Liberia's currency. As from the early 1970's the downward trend of the U.S. dollar contributed to the postponement of a final decision to launch with the investments in the Wologisi Project. Certainly the incentives offered by the Liberian Government will not have provided any reason to postpone the investments. Among these incentives one notes:
- a depletion allowance with a maximum of 50% of Gross Income.
- a contractual freedom of exchange control regulations
- freedom from custom duties, excise taxes, etc.
- tax-deductions of all payments to the Government except corporate income taxes
- a Government controlled Trade Union organization
- the absence of an obligation to supply a portion or the whole of the production to a Liberian steel company.

The growing impatience as well as the continued uncertainty as to when the ore deposits of the Wologisi Range would, if ever, be exploited stimulated a number of Liberians in the second half of the 1970's to propose exploitation by a State-owned company, to be financed with funds from international development banks. This opinion was no doubt influenced by the developments in Mauretania, Africa's second most important iron ore producer. In November 1974 the Government of Mauretania had nationalized the largest iron ore mining company in the country, MIFERMA. In January 1978, however, it was announced that the Mauretanian State was to develop the enormous iron ore deposits of Guelbs (total of initial investments: $ 460 million) through the State-owned company of S.N.I.M. - Société Nationale Industrielle et Minière - and with the financial support of Western (I.B.R.D., E.I.B.) and Arab capital. The external capital, amounting to $ 360 million, combined with $ 100 million which would be provided by the S.N.I.M., would be used to mine a low grade ore (38% Fe-content) and concentrate this to a saleable product with an Fe-content of approximately 65% (139). The similarity to the Wologisi Project is obvious, though the latter would require double this amount of investments, but the opinion was held in Liberia that the Liberian Government should be able to attract financial capital from outside, the more so as it had never nationalized any corporation in the country (140).

CHAPTER 9 THE FORESTRY SECTOR

THE LOGGING COMPANIES

"One of the most promising prospects for economic development is the commercial exploitation of Liberia's vast forest resourses." (Armstrong - 1962) (1).

In previous chapters the Government's relations with foreign investors and their activities in the agricultural and mining sectors were analysed. Yet a third sector offered the opportunity of a substantial contribution to economic development. Liberia's timber potential also promised a significant contribution to Government revenues, an important source of employment, as well as an incentive for rural (infrastructural) development, and a much needed means of diversifying the national economy through the introduction and development of wood-processing activities. Although the first commercial exploitation of Liberia's tropical rain forests might have taken place in the first decade of the present century, the country's forest resourses remained virtually untapped until the late 1960's. The reasons for this will be explained below.

Introduction

The occurrence of a species of tree is determined by climatic and ecological conditions and is greatly influenced by human habitation and other activities. Notably the traditional way of farming (through shifting cultivation) is responsible for a non-negligible destruction of forest resources.
Liberia's humid and tropical climate has resulted in an abundant vegetation which varies according to rainfall, temperature, soil type and the country's topography.
(I) Rainfall is extremely high with 150 - 200 inches of rain near the coast and 70 inches further inland (yearly), most of which falls between April and November. This results in an average relative humidity of over 80 percent.
(II) Temperatures vary between 50 and 100 degrees F (10-38 degrees C) according to season and region, with an average annual temperature of approximately 80 degrees F (26 degrees C).
(III) Soils are essentially latosols or lateritic soils which cover about 75 percent of the total land area. Organic matter content is high but the predominant soil forming process is laterisation (though it rarely results in iron pan). As a result of the abundant precipitation and the tropical temperatures the sandy loam soils are highly acid and have a very poor nutrient status. A second type of soils, the lithosols or azonal soils usually reflect local factors (drainage, relief). They cover less than 20 percent of the land area. Clays also occur but on the whole the soils have good permeability and

internal drainage (the country being well drained by a number of large as well as several small rivers running practically at right angles to the coast). A third type of soil is found along the coastline where azonal soils lacking well developed characteristics owing to recent or continuous erosion have developed into regosols. This type of soil covers approximately 5 percent of the total land area.
(IV) Liberia's relief consists of four different natural regions which generally stretch from northwest to southeast and run parallel to the coast.
The coastal zone is made up of a narrow strip of land with an altitude that rarely exceeds 50 feet and which is intersected by lagoons, tidal creeks and marshes. In this strip of land, which is about 10 miles wide, but occasionally extends 25 miles inland, we find oil palms and scrubby bush as well as mangroves.
The second zone is about 15 to 30 miles wide and is called the belt of rolling hills. This is the zone of the evergreen rain forest though much of the original rain forest has disappeared as a result of human activities. The actual secondary bush is periodically cut and burned for agricultural purposes (shifting agriculture). Rainfall in this zone varies between 100-200 inches a year. The altitude varies between 200 and 500 feet.
The third zone is a mountainous area, generally beginning 50-80 miles inland and forming a strip of approximately 20 miles of steeply rolling and hilly escarpment area. Annual precipitation is between 70 and 100 inches. This zone is marked in the western area of the country by the Gibi and Bong Ranges and in the eastern part by the Putu Range. Here deciduous forest can be found. Much of the original vegetation, however, has also been destroyed and burnt to allow agricultural activities.
The fourth zone is in the northwestern corner of the country - the upper part of Lofa County - and in some parts of Nimba County where the vegetation is savanna woodlands of the Guinea savanna type, with its high elephant grass and small localised patches of forest vegetation. This zone ("the Northern highlands") also comprises the Wologisi and Nimba Ranges. Their altitude is above 4,400 feet (2).

The Liberian forests thus offer a great variety of trees - and may contain 275 - 300 different species (3) - with timber ranging from very light and soft wood, such as the African White Wood, to the heaviest ebony hard wood. Because of this great variety in tree species Liberia's forest resources are comparable to those of Gabon and Southern Cameroun rather than to those of neighbouring West African countries as Ivory Coast and Ghana (4).
Some Liberian species are not found elsewhere, e.g. the Tetraberlinia Tubmaniana (Sikon tree) which was not classified until 1958 and was named after President William Tubman.
In 1944, however, when William Tubman assumed office as Liberia's new President the entire country's forest potential had never been assessed. Except for a few botanical studies and a comprehensive study of the trees of one particular area nothing had been done in this respect.

Surveys of Liberia's Forest Potential

The botanical exploration of Liberia began with the arrival of Theodore Vogel, a German botanist, who accompanied the British Niger Expedition of 1841. The best known botanical study, however, is Sir Johnston's (1906) who based his work on Liberia's flora mainly on data collected and reports written by Otto Stapf (Principal Assistant, Herbarium, Royal Botanic Gardens, Kew, England) and Alexander Whyte (Superintendent of the Botanic Garden at Entebbe, Uganda). Less known, but noteworthy, is the botanical work done by Max Dinklage, a German who arrived in Liberia in 1894. During his stay in the country as manager of the Woermann factory and also after his retirement, he amassed a large collection of hitherto unknown species (5).
The first really noteworthy survey of the Liberian forests dates from the late 1920's and was a direct result of the start of Firestone's operations in the country.
Before carrying out the necessary land clearing Firestone sponsored a study by the Yale School of Forestry, and with the assistance of the Royal Botanical Gardens at Kew, England, this study was carried out. Not all timber was found to be commercially exploitable but in general it was concluded that Liberia's forests offered a vast number of possible uses:
a) 21 species were found useful for furniture and interior trim;
b) 27 species for general carpentry, boxes and utility veneer;
c) 20 species for heavy and durable construction;
d) 16 species for tool handles etc. and
e) 20 species for wood pulp (6).
However, this investigation was not followed by any action.

The first professional forester who made a reconnaissance survey of virtually the entire country's forest potential was Karl G. Mayer. Assigned in 1947 as forest products specialist to the U.S. Economic Mission to Liberia, he made the first volume and area estimates of Liberia's forest resources between 1947 and 1949. One of the main conclusions of his investigation was that over eighty per cent of the total land area of Liberia was covered with forests: Primary high forest occupied 8,950,000 acres (over 37 per cent of the country's area) and secondary high forest 4,850,000 acres (over 20 per cent). Altogether 58 per cent of Liberia's land area was thus reported to be covered by dense tropical forest (13.8 million acres). This figure is higher than that of a more recent estimation which ended up with a figure of 12.0 million acres (7).

Subsequent reports on Liberia's forest potential were published in the 1950's, notably by Torkel Holsoe (8) and E.W. Fobes (9). The former was forestry advisor to the United States Operation Mission (U.S.O.M.) to Liberia for over eight years (1951 - 1959). Fobes served as his assistant for two and a half years. Important work with respect to the study of Liberia's forests

was also carried out by A.G. Voorhoeve, of the School of Forestry of the University of Liberia, who in 1965 published a systematic botanical study of the 75 most important or most frequently found high forest trees (10). The 1960's also saw the start of an inventory of Liberia's forests under a bilateral aid agreement with the Government of the German Federal Republic. This eight years' inventory was concluded in 1968 (11). The availability of information on Liberia's forest potential constituted an important contribution to the exploitation on large scale of the country's forest resources, an activity which grew in importance after 1968. Another, more regrettable result was that more information on Liberia's forest resources can thus be found in the Federal Republic of Germany and in the U.S.A. than in this West African Republic. This is partly due to Liberia's failure to keep adequate records of historical documents and important reports.

Forestry Policy

Explicit Government policy and specific legislation with respect to the systematic (commercial) utilization of the country's forest resources were virtually non-existent before 1940 - a fact only partly explained by the absence of information on the forest potential. On February 20, 1940 the National Legislature approved "An Act regulating the exploitation of timberlands and fixing a duty on lumber exported from the Republic of Liberia". This Act aimed at the regulation of the commercial exploitation of timberlands, notably by foreigners. The Act prescribed the minimum size of the trees which could be cut, and prohibited the exploitation of Liberia's lumber resources without a permit or license. It may be assumed therefore that this act was intended to fill a lacuna and that there were a number of foreign persons, firms or corporations actually operating in the country. It is regrettable, however, that no information could be found with respect to these foreign investors' activities. The only foreign investor who is known to have had timber exploitation rights during this period is Firestone. This company had been granted rights with respect to timber in 1935 and indeed made use of these rights though this was limited to the production of lumber for the local needs of the rubber producing company.

The same Act of 1940 fixed a customs duty of six cents for each cubic foot of lumber exported (12). However, Firestone Plantations Company was allowed to cut trees free of any charge if not sold or exported and was charged a stumpage fee of only 2 cents per cubic ft if sold (13).

Though it is not known with certainty, the 1940 Act may never have been implemented. The 1957 Supplementory Act for the Conservation of the Forests of the Republic of Liberia

(see below) repealed the portion of the Export Schedule of the Republic of Liberia Customs Tariff Act of 1940 which assessed 2 ¢ per board foot of logs, timber and planks (14). The Customs Tariff of 1940 also mentions a rate of 2 ¢ per board foot (15).

It was increasingly realized by the Government of Liberia in the 1950's that the country's forests were among its most valuable natural resources and offered the potential of contributing significantly to the economic growth of the country. In the Five Year Plan for the Economic Development of Liberia 1951-1956 proposed in 1950 (see Chapter 10) it was concluded that *"Liberia's forests merit a well managed programme of conservation"* and it was recommended that four United States forestry experts be financed under the Development Plan. These experts (three Area Conservationists and one Fish and Wildlife Conservationist) would form an integral part of the (Liberian) Department of Agriculture and Commerce and would advise and assist in implementing a sound forestry programme (16).

The Plan, however, (as well as the law until 1953) remained vague about the policy and objectives of such a forestry programme. On April 17, 1953 was approved an "Act for the Conservation of the Forests of the Republic of Liberia" which Act intended to provide for the protection, development and (commercial) utilization of these forest resources. This Act effectively created a Bureau of Forest Conservation within the Department of Agriculture and Commerce created in 1948, it defined this Bureau's functions, formulated the policies and objectives of the programme which the Bureau had to carry out, and provided for the staffing of this Bureau. Noticeable among its main functions were the following:

- to establish a permanent forest estate;
- to devote all publicly owned forest lands to their most productive use for the permanent good of the whole people;
- to stop needless waste and destruction of forest and associated natural resources;
- to bring about the profitable harvesting of all forest products while assuring that supplies of these products are perpetuated;
- to conserve recreational, fish and wildlife resources of the country concurrently with the development of a forestry programme (17).

The Act furthermore allowed for the creation of Government Forest Reserves, Native Authority Forest Reserves, Communal Forests and National Parks. It also charged the Secretary of Agriculture and Commerce with the protection in its broadest sense of the country's forest, fish and wildlife resources (which protection would include the efficient utilization and wise conservation of these natural resources).

The Government Forest Reserves to be created were to be permanent forest estates, owned and administered by the Government. If necessary, private ownership would be ex-propriated for this purpose. This applied also to the envisaged National Parks which would be constituted of any areas of which it was thought wise and in the national interest to retain insofar as practicable in their existing situation. The proposed Native Authority Forest Reserves would embrace forests lying in one or more tribal chiefdoms and would constitute potential Government Forest Reserves. The Communal Forests were to be limited to small forest areas immediately adjacent to one or more tribal villages and were to be administered by the local - tribal - authorities. The forest products of these communal forests were to be exclusively for the private use of the local inhabitants; any commercial use would be prohibited (18).

In the same year, on December 22, the National Legislature approved a Nine-Year Program for the Economic Development of the Republic of Liberia which also paid attention to the development of the country's forest resources. The Development Plan recommended implementation of some measures which aimed at facilitating the exploitation of the forest potential while safeguarding the national interests by taking measures which would result in the establishment of a permanent forest reserve in the country. Undoubtedly the outcome of Mayer's investigation will greatly have influenced the Government's policy in this respect. It was realized in the Plan that the main reason why the country's forest potential had not been utilised so far was the lack of roads and other facilities (e.g. well equipped ports) for the transportation of the forest products. It optimistically concluded that when highways and roads would have made many forested areas of the country accessible, direct income to the Government from the forestry sector could amount to $ 4.5 million annually (assuming a stumpage value of $ 3 per thousand board feet). (19)

The 1953 Forestry Conservation Act was amended in 1957 with a Supplementary Act for the Conservation of the Forests of the Republic of Liberia. This Supplementary Act regulated the issuing of permits for the utilization of the country's forest resources notably in Public Forest Reserves and National Parks; the obligations of the holders of these permits; the placing of property marks on trees (stumps, logs); the receipt of revenues and, more precisely, the distribution of revenues between tribal and central government authorities in the case of Native Authority Forest Reserves; general regulations governing the cutting of trees; general obligations of concessionaires having received timber exploitation rights; rules regulating the utilization and protection of the country's wildlife resources; and the duties and responsibilities of Forest Officers (20).

Worth mentioning here is the fact that certain forestry officers

were authorized to issue permits for a specified number of activities in Government Forest Reserves, National Parks and Native Authority Forest Reserves. In the case of Government Forest Reserves and National Parks (these) permits were subject to the approval of the Chief of the Bureau of Forestry Conservation and the Secretary of the Department of Agriculture and Commerce. In the case of activities within Native Authority Forest Reserves only the approval of the former was needed. The approval of the tribal authority concerned was not required. The Act only mentions in this respect: *"(...) and in consultation with the responsible Native Authority" (21).*
The activities which thus could be authorized were the following:
a) to collect, convey, remove, or subject to any manufacturing process any forest products of plant origin;
b) to cut down or damage any trees;
c) to set fire to vegetation; logging slash, etc;
d) to dig in the soil or prospect for minerals, coal or oil;
e) to make a dam across a river, creek or other waterway;
f) to reside, or build any structure necessary in connection with authorized forest harvesting operations;
g) to build roads, trails or railroads (22).

Whereas some of these authorized operations and activities were not necessarily incompatible with the interests of the tribal population of such a Native Authority Forest Reserve, the one mentioned under g) e.g. could well constitute a threat to their interests or conflict with them although these tribal people were not provided with the legal means to oppose such acts which could disturb their (economic) village life. It should be noted that unlike the Americo-Liberians they were at this time not yet represented in the National Legislature. The tribal peoples of the three provinces (the Hinterland) - where most of these Native Authority Forest Reserves were situated - were not represented in the Senate at all and only had token representation in the House of Representatives.
A second noteworthy aspect of the 1957 Supplementary Act is an obligation imposed on holders of permits to remove timber from Government Forests (which permits would take the form of a Timber Sale Agreement or Contract) to provide for the regeneration of tree species removed during cutting operations (23). This obligation thus formulated, was more precise than the seemingly similar obligation imposed on a concessionaire with timber exploitation rights. He was merely held responsible to ensure that the forest areas under his agreement were maintained for forest production (24). As the concessionaire would most likely remove the most valuable species from his concession area and was not explicitly obliged to replant the same species, the potentially high value of the Liberian forest area was in fact not protected. In this light, it is interesting to note the Act's stipulations with respect to excise tax or stumpage fee. Strangely enough, the Act did not differentiate according to the tree species and their respective values. It introduced a flat rate of $ 3.00 per thousand board feet for lumber, planks, timber or other parts manufactured products and $ 5.00 per

thousand board feet for logs intended for export (the latter distinction was introduced in an attempt to encourage local processing of the timber) or any timber product cut for commercial use and sold (whether locally or for export). The new rates replaced the 1940 rate of 2 cents per board foot of logs, timber and planks.

Another noteworthy obligation of the concessionaire was his responsibility to furnish the Chief of the Bureau of Forest Conservation with monthly reports containing information with respect to the sale of products and divided into the (two) classifications which determine the stumpage fee or excise tax due (25).

In 1959 the Government Forest Reserves which were provided for in the 1953 Forestry Conservation Act were effectively created in the "National Forests of Liberia". These became protected forest areas to be used for industrial i.e. commercial, development purposes and not available for agriculture ("shifting cultivation") by the tribal people.
In the mid-1970's these National Forests numbered fifteen and covered a total area of nearly 4.2 million acres (about 16% of the country's total land area). Table 18 shows their acreage. The forestry potential of Liberia being concentrated in the southeastern part of the country it is not surprising to note that 60% of the total area of National Forests are situated in the southeastern region. Two single National Forests, the Grebo National Forest and the Krahn-Bassa National Forest - both located in the South-eastern part of the country - together represent over 45% of the total area designated National Forest. The third largest National Forest covers an area of over half a million acres (the Gola National Forest) and lies in North-western Liberia which region included a total of 1.6 million acres of National Forests (representing 37.5% of the total National Forest Area). Only 2.5% of the total National Forest area is located in Northern Liberia.

Administration of the Forestry Sector

Until 1948 there were in Liberia no well-trained, professional Liberian foresters. Probably the first professional Liberian forester was Stephen A. Tolbert who in 1945 had been granted a (Liberian) Government scholarship (to study in the U.S.A.) and who returned three years later with an M.A. in Forestry.
In 1948 the National Forest Service was created (modelled to a large extent after the U.S. Forest Service) within the Department of Agriculture and Commerce, and Stephen Tolbert became its first Director. Holsoe (see above) and Stephen Tolbert were highly instrumental in the transformation of this National Forest Service into the Bureau of Forest Conservation

TABLE 18

LIBERIA'S NATIONAL FORESTS IN THE MID-1970's
(in acres)

	Area	Size
I.	NORTH-WESTERN LIBERIA:	
	Gola	511,485
	Yoma-District	36,665
	Kpelle	432,000
	Lorma	107,500
	North Lorma	247,100
	Mt. Wutivi Park	71,000
	Belle	164,000
	Sub-total	(1,569,750)
II.	NORTHERN LIBERIA	
	West Nimba	32,000
	East Nimba	71,650
	Sub-total	(103,650)
III.	SOUTH-EASTERN LIBERIA	
	Grebo	620,000
	Gio	81,370
	North Gio	10,976
	Gbi	150,656
	Krahn-Bassa	1,270,000
	Sapo	378,000
	Sub-total	(2,511,002)
	TOTAL OF ALL NATIONAL FORESTS	4,184,402

Source:

- National Socio-Economic Development Plan, June 1976 - June 1980, p. 33.

within the Department of Agriculture and Commerce in 1953. Also created in 1948 was a School of Forestry (which became part of the University of Liberia in 1951), which was to train personnel to staff the newly created National Forest Service. Stephen Tolbert became the School's first Dean (26).
In the early 1960's the Bureau of Forest Conservation employed about 70 persons most of whom, however, had only had a minimal education in forest management (27). About ten years later their number had increased to 195. Most of them were placed "in the field" where they had to monitor the activities of the logging companies (concessions) and had to prevent encroachment of the National Forests by farmers (shifting agriculture) and hunters. More specifically, they had to categorize, measure and mark each log in order to determine the stumpage fee due and had to supervise the companies' reforestation programmes (as well as the Government's programme) (28).
The administrative situation became very confusing in the 1970's after the creation in 1972 of a Concessions Secretariat within the Ministry of Finance which inherited the functions of the Ministry of Planning and Economic Affairs with respect to the monitoring of the activities of concessionaires (but not its files). The rapid increase of logging activities from 1973 onwards caused severe technical, administrative and financial problems for the Liberian Government. Owing to lack of adequate training facilities, lack of funds and lack of incentives the Bureau of Forest Conservation could only slightly increase the number of qualified personnel (both in the field and at the Head Office). The regional and district forest office in the interior suffered consequently from lack of personnel, vehicles, and maintenance facilities, office equipment and supplies, field equipment and communication facilities. Forestry graduates often sought employment with logging companies that paid higher salaries and offered more fringe benefits. Field staff of the Bureau was inadequately provided for and often had to depend on the concessionaires for housing, transport and the payment of their overtime. It has to be borne in mind, however, that it was the Bureau of Forest Conservation which had required the Concessionaires to provide housing accomodation for two of the forest officers assigned directly with them - the district forester and the sales and contract officer - and to provide payment for overtime work performed (29).
It is not surprising therefore that in 1976 officials of a Government agency concluded that the Bureau's field staff's allegiance tended to lie with the concessionaires - thereby depriving the Treasury of the correct stumpage revenue - and that the efficient control of the operating timber concessions was no longer ensured (30).

In 1974 the World Bank recommended the creation of a Forestry Development Authority, which agency was created in 1976. The Act creating the Forestry Development Authority was approved on December 20, 1976. Actual operations, however, did not start until between March and June of the following year (31).

The Forestry Development Authority officially took over all of the functions and existing projects of the dissolved Bureau of Forestry Conservation. The new agency's effectiveness was, however, greatly hampered by the lack of files and the improper definition of its relations with the Concessions Secretariat. It inherited the (incomplete) archives of the Bureau of Forest Conservation but those of the Concessions Secretariat and the Ministry of Planning and Economic Affairs remained where they were. The situation even deteriorated when a senior official of the Concessions Secretariat who was transferred to the Forestry Development Authority occasionally returned to the Concessions Secretariat to consult and borrow certain files and sometimes failed to return them.

TIMBER CONCESSION POLICY

Some early attempts to exploit the timber resources

It is very likely that it was in 1909 that the first time timber rights were granted to a foreign company, and in a very large area. The 1909 Amendment of the 1898 concession agreement between the Liberian Government and the Excelsior Mining Company granted the latter timber exploitation rights in the whole of Maryland County except privately owned lands. (Note: virtually all privately owned lands was in the hands of Americo-Liberians as a result of the practice of giving 10 acres to each colonist upon arrival. Tribal areas were not considered to be privately owned) (32). This was during the Administration of President Arthur Barclay (1904 - 1912). However, no large-scale timber cutting operations seem to have been carried out, possibly owing to the lack of infrastructure in this County, possibly owing to a lack of (financial) means. It is not known when this agreement with this mining company expired nor when these timber rights were terminated. It is even possible that officially this was never done.

In the early 1930's it was reported that the Liberian Government was to grant the Danish-Liberian Syndicate large concessions for roadways, public works, forests, lands and minerals (33). No details are available indicating that a definite agreement was ever signed nor is it known whether even actual logging operations were carried out. Given Liberia's transportation facilities or rather the absence of such facilities in those days it is more than likely that no logs or lumber products were exported. Neither did there in those days exist a domestic market for timber products which could have justified logging activities on a profitable scale.
The 1926 Planting Agreement with the Firestone Plantations Company had already granted this company the right to engage in timber operations - though limited to its own use. The March 1935 Amendment of the Planting Agreement subsequently gave the rubber company *"the exclusive right to engage in any operations upon the*

lands held under this Agreement" (34), viz., one million acres.

Timber production under the Tubman Administration

Among the numerous foreign companies which in the 1940's and 1950's were granted concessions by the Tubman Administration, notably the agricultural ("rubber") and mining companies, some were also granted timber rights. The rubber concessions had exclusive timber exploitation rights in their concession areas which in 1960/61 totalled about 3.5 million acres, or approximately fifteen per cent of the country's territory. The (gold , iron ore , or other) mining companies had timber rights in their concession areas which, however, were not exclusive rights. Whatever the nature of the timber exploitation rights granted to these companies was, they precluded the granting of exclusive timber rights to others in this area. With about 3.5 million acres allotted to the rubber concessions and some 5.5 million acres to the mining companies, in 1960/61 an area of about 9 million acres, or about 38 per cent, was in this way excluded from the granting of exclusive timber rights to logging companies. In 1953 the Tubman Administration started to sign timber concession agreements with foreign investors. Following the Forest Conservation Act of that year a general concession agreement granting i.a. timber exploitation rights was signed with a Swiss investor (in September 1953). Within seven years five other timber concessions were granted, one of which was to a Liberian-owned company. However, as of January 1, 1961 only three of them were engaged in active logging operations (see Table 19). Excluded are here - as (in general) in the rest of this chapter - the logging activities of the agricultural and mining concessions discussed in the previous six Chapters. Total investments of these logging companies as of August 1, 1961 were estimated at a little over $ 1 million; their production in the same year was estimated at some 5 million bd. ft. (35).

Timber production probably did not commence until 1957. International Trading Trust's concession rights lapsed after the company's failure to commence effective operations within a limited and specified period after the signing of the agreement. In June 1955 this period (of 18 months) had been extended by another 12 months - in vain (36). Whereas the production of timber increased continuously in the 1956/57 - 1960/61 period (with a yearly average of 4.5 million bd. ft.), it stagnated in the years 1961/62 through 1966/67 though the yearly average had nearly quadrupled and amounted to 17.8 million bd. ft. (see Table 20).

Logs and lumber production amounted to 18.3 million bd. ft. in the Fiscal Year 1966/67. About 5.6 million bd. ft. (30.8 per cent) were exported unprocessed: in round log form, and the remaining 12.7 million bd. ft. (69.2 per cent) were locally consumed, i.e. either sold as sawn lumber on the domestic market

TABLE 19

TIMBER CONCESSIONS GRANTED 1953 - 1961

YEAR	COMPANY'S NAME	NATIONALITY INVESTOR(S)	SIZE CONCESSION AREA
1953	Industrial Trading Trust	Swiss	not specified [a]
1957	Liberian Industrial Forestry Corp. *	Spanish	40,000 acres [b]
1957	Morro River Lumber Corp.	Liberian	100,000 acres [c]
1959	Liberian Timber Industries Corp.	U.S.	250,000 acres [d]
1959	Siga Lumber Company*	U.S. [1]	40,000 acres [e]
1960	Maryland Logging Company *	German [2]	500,000 acres [f]

Notes: * active as of January 1, 1961.

[a] Size concession area not specified but concession area was located in Maryland County and in Webbo District and in the Glio and Konombo Chiefdoms of the Tchien District of the Eastern Province.

[b] Located in the Gbama Tribal Forest Reserve (Western Province)

[c] Located in Tappita District (Central Province) and in Grand Bassa County.

[d] 100,000 acres of which in the Gio and Gbi National Forests; located in the Central and Eastern Provinces.

[e] Located in Tappita District (Central Province and in Grand Bassa County

[f] 250,000 acres of which in the Grebo National Forest; located in Maryland County.

(1) Clower: 1966, p. 37 (Table 11). However, Table 35 mentions as source of capital and management "Swiss/English" (Clower: 1966, p. 129)

(2) Clower: 1966, p. 129 (Table 35). Table 11, however, reports as national affiliation "Formerly German, now English". The English ownership seems very unlikely to the present author. (Clower: 1966, p. 37)

Sources:

- "An Act approving the General Concession Agreement entered into by and between the Government of the Republic of Liberia and the Industrial Trading Trust of the Principality of Liechtenstein of Switzerland", dated September 11, 1953, approved November 25, 1953
- Clower: 1966, p. 37 and 129.

or used by the producer for his own consumption. Twelve companies accounted for this timber production but it is important to note here that this number included two mining concessions and one foreign rubber company. The last-mentioned three companies produced 19.5 per cent of all timber produced in that year and provided 28.2 per cent of the supply of timber products on the domestic market. The country's most important producer of logs and lumber was the MIM Timber Company, producing 29.1 per cent of the total. This company had been granted a timber concession in an area of 13,288 acres in the Eastern Province in 1962. Consequently four companies accounted for nearly half of the country's timber production. The companies individual performances are presented in Table 21. It is worth mentioning that one company, the Maryland Logging Company, exported its entire production unprocessed. This company produced 64.1% of the timber exports of that fiscal year.

Important developments in 1967 caused a significant increase in logging activities. In 1967 a road was opened which linked Tchien (= Zwedru) in the then called Grand Gedeh County (former Eastern Province) with the port of Greenville (a distance of 105 miles). This road cut through untouched national forest rich in timber. Thus logging operations for export purposes were made an easy and attractive (profitable) activity. Also an agreement was reached with the LAMCO J.V. which permitted the use of the LAMCO built railroad. This 350 miles railroad linked the Northern Part of Nimba County with the port of Buchanan also constructed by LAMCO, opening up a vast area covered with tropical forests. As a result the production of timber rose from 18.3 million bd.ft. in 1966/67 to nearly 100 million bd.ft. in 1971/72 (see Table 20). The average annual timber production during these years was 64 million bd.ft (as compared to a yearly average of only 17.8 million bd.ft. in the 1961/62 - 1966/67 period). The number of concession companies conducting logging operations at the end of 1972 was reported to be 17 (37).

Failing administration capacity and performance during the Tolbert Administration

Subsequent events during the 1970's showed that in 1972 Liberia had reached its limit in the efficient administration and monitoring of these companies. The country's administration could no longer cope with the increase of logging activities in general. In particular, it ceased to control and supervise all of the logging companies operating in the country - although this is not meant to suggest that it effectively performed these functions earlier. The insufficient and under qualified staffing of the Services which were directly involved in these monitoring functions was already mentioned above. The interest which high ranking government officials and people of the political elite

TABLE 20

PRODUCTION OF TIMBER 1956/57 - 1972
(in board feet)

Fiscal Year (July - August)	Production
1956 - 1957	2,351,232
1957 - 1958	2,278,108
1958 - 1959	4,391,244
1959 - 1960	5,528,366
1960 - 1961	7,967,900
1961 - 1962	18,127,373
1962 - 1963	23,979,289
1963 - 1964	16,000,000
1964 - 1965	12,652,759
1965 - 1966	17,779,969
1966 - 1967	18,315,379
1967 - 1968	21,006,582
1968 - 1969	36,407,561
1969 - 1970	79,884,977
1970 - 1971	83,843,461
1971 - 1972	99,356,679

Source:
- Ministry of Agriculture, Monrovia, Liberia.

acquired in logging companies formed another complicating factor and even prevented the quick introduction of measures by which this situation could be changed (see below).

A number of factors accounted for the rapid increase in logging activities after 1972. First, the steady improvement of the infrastructural network of the country, which resulted in an easy access to rich forest areas. As examples may be mentioned the opening up of the south-eastern part of the country by a road from Zwedru (Tchien) to the port of Harper; access roads in Grand Cape Mount County and in Lofa County, in north-western

TABLE 21

LOGS AND LUMBER PRODUCTION BY COMPANY 1966 - 1967

(in board feet)

Name of Company	Total Production Logs and Lumber	Local Sale Sawn Lumber	Other Consumption[1]	Round Logs (unprocessed)
A.L.T. Co.	170,500	131,915	-	38,587
Bolado Sawmills	298,872	298,872	-	-
Firestone P.Co.	379,311	-	379,311	-
Liberian Lumber Co.	10,000	-	10,000	-
LAMCO Sawmill	1,996,453	353,504	1,642,949	-
Liberian Industrial Forestry Corporation	1,735,506	1,735,506	-	-
Maryland Logging Company	3,613,301	-	-	3,613,301
MIM Timber Co.	5,327,785	4,543,583	15,709	768,493
Pit Sawyers	1,000,000	-	1,000,000	-
SIGA Lumber Co.	2,095,443	887,516	-	1,217,927
Talk Lumber Co.	484,361	484,361	-	-
Tropical Trading Company[2]	1,203,847	1,203,847	-	-
T O T A L	18,315,379	9,629,102	3,047,969	5,638,308

Notes:

(1) Represents consumption for local development/ own use of producer and was free of stumpage tax.
(2) 100% owned subsidiary of the Liberia Mining Company.

Source:

- Annual Report, Department of Agriculture, September 1, 1966 to August 31, 1967, p. 33.

Liberia; and the increased capacity of the ports, particularly of Buchanan, Greenville and Harper. Secondly, the high prices of tropical timber on the international markets. Lastly, the gradual but (inevitable) depletion of forest resources in neighbouring countries, notably in Ivory Coast.

General consensus seems to exist in the country with respect to the number of logging companies operating in the country at the end of 1973, viz., 32. The Bureau of Forest Conservation, however, reported that the number of timber concession companies grew from 6 in 1969 to 34 in 1973. After the great and uncontrolled influx of companies in 1973 and 1974 (some companies literally moved their - heavy - equipment across the border coming overland from Ivory Coast) the administration of Liberia's forest resources turned into a nearly complete chaos which probably cost the nation millions of dollars. The number of logging companies operating in the country as of the end of 1974 was 45 according to the Ministry of Planning and Economic Affairs, 54 according to the Ministry of Agriculture (the Bureau of Forest Conservation) whereas the Ministry of Finance (the Concessions Secretariat) reported that in that year the number of timber concessions had increased to 50 (38). One year later the Ministry of Finance reported that at the end of 1974 the number of forest concessions granted had amounted to 36, of which 33 had been engaged in active logging operations (39). As a consequence nobody seemed to know the exact total area committed under timber concession agreements, forest utilization contracts, survey permits, option areas, etc. As a result, any analysis of the forestry sector and of Government's timber concession policy in the 1970's can only be sketchy.

In general, timber concessions are (very) readily granted in Liberia - usually through the influence and political weight of a "big shot". The signing of the agreement, however, is not always followed by actual logging operations. Sometimes the concessionaire does not even invest one dollar in equipment. In some but not all of these cases the concession is sold to another investor, with yet no guarantee that actual logging operations will follow. In a few cases this change of ownership is accompanied by a change in or a modification of the company's name. There were also instances in which it proved more attractive to negotiate and conclude an new concession agreement for a new company with new privileges than to expand the activities of the old company whose privileges (tax exemptions e.g.) had expired. In other cases the concession rights lapsed after a certain period and the company existed on paper only.

In 1977/78 there may have been 40 - 45 timber companies in the country of which about ten were inactive, the remaining producing timber. Officially it was reported that 33 firms were engaged in forestry operations in 1977 (40).

The Administration of the Forestry Sector not only showed a failure to know even the number of logging companies operating in the country. It was also incapable of assessing the total concession area granted for logging operations.
In 1976 it was reported that a total area of 12,744,067 acres had been comitted for timber production purposes, divided as shown in Table 22.

TABLE 22

TOTAL CONCESSION AREA GRANTED FOR LOGGING OPERATIONS (1976)
(in acres)

	Acres
Total under Timber Concessions	8,685,267
Option Areas for Timber Concessions	1,862,500
Other Areas in Use	696,500
Estimated Timber land under Agricultural Development Contract etc.	1,500,000
GRAND TOTAL	12,744,067

Source: Justification of the Budget of the Forestry Development Authority, p. 1.

It is inevitable to arrive at the conclusion that more (timber) concession area had been given to investors than was available in the country. First, timber rights under other concession agreements were not included in this figure of 12.7 million acres. Secondly, Liberia's total forest area could well be less than this figure. Thirdly, not all logging companies with timber exploitation rights might have been included in this estimation. Hence, a number of conflicts arose between investors/logging companies chiefly as a result of this overlapping of concession areas. (see also Chapter 4, note 20).
Total investments of timber concessionaires (their number ranging from 30 to 50 including the cancelled concession agreements) in logging and sawmilling equipment were estimated at about $ 50 million in 1976 (42).

Attempts To Establish A National Wood Processing Industry

The destination of the Liberian timber produced by the various logging and sawmill companies has changed significantly since the start of logging operations in Liberia in the late 1950's. Whereas in 1962 about half of the timber production was produced by non-forestry concessions such as the mining concessions and Firestone, for their own use (43), five years later these non-forestry concessions' share in total timber production had decreased to "only" 19.5 per cent. This change was due to (a) decreased production by these concessions, and (b) an increased production by others. In 1962, e.g. the largest timbering and sawmill operation in the country was LAMCO's, which company produced ties for its railroad which was then under construction. As the production capacity of the 15 sawmills which were then in operation in the country - besides a number of independent pit sawyers - was below the mining company's needs, more than half of the ties needed for the Nimba - Buchanan railroad were imported from Brazil (44). In 1966/67 the mining company still produced a considerable share of all timber produced in the country, but the company with the largest production had become MIM Timber Company (see Table 21). This company had started operations in 1961 and in 1966/67 owned the principal sawmill of the country (located on the Buchanan - Ganta road which had been constructed by LAMCO before and during the construction of the railroad) (45).

Whereas MIM Timber Company was the main producer of sawn timber in the country in 1966/67 (and selling mainly to LAMCO), the country's most important exporter of round logs was the Maryland Logging Company (M.L.C.) which company had started operations in 1960. The portion of exports in the total production, which in 1966/67 was 31 per cent, doubled within a year and was 62 per cent in 1968. Five years later this figure was even 85 per cent although the following year, 1974, it had again dropped to 69 per cent (46).
On an average, however, 75 per cent of the total production of logs were exported in the form of round logs (unprocessed) whilst only 25 per cent were processed locally in the five year period 1970 - 1974 (47).

The conclusion to be drawn from these figures is that (1) the improved infrastructure which made logging operations possible was used mainly to facilitate the export of timber (mostly in unprocessed form, i.e. round logs), and (2) the increase in the number of logging companies was not accompanied by a corresponding increase in the production of sawn wood. Logging is a capital intensive operation which provides relatively little employment. The desire to establish a wood processing industry and to process logs locally - thus

contributing significantly to the G.D.P. while simultaneously creating employment - was the main reason why the Liberian Government in 1973 stipulated that more timber be processed locally. In that year it introduced a regulation which required that timber companies process locally:

(a) 20 percent of its timber harvest in 1973,
(b) 40 percent of its timber harvest in 1974,
(c) 60 percent of its timber harvest in 1975,
(d) 80 percent of its timber harvest in 1976, and
(e) 100 percent of its timber harvest in 1977.

Although this regulation did result in the establishment of a number of wood processing plants the majority of the logging companies failed to meet the 1973 and 1974 requirements to process 20 and 40 per cent respectively of their production in Liberia (48). The share of round logs in the total production was 85 and 69 per cent respectively in these two years. In subsequent years the companies - in general - may be assumed to have continued to fail to meet these obligations though detailed figures for the other three years are not available. However, production of round logs for the Fiscal Year 1978/1979 (July 1, 1978 - June 30, 1979) was estimated at 774,600 cubic metres of which 309,400 cubic metres were exported, i.e. 40 per cent (49).

It is noteworthy that the Liberian Government failed and continues to fail to compel the logging companies to comply with these legal requirements. The interest of high ranking government officials and political leaders in most of the logging companies partly explains this continued failure which in this instance shows unwillingness rather than incapability on the part of the Tolbert Administration.

Timber Exports

Exports of logs and sawn timber valued about $ 600,000 in 1967 but increased rapidly afterwards. In 1970 and 1971 timber was Liberia's third most important export item, after iron ore (number one) and rubber (number two) which left the country virtually unprocessed too. Until 1975 the exports of sawn timber were insignificant, indicating the strong concentration on logs for exports as opposed to the processing of lumber in Liberia (see Table 23).
Total exports of logs and lumber amounted to $ 5.8 million in 1970. The sharp rise in the value of timber exports from $ 8.2 million in 1972 to $ 16.6 million in 1973 was mainly the result of high prices. The favourable conditions on the international market, the attractive investment climate in Liberia, the depletion of forest resources in neighbouring countries and the improvement of Liberia's infrastructure, combined with a better knowledge of the country's timber potential all contributed to

TABLE 23

EXPORTS OF LOGS AND SAWN TIMBER 1967 - 1978

	Logs		Sawn Timber		TOTAL VALUE EXPORTS[1]
YEAR	VALUE[1]	VOLUME[2]	VALUE[3]	VOLUME[4]	
1967	0.6	n.a.	n.a.	n.a.	0.6
1968	1.5	n.a.	1	n.a.	1.5
1969	6.9	n.a.	13	n.a.	6.9
1970	5.8	n.a.	62	n.a.	5.8
1971	8.0	n.a.	142	n.a.	8.1
1972	8.2	93,948	27	170	8.2
1973	16.6	105,087	25	160	16.6
1974	17.6	80,348	35	160	17.6
1975	11.0	38,627	1,830	3,510	12.8
1976	32.4	113,262	2,160	5,240	34.6
1977	25.9	78,748	3,430	7,350	29.3
1978	46.7	130,930	n.a.	n.a.	n.a.

Notes:

(1) in millions of U.S. dollars;
(2) in thousands of board feet;
(3) in thousands of U.S. dollars;
(4) in thousands of board feet.

Sources:

- Statistical Handbook of Liberia, p. 30.
- Economic Survey of Liberia, 1971, p. 77.
- Economic Survey of Liberia, 1977, p. 109.
- Economic Survey of Liberia, 1978, p. 18.
- "Justification of the Budget Forest Development Authority (1976), p. 3.

the rapid increase in the number of logging companies in Liberia. Timber prices continued to rise in 1974 and 1975 and had doubled in 1976 as compared to 1973. Logging companies continued to be created in Liberia and were granted large concession areas. However, the reported volume of timber exports decreased and was in 1975 less than half that of 1973.

TABLE 24

THE INDEX OF VOLUME AND PRICE
OF TIMBER[1] EXPORTS 1971 - 1978

YEAR	VOLUME	PRICE
1971	100.0	100.0
1972	108.7	104.9
1973	121.3	192.7
1974	92.7	267.1
1975	48.7	343.3
1976	137.0	348.8
1977	99.5	400.0
1978	166.7	435.4

Note:
(1) Logs and sawn timber

Source:
- Economic Survey of Liberia, 1978, p. 19.

TABLE 25

REVENUES FROM THE TIMBER SECTOR 1967 - 1978
(in millions of U.S. dollars)

YEAR	REVENUES
1967	-[1]
1968	0.1
1969	0.3
1970	0.6
1971	0.5
1972	0.8
1973	2.2
1974	2.6
1975	2.9
1976	6.1
1977	5.6
1978	7.9

Note:
(1) Less than $ 50,000.

Source:
- Table 37

As a consequence the export value of timber dropped from $ 17.6 million in 1974 to $ 12.8 million in 1975. It was officially recognized that actual exports of logs and lumber were considerably higher than the officially reported figures. Reasons: (1) bribery of government officials charged with the assessment and the collection of stumpage fees (50) and (2) understatement of production by the logging companies (51). Although timber prices remained virtually stable in 1976 export value of logs and lumber rose to $ 34.6 million. The volume of logs exported tripled in 1976 as compared to the (reported) volume of 1975. The declining volume of log exports in 1977 may be attributed to a gradually increasing emphasis on the local use of logs through wood processing activities though the effect of the incompleteness of the export data is here difficult to assess. In 1978 the export of logs reached a new record level with volume of 131 million bd.ft. The export value almost doubled in that year and amounted to $ 46.7 million which represented nearly 10 per cent of Liberia's total exports. Timber thus continued to be the country's third most important export item.

Government Revenues from the Forestry Sector

In the years 1967 - 1977 timber exports totalled $ 142.0 million (disregarding here the understatement of export figures due to the illegal shipping of logs and sawn wood), i.e. an average of nearly $ 13 million a year.
However, the Government's total revenues from the forestry sector did not exceed $ 22 million in the same period, i.e. a yearly average of about $ 2 million (see Table 25). This amount represents about 15 percent of the value of the logs and sawn wood (officially) exported. Taking into account the illegal export of timber (52) and the fact that stumpage fees are assessed both on logs exported and on logs used for local processing, the Treasury's intake from each Liberian tree cut in the 1967 - 1977 period may be estimated at a little over 10 percent of its value. Prior to 1968 revenues amounted to less than $ 50,000 a year. An indication of the relative importance of charges is that during the FY 1967/1968 the surface rent component of revenues from the forestry sector was about 7¢/acre, and the stumpage & tree marking fees about 38¢/bd.ft. (53). Practically no corporate income taxes were paid by the timber concessionaires (situation as of June 1977). Out of 33 logging companies only one, MIM Timber Company, had paid corporate income taxes as of June 1977. Payments had been made in two years only and the total amount paid was about $ 175,000. One other company, Cavalla Timber Company, was liable to pay income taxes for 1976 but had not made actual tax payments as of June 1977. The other 31 logging companies that were in active operation as of mid-1977 had not paid any income taxes either because of income tax exemptions granted in their concession agreements with the

Liberian Government or as the result of the reporting of losses sustained by them. See Annex 18. Most concessionaires which submitted income statements reported heavy losses which in most cases were due to (i) an understatement of sales prices and (ii) heavy deductions from gross sales revenues for capital and operational expenses. The Liberian Government failed to react adequately - just as in the case of the obligation to process a fixed portion of the production locally (see above). Consequently, tens of millions of dollars of potential revenues were lost. As corporate income tax payments have thus been negligible, stumpage fees formed the most important source of government revenues from the logging companies, land rentals being relatively low.
Since 1973 each concessionaire is required to pay an annual surface rent of generally 10 ¢ per acre on *"all land held by the concessionaire"*. Only some concession agreements state different rates which, however, depend on specific conditions and apply mainly to wood processing industries. This has not always been the case. The concessions initially granted (i.e. in the 1950's, 1960's and the early 1970's) required the payment of surface rentals which were the outcome of a bargaining process rather than the application of a fixed (uniform) tariff. Also before the introduction of the Model Timber Concession Agreement in 1973 there was a tree-marking fee of 10 ¢ per tree which however was collected in lieu of surface rental and only in case of any (concession) operation in a "salvage area". Early 1978 the amount due from 39 companies for surface rentals was estimated by the Ministry of Finance at $ 887,882.57 (54).

Stumpage Fee Policy

Stumpage fee policy and policy application are thus very important and have determined the Government's intake from the forestry sector. The rates introduced by the 1957 Supplementary Act remained unchanged until the early 1970's. It was only under the Tolbert Administration that an important revision of these stumpage rates (which did not differentiate according to the tree species and their values) was made - in the latter part of 1972. The fees were then set at:

(a) $ 10 per 1000 bd.ft. or $ 2.88 per m3 for class I
(b) $ 7 per 1000 bd.ft. Or $ 2.02 per m3 for class II
(c) $ 6 per 1000 bd.ft. or $ 1.73 per m3 for class III
(d) $ 5 per 1000 bd.ft. or $ 1.44 per m3 for class IV
(e) $ 3 per 1000 bd.ft. or $ 0.86 per m3 for class "Local".

Finally, a great improvement was introduced, effective June 1, 1973, when the stumpage fees were changed from this fixed-rate system per class to a scale based on the species, its price on the world market and its end use (55). Since that year, the stumpage fees rates have been periodically adjusted. As of

December 31, 1977 Liberia levied (1) a flat rate of $ 1.50 per cubic meter on all tree species cut for commercial purposes, irrespective of species, grade and intended use (a "Severance Fee"), and (2) a rate which distinguished between species intended for export in the round form (an "Industrialization Incentive Fee") and for wood products intended for export in other than round form such as lumber, planks etc. (a "Forest Products Fee"). The Industrialization Incentive Fees varied between $ 50 per cubic meter to $ 2 per cubic meter, according to species. The Forest Products Fees varied between $ 40 per cubic meter to $ 1 per cubic meter, according to species and degree of processing. Furthermore, (3) a "Reforestation Fee" of $ 3 per cubic meter was levied on the net volume of logs harvested (56).
Despite the relatively low level of stumpage fees levied on round logs and sawn timber, the 1970's are marked by an increasing tendency to safeguard the interests of the Liberian Treasury - though much remains to be done in view of the non-compliance of many logging companies with the legal requirements. Regrettably, a general conclusion must be that the potential of large revenues which the forest products industry offered was not realized by the Liberian Government. A clear example of this loss of potential revenue is the basis for the stumpage fee assessed on the country's most valuable export species, Sipo ("Entandrophragma utile"). The world market price for Sipo was $ 500 per cubic meter in 1977 (57) which caused the Tolbert Administration to increase the stumpage rate from $ 36 (per cubic meter) in 1976 to $ 50 (per cubic meter) as of November 1, 1977 (58). The second most important export species, Niangon, ("Herittiera utilis") in the same year fetched a world market price of $ 111.50 per cubic meter (f.o.b. Ivory Coast) (59) and hence saw its stumpage rate increased fro $ 21.60 to $ 25.00 (60).

This is the more important in view of the fact that these two species have traditionally dominated Liberia's timber exports. E.g. in 1975 these two alone accounted for 57 per cent of the country's total timber exports (61). This latest figure does no even take into account the fact that the illegal export of logs most likely included the more valuable export species (which were charged with the highest stumpage fees).
A comparison of Liberia with a country that definitely is not characterized by a very progressive legislation with respect tc the exploitation of its forest resources - Ivory Coast - is sti flattering for the latter. Already at the end of 1974 investors in logging activities in the Ivory Coast were facing the following charges:

(I) Forest taxes: an "Allocation Tax" ("Taxe de Première Attribution") equalling 125,000 F.CFA per permit*, further an "Area Tax" ("Taxe de Superficie") which

* 230 F.CFA = $ 1.00; the Ivorian system is to give "chantiers 2,500 hectares (= 6,175 acres) as harvesting areas instead o large concessions as in Liberia;

consisted of an annual tax of 10 F.CFA per hectare, payable during the period during which the "chantier" is exploited. This tax is comparable with the land rental payable in Liberia and which in general amounted to 10 ¢ per acre (an area of 6,175 acres would thus result in Liberia in land rental payments of about $ 618, and about $ 110 in Ivory Coast). Further, a "Felling Tax" ("Taxe d'Abattage") which was a discriminatory tax varying from 300 F.CFA to 100 F.CFA for export logs, according to species, and from 150 F.CFA to 50 F.CFA for logs used for local processing, also according to species. And finally, a "Public Works Levy" ("Travaux d'Interet Général") of 400,000 F.CFA per "chantier".

(II) Export taxes: these were (i) an Export Tax ("Droit Unique de Sortie") which was levied as a percentage of the "Valeur Mercuriale" - the latter approximating the per cubic meter f.o.b. value of the species - and regularly adjusted in response to rising log prices. These Export Tax percentages varied at the end of 1974 between 33.3 per cent and 22.3 per cent, according to species category. Sipo e.g. was in this category charged with an 33.3 per cent export tax. It is worth mentioning that this arrangement not only served to make the export of certain species in round log form prohibitively expensive but also to encourage their local processing - a characteristic of the forestry sector which was missing in Liberia. (ii) a Port Tax ("Taxe de Port") which was based on the density of each species per cubic meter and varied between $ 0.33 and $ 0.60 per cubic meter. (iii) a Levy for the Centre for Ivorian External Commerce and Stevedores ("Prelevement pour le Conseil Ivoirien des Chargeurs et le Centre Ivoirien du Commerce Exterieur") amounting to approximately 0.6 per cent of the "Valeur Mercuriale" per cubic meter (62).

A comparison of total taxes payable in the Ivory Coast and in Liberia of species exported in round log form, as of October 1974, showed only one species which was taxed (slightly) higher in Liberia. (See Table 26).

THE TIMBER COMPANIES

An attempt has been made by the present author to list all timber companies which had concluded concession agreements with the Liberian Government. In view of the chaotic, i complete and dispersed files containing documentation and information on said companies this idea had to be given up. Another Table has instead been made presenting 33 companies which exploited the country's rich forests on the basis of a timber concession agreement in the 1957 - 1977 period. The list is based on documents found in the

TABLE 26

COMPARISON OF TOTAL TAXES PAYABLE IN THE IVORY COAST AND LIBERIA OF SPECIES EXPORTED IN ROUND LOG FORM (OCTOBER 1974)

(in U.S. dollars)

Botanical Name	Trade Name	Liberia	Ivory Coast	Percentage Difference
Category 1				
Ent. cylindricum	Aboudikrou	14.99	33.08	+120
K. ivorensis	Acajou	10.47	31.99	+206
Ent. utile	Sipo	19.31	54.18	+180
Lovoa	Dibetou	12.11	36.68	+203
Teig. hecklii	Makore	13.55	33.17	+145
Terr. utilis	Niangon	12.11	26.54	+119
Mansonia	Bete	6.35	29.54	+365
Afromosia	Assamela	Absent in Liberia	126.80	n.a.
Category 2				
Turreanthus	Avodire	4.21	12.95	+164
Guarea	Bosse	9.23	19.08	+107
Chlorophora	Iroko	7.79	20.33	+161
Ent. angolense	Tiama	9.23	22.04	+139
T. scleroxylon	Samba	7.79	10.42	+ 33
Afzelia	Lingue	4.91	22.15	+351
Aniegre	Aningeria	4.91	23.32	+375
Ent. candollei	Kossipo	12.11	22.04	+ 82
Guibourtia	Amazakoue	9.23	20.33	+120
Category 3				
T. ivoriensis	Framire	6.35	9.39	+ 48
Pycnanthus	Ilomba	5.49	7.82	+ 42
T. Superba	Frake	6.35	5.83	- 8
Ceiba	Fromager	4.91	5.31	+ 8
Lophira	Ako	4.91	5.85	+ 19
Pterygota	Koto	6.35	7.01	+ 10
Lophira	Azobe	4.91	7.01	+ 43
Nauclea	Badi	5.49	7.01	+ 28
Nesogordonia	Kotibe	5.49	7.01	+ 28
Others		4.91	5.80	+ 18

Source:

- "Observation and notes on development in the Ivory Coast with emphasis on the forest industry sector", p. 15, Concessions Secretariat, Ministry of Finance, Monrovia, Liberia.

archives of the Concessions Secretariat of the Ministry of Finance (63). I should like to take this opportunity to express my thanks to the authorities within the Ministry of Finance for giving me virtually unlimited access to the files of the Concessions Secretariat.
The number and names of the companies listed (in Annex 19) do not necessarily coincide with those from the Forestry Development Authority. All names refer to companies' names found in the files of the Concessions Secretariat. Sometimes files were found empty - containing not even a concession agreement - sometimes documents were obviously missing from the file. The main reason for selecting the Concessions Secretariat's files as the main source of information was the fact that the information with respect to logging companies and operations was hardly available elsewhere owing the fact that the (incomplete) archives of the Forestry Conservation Bureau of the Ministry of Agriculture had been transferred to the Forestry Development Authority after the creation of the latter in 1976, and the slow start of activities of the newly created agency (see above). The situation with respect to the archives of the F.D.A. even deteriorated as a result of the political upheavals of 1979 and 1980. Within a year the offices of the F.D.A. were looted twice. On April 14, 1979 (the "Easter-revolt") and April 12, 1980, the military coup, small children and market women caused the loss of important files when they took reports, concession agreements, photocopies of letters etc., pertaining to logging operations in the country, and used these on the following days as wrapping paper in the Old Road market nearby. In this respect I had a personal experience when my wife bought some Liberian pepper on the Old Road Market, a few days after the military coup of April 12, 1980 and received the merchandise wrapped in a photocopy of a letter from Dunbar Logging Corporation.

The production (logs, sawn timber) per company is not available, as will be clear from the foregoing, and neither are the investments known made by each company. As the companies had been granted income tax holidays in their concession agreements neither the Government nor the companies had any interest in providing or asking for information with respect to sales, depreciation policy, net income after operations etc. As shown in Annex 18 some companies never sent in income statements, although they had been operating in the country for about 20 years.

Other companies irregularly sent in their statements which - in some cases - were subsequently improperly filed, misplaced and lost. It was also for this reason that no attempt was made to reveal the main history of these companies - an attempt bound to fail given the shortcomings of available data.

Annex 19 contains therefore information of a general character on

these 33 companies; year of signing the agreement, its term, the concession area granted, the nationality of the investor. As many companies had the term of their concession agreements, the concession area, or other clauses changed, additional information was given in the notes following this Annex. These notes also mention numerous examples of general features of the timber companies' operations in the country (referred to in the earlier part of this chapter): the boundary conflicts resulting from the overlapping of concession areas, the illegal harvesting of logs in areas outside one own's concession area, the assigning of agreements concluded only shortly before, the management contracts signed between sometimes very dubious companies and the concessionaire, the latter often a Liberian or a group of Liberians which had concluded a concession agreement utilizing their political influences and their personal contacts with Government officials (often colleagues).

This characteristic, the involvement of Liberian politicians and other "big shots" in logging companies, is the subject of a separate column, presenting the names of these personalities working for or having interest in (shares) these companies. The accompanying notes reveal their social status, political importance or Government functions. This characteristic forms one of the most serious obstacles to the development of the Liberian forestry sector: the "protection" which these companies received from these Liberians and which allowed them not to reforestate - in violation of their agreements - to evade taxes, not to pay proper stumpage fees, or training fees, or reforestations fees, not to meet the requirements with respect to the amount of sawn timber to be produced, to operate outside the legally allowed concession area, and the "creaming" of the forests. The last mentioned activity consists of cutting the most valuable species, sometimes only one species in an area (the company's concession area). The company's income is thus maximized but an area is left behind which contains many valuable species. However, it has lost a great part of its attraction for other investors despite the fact that it still contains many commercially exploitable species. But it is important to note that this activity, the "creaming of (Liberia's) forests", is not restricted to (some) logging companies (notably the Maryland Logging Company). In fact the country's major iron ore company, LAMCO J.V., applies the same principle in considering ore with an Fe-content below 45% as waste and unacceptable although such a product forms the major objective of the operations of another mining company, the Bong Mining Company (B.M.C.). (Note: The Liberian Government owns 50% of the shares of LAMCO).

Some companies were deliberately omitted from Annex 19. The main reason is that most of them never developed any real activities, in most cases owing to the lack of capital, although they had signed a timber concession agreement with the Liberian

Government. The companies are presented in Annex 20. Most of them are Liberian owned. Here also the list of companies does not claim to be exhaustive, which is due to the chaotic administration of these companies. It is important to note that as of December 1977 none of the concession agreements of these companies were revoked by the Liberian Government - according to the files consulted in the Concessions Secretariat.

An Example Of The Complexity Of The Forestry Sector

The complex character of the forestry sector added to the problems caused by the lack of data makes an analysis of this sector very difficult. This section deals with a number of logging companies, assigned companies and management firms, their relations, and the clashes between them, which, although perhaps not representative of the entire forestry sector, still provides a clear example of what was in reality a chaotic state of affairs as to logging operations and concession policy in Liberia in the 1970's. All information presented here is based on the archives of the Concessions Secretariat.

In 1973 the MACARS Timber Corporation was granted a concession area of 35,000 acres in Grand Gedeh County. On May 15, 1974 the company acquired additional option areas (in the same county) which with an Addendum to the concession agreement were added to the concession area on June 22, 1976. At present the company holds 273,600 acres under this agreement with the Government. What is remarkable about it is that this concession agreement, concluded between the well-known Sherman family and the Liberian Government, contained clauses which were more favourable than those of the Model Timber Concession Agreement on which the agreement was nevertheless based.

A management contract was concluded with the National Industrial Forestry Corporation (NIFCO) in 1973. This company had been created on July 31, 1973 to manage the Yah River Logging Corporation Concession. Subscribers to NIFCO were "l'Enterprise Forestière & de Transport" (from Ivory Coast), 50%; Andre Fayes Sahyoun (25%), Lucie Tolbert (15%) and Toye Bernard (10%). Sahyoun was a Lebanese businessman engaged in the timber business in Ivory Coast for over 30 years before he came to Liberia. He was President and General Manager of NIFCO. (In 1975 The Liberia Company also signed a management agreement with NIFCO) (See Chapter 4).
Subsequently NIFCO wanted to assign its management contract with MACARS to the Liberian Industrial Timber Enterprises (L.I.T.E.), which company was created on December 3, 1973 and which operated the MATRO Logging Company Concession of Harrison Grigsby, Lloyd Grigsby and Edwina Greene. The principal shareholders of NIFCO

were also the principal shareholders of LITE. Subscribers to the latter company were "l'Enterprise Forestière & de Transport" (50%), Andre Fayes Sayhoun (25%), David G. Peal (15%), Evelyn Townsend (8%) and David E. Gaye (2%). Its General Manager was Andre Sahyoun and the company was housed in the MACARS building (on Broad Street, Monrovia).

The Yah River Logging Company was also housed in the MACARS building. Andrew F. Sahyoun, David E. Gaye and Samul T. Voker each held one third of the shares of this logging company which had been granted a 50,000 acres timber concession near Ganta on May 31, 1973. (A boundary dispute with the Lofa Lumber Corporation was won by the Yah River Logging Corporation). On November 4, 1974 63,750 acres of forest land were added to the company's concession area with an Addendum to the 1973 agreement. The management contract between Yah River Logging Company and NIFCO had been concluded on July 23, 1973 (note: i.e. before this management company had been officially created - see above) but on October 21, 1974 one of the shareholders, Samuel Voker, signed a mangement agreement on behalf of the Yah River Company, with the United Logging Corporation (see below), to manage the 63,750 acres which, however, at that time were not yet officially added to Yah River's concession area. Meanwhile Sahyoun had bought out the third partner, David Gaye, by purchasing his 50 shares for $ 50,000. Being the majority shareholder (holding 100 out of 150 shares) he disputed the decision of Samuel Voker. The ensuing confrontation Sahyoun vs. Voker degenerated almost into a regular fight for the logs when at one time Voker went so far as to arm 30 Yah employees and 30 other workers of his private farm (64).
A court case Sahyoun vs. Voker (NIFCO vs. U.L.C.), during which NIFCO was legally represented by Richard A. Henries, was won by NIFCO. In 1975 new shareholders (also Liberian) joined the Yah River Logging Company: Taylor E. Major and Fred M. Ryan. Lucia Tolbert and Toye Bernard, also joined and were given 50 and 20 shares respectively *"in consideration of valuable services rendered"* as was the official explanation given.

The following year, in August 1976, Samuel Voker bought Sahyoun's interest in the company ("Yah River") and subsequently cancelled the management agreement with NIFCO. In May 1977 the Minister of Justice cancelled the concession agreement with the Yah River Logging Corporation (reasons not known) but this decision was revoked in June of the same year (details not known).

The United Logging Company was (75%) owned by Kassem Fawaz, a Lebanese businessman. The (1974) concession agreement granted 140,500 acres of forest lands in Grand Cape Mount County. Fawaz was also General Manager of the Liberia Timber Corporation. Also in 1974, this company had obtained a timber concession agreement for 52,400 acres in Grand Gedeh County and was managed by the U.L.C. after the signing of an management agreement. In

1976 ULC's operations were (temporarily) suspended - by the Government. On March 24, 1976 another logging company, the "Brazilian Afro Logging Company" (BALCO) sold its concession rights to the U.L.C. (without Government approval). On April 23, 1974 BALCO had already assigned the Vai Kone area of its concession area to the U.L.C. (32,400 acres).

BALCO had obtained a timber concession agreement on May 31, 1973. The company was given a concession area (Area "A") of 74,500 acres in Baworobo Chiefdom, Maryland County, and 68,000 acres in Webbo Chiefdom, also in Maryland County. With an Addendum to the concession agreement BALCO acquired an additional concession area of 40,000 acres in Bopolu District, Lower Lofa County and 32,400 acres in the Vai Kone Chiefdom, Grand Cape Mount County (December 12, 1973). According to the company, operations commenced effectively in the middle of December 1973 in Maryland County but after complaints of Bell Timber Company that BALCO intruded into Bell's concession area the Minister of Agriculture stopped BALCO from operating in the area. The area subsequently assigned to BALCO was evacuated by the latter after it was found out that it was an area surrounded by other concessionaires who, still according to BALCO, refused them passage to their concession area through their concessions (particularly LEVCO and NACA).

In February 1974 BALCO withdrew completely from its concession area in Maryland County and the company commenced operations in Lower Lofa County. This brought the company in conflict with the Liberia Mining Company which had been granted the area years before. It is worth mentioning that it was not only BALCO which intruded into LM's concession area. Other logging companies exploiting the timber in LMC's concession area were Tropical Farms, the United Logging Company, St. Paul Joint Venture and the Mecca Logging Company (65). After a period of which not much is known BALCO was sold to ULC on March 24, 1976.

Conflicts of interest and Liberian internal politics

BALCO was owned by a rich Lebanese businessman of Liberia, Nassi Charara (84%), and four Liberian partners: Alfred Sayeh (6%), Joetta Fully (4%), Anthony Gorgla (3%), and Willie W. Cooper (3%). The participation of these Liberian nationals caused sever problems in 1974 as one of these Liberians, Alfred Sayeh was Assistant Minister of Agriculture (for Forestry) and as it was found out that Joetta Fully was a daughter of George Fully, als working in the Ministry of Agriculture (Bureau of Forestry, Chi Conservator of Forests).
The same applied to the other two Liberian Shareholders, Anthon Gorgla, Inspector General of Forests, and William Cooper, mappe An investigation held by the National Security Agency into

alleged corruption involving these officials of the Ministry of Agriculture further showed that they had also acquired interests in other logging companies (66).

In the Liberian & Overseas Venture Corporation (see Annex 19) Alfred Sayeh, George Fully and Anthony Gorgla had used their wives' and daughters' names as partners and shareholders of the company (LOVCO). Ownership of LOVCO was as follows: Robert Mimran (50%), Jacques Mimran (25%)(both French Nationals), Priscilla Togba-Sayeh (8%), Josetta Fully (5%), Teresa Gorgla (5%) and Toye C. Bernard (7%). LOVCO had obtained a 200,000 acre concession area in Grand Gedeh County on May 15, 1973.

A third timber company, involved in the investigation was "Tripple Enterprises". The three partners in the corporation were Alfred Sayeh, who had used the name A. Doh Tieh (45%), T. Wreh Giple (Surveyer Bureau of Forestry) (10%) and Biraham Diague (45%). The last-mentioned was also Manager of the Cestos Nimba Corporation, another logging company. Alfred Sayeh was alleged to be the sole owner of Tripple Enterprises but this information could not be confirmed (67). When Mr. Diagne was approached by investigators of the N.S.A. to present his 45% shareholder in Tripple Enterprises he left the country the following day for the U.S.A. after making an appointment with the investigators to present the purported "A. Doh Tieh".
Tripple Enterprises had obtained a timber concession agreement on August 8, 1973. The concession area of 75,000 acres was located in Bong and Grand Bassa Counties (later, on February 1, 1975, an addendum to the concession agreement added 55,000 acres southwest of the Krahn-Bassa National Forest, plus 75,000 acres, the Cestos Option Area - located east of the Cestos River).

Alfred Sayeh was involved in yet a fourth logging company. JLAO Enterprises Inc., of which he was Vice-President and a shareholder (see Annex 19). The shareholders of JLAO were: Dr. Joseph N. Togba (40%), father-in-law of Alfred Sayeh, the latter held 30% of the shares. (Togba is the person also mentioned in connection with the Kitoma Mining Company, see Chapter 8). J. Broh Kieh and J. Wleh Togba II held 18%, and 12% of the shares respectively. The concession agreement (dated May 31, 1973) granted a concession area (Area "A") of 200,000 acres in Sasstown Territory and Sinoe County, with an adjacent option area of another 200,000 acres (Area "B"). After the signing of the agreement and its approval by President Tolbert (August 8, 1973) it was found out that JLAO's concession area overlapped 43,000 acres of another logging company's concession area in Sinoe County. This company, the Matro Lumber Company, was owned by Harrison Grigsby, a Senator for Sinoe County (also a former Secretary of Interior, see Chapter 5) and Edwina Greene, the daughter of Liberia's Vice President. They had obtained a timber concession agreement for 173,300 acres in Matroe Chiefdom, Sinoe

County which agreement was approved by President Tolbert on February 5, 1974. Though the Deputy Minister of Finance, Edwin Williams, acting on behalf of his Minister in a letter to the Minister of Agriculture (August 30, 1974) acknowledged that JLAO's concession agreement pre-dated Matro's - and subsequently entitled the company to the disputed area - the decision which was finally taken was in favour of Matro (68). In 1978 H. Grigsby, President of Matro Company, operated by the Liberian Industrial Timber Enterprises under a management contract (see the preceeding section on the complexity of the forestry sector), reported to the Concessions Sectretariat of the Ministry of Finance that Matro Logging Company had never gone into production and he subsequently revoked the agreement.

The "Sayeh-case" is important as it had strong political implications in the Liberian context. If it had been a mere case of conflicts of interest its significance would have been much less than it was now. However, (i) the fact that Sayeh (as well as Togba Sr. and the others) were of tribal origin and (ii) the way those in power (representing the Americo-Liberian elite) reacted give this case its particular significance.
On June 20, 1974, the Coordinator of the Concessions Secretariat, John Woods, recommended to his Minister, who was at the same time Chairman of the Concession & Investment Commission, to invalidate the four Concession Agreements (with BALCO, LOVCO, Tripple Enterprises & JLAO) for involvement of the principal officials of the Bureau of Forestry (69). It is worth mentioning here that when the management of the African Fruit Company, owned by the Minister of Finance, in the same period claimed a concession area of over 1 million acres - although the agreement granted an area of "only" 600,000 acres - (see Chapter 4) nobody in the Concessions Secretariat reacted.

The fact that the confrontation Sayeh & Togba vs. the Government was a political one is very clearly demonstrated by the following extracts from two letters. One was written by the Minister of Justice, Clarence Simpson, to his very close friend Stephen A. Tolbert, Minister of Finance. In this letter, dated May 23, 1974 Simpson reacted on a request of JLAO International Inc. to add the optional area (Area "B") to its concession area. He wrote:

> *"(...) I have reviewed the (...) Addendum and found some to be in order legally. However, I would advise that, in executing this Addendum, Government should take in consideration the fact that Mr. Alfred Sayeh, former Assistant Minister of Agriculture for Forestry, who was dismissed due to conflict of interest in some of these Timber companies, is a shareholder of JLAO Enterprises Inc., and in arriving at a decision to grant the request of that company for additional 200,000 acres of forest land, you may want to take into account the degree of influence which this official's position might have had on the selection and granting of this additional area"* (70).

It is important to note here that the concession agreement concluded between JLAO Enterprises Inc. and the Liberian Government was the Model Timber Concession Agreement and did not differ in any aspect of it.

The second letter was written by Stephen Tolbert, Minister of Finance, to the Minister of Justice, Clarence Simpson, and was dated June 26, 1974. Stephen A. Tolbert wrote:

> *"(...) It is possible that the Concessionaires (meant here are the 4 logging companies in which Sayeh had an interest - the author) are permitted to operate a larger acreage than that shown in their Agreements, thus causing loss of revenue to the Government in land rental. Also, lax control of the calculation of stumpage fees could cause significant loss of revenue".*

He continued with a most interesting point of view:

> *"(...) The Concession Secretariat discussed this matter with the Minister of Agriculture and full agreement was reached on the main issue, i.e. that it is impossible for officials to administer efficiently any organisation in which they have a vested interest".*

He recommended therefore that:

> *"(...) It is therefore imperative that the people concerned (...) should divest themselves of the shares by returning them without payment to the Concessionaires involved. At the same time they should be given a warning that any further involvement in matters of this kind will lead to instant dismissal and/or prosecution"* (71).

The following month (July 1974) the Minister of Finance bought the African Fruit Company from its German owners (see Chapter 4). Nobody in the Government protested or even reacted.

Stephen Tolbert's letter was also hypocritical for another reason. The involvement in logging companies of other Government officials, virtually all Americo-Liberians, was not criticised at the same time nor was an attempt ever made (then or later) to rectify the situation. The (open) involvement of the Minister of Foreign Affairs (in Cavalla Timber Company and in Bell Timber Company), of the Minister of Local Government (in MIM Timber Company and in Cavalla Timber Company), the Speaker of the House of Representations (in Maryland Logging Company, Lofa Timber Company, Liberian Eastern Timber Company) the country's Vice-President (in Bell Timber Company), a Minister of Education (in Maryland Logging Company) are just a few examples of Government officials who had vested interests in logging companies and were much more highly placed than Alfred Sayeh (see Annex 19). They were all co-responsible for the evasion of Liberian laws by foreign investors, the loss of millions of dollars of potential revenue and the dwindling down of one of the country's most valuable natural resources: the rich timber forests. As a result the forestry sector forms another example of the Government of Liberia subsidizing the export of raw materials (through the

granting of tax incentives) without adequate compensation for the national Treasury. It seems unavoidable to conclude that the country's most powerful politicians considered their personal gains of greater importance than their duty to defend the nation's interests.

CHAPTER 10

FISCAL PERFORMANCE versus DEVELOPMENT PLANNING

Introduction

The freedom to determine its fiscal policy combined with an independent foreign policy is the backbone of a sovereign state. British refusal to acknowledge the authority of the Liberian settlers to impose duties on trade was the immediate cause of the creation of the Liberian State in 1847. The same disputed authority had been one of the causes of the numerous conflicts the Liberian Government had with tribal people (see Chapter 2). The pledging of certain revenues, the appointment of foreign fiscal advisors and the subsequent limitation of the fiscal policy had constituted violations of Liberia's sovereignty on various occasions in the country's history. The decision to grant long-term tax exemptions to foreign investors had led to accusations that this was endangering the sovereignty of the nation by limiting fiscal freedom of future generations. Today, many a "sovereign nation" is confronted with the necessity to make decisions which solve a critical fiscal situation but still respect its sovereignty. One of the African countries which faced and continues to face this dilemma is Liberia.

Broadly speaking the revenue of the Liberian Treasury comes from three major sources. First, income generated by the country's trade with other nations; the main source of revenue in this category comes from duties on imports. During the first century of its existence (1847-1951) the country derived most of its income from this source. Secondly, internal revenue which until 1951 was mainly composed of a per capita tax (the Hut Tax) and the Emergency Relief Fund Tax (1). In that year the introduction of income tax legislation and the simultaneous taxing of Firestone's profits changed this picture. Income from international trade plus internal revenue constitute the domestic revenues. Lastly, the Government obtains funds through international assistance. This includes both assistance in "cash" (grants and loans) and in "kind" (missionary activities providing educational and medical services; military assistance; financial and other expert advice, food aid, etc.). This source of income grew in importance during Tubman's long reign over Liberia (1944-1971) and its importance for the financing of the country's development efforts has increased since 1971. The assistance in kind from churches and philantropic organisations will here be excluded from Government's revenue in conformity with international practice and also because of the lack of data inherent to the nature of this assistance.
Without proper data it would be difficult to judge a country's fiscal performance. Data collection, however, is a difficult and thankless task in Liberia as in other developing nations with a comparable degree of backwardness.

In Liberia the dearth of data for the years prior to 1964 is appalling and though an improvement is visible for the ensuing period it still leaves much to be desired. Climatologic conditions as well as a lack of trained manpower convinced of both the need and usefulness of proper filing systems and archives, and their maintenance, plus a government which does not seem to have cared much about changing this situation (2) and - judging from the budgetary appropriations for Archives and the training of personnel - has made it an impossibility to prepare for Liberia series of data which cover a period longer than 15 years. Exceptions to this rule are general statistics on Government revenues and expenditures, on imports and exports and a few other items of a general nature.

All existing and - in the short term - uncontrollable difficulties are further aggravated by the frequent and totally haphazard changes in the Fiscal Year which create reporting periods that are not comparable and make any attempt at analysis an optimistic venture. In 1929 the Legislature had decreed that beginning in 1930 the Fiscal Year would coincide with the Calendar Year. The Treasury Department, however, continued to report to the National Legislature on the basis of the Legislative Year which started in October. During the 1940's and 1950's the Treasury Department used Fiscal Years which in some years ran from September 1 of the previous (calendar) year to August 31. In other years the Fiscal Year ran from October 1 to September 30. Occasionally the reporting period year coincided with the calendar year, e.g. in 1951.

There also existed differences in reporting periods used by the various Government agencies and Departments. In the 1940's and 1950's the Bureau of the Budget used Fiscal Years which started on January 1 and ended on December 31. The reporting periods for the Nine Year Development Plan (1951 - 1960) ran from July 1 to June 30. When William Tolbert Jr. succeeded President Tubman he changed the reporting period (which ran from October 1 to September 30) to the Calender Year. Consequently, when submitting in 1973 their Annual Reports (over 1972) several government institutions did not cover the last quarter of 1971. This phenomenon was repeated when in 1976 the reporting period and the Fiscal Year were again revised to cover the period from July 1 to June 30.
While data with respect to government revenues and expenditures are hard to obtain, if at all available, the absence of any consistency in different reports renders them unreliable. This questionable reliability is further reduced by the incompetence and carelessness of the civil servants who were responsible for the compilation of reports, by manipulations for political reasons, and by chronic corruption at all levels and in all sectors of the economy and society.

Despite this inaccuracy and unreliability of the available data a certain trend is distinguishable with respect to composition and total size of Government revenues and size and direction of

expenditures in the period prior to 1960. However, due to the lack of expenditure data it had to be assumed at times that expenditures reported in a particular period were characteristic for a longer period. This general lack of data resulted in the decision to sub-divide the period under investigation in this chapter into a first period which ends around 1963/1964 and a second period which covers the years from 1963 until 1979.

The reasons for ending the first period in 1963/64 are manifold and can be summarized as follows:

1) sets of general data on Liberia's economy and Government's fiscal affairs were not available until the completion of the country's first Economic Survey which was carried out by the Northwestern University team in 1961/62 (3);
2) the (gradual) creation of a Department of Planning and Economic Affairs during the 1960's contributed greatly to the collection of and the improvement in the availibility of statistical data (following the activities in this respect of the Joint U.S.-Liberian Commission for Economic Development during the 1950's);
3) prior to 1964 detailed information on the Government's expenditures was at best fragmentary, in-consistent and in general of a questionable reliability, and at worst statistics were missing;
4) in 1962 Liberia joined the I.M.F. and the I.B.R.D. which also affected the availibility of data;
5) prior to 1964 there exists no complete record of total external financial assistance given to Liberia (4);
6) foreign assistance in general started as from 1963/64 except for the prior activities in this respect of the U.S.A., the U.N.O. and West-Germany;
7) in 1963 the second iron ore mine, the LAMCO Joint Venture, started to produce which resulted in a fundamental change of the revenue structure;
8) in 1964 the results of the 1962 Population Census became available, this was the first national census ever held;
9) no major foreign concession entered Liberia after the early 1960's (except for a large number of relatively small logging companies in the 1970's);
10) the 1963 financial crisis;

The 1963-1978 period has been broken down - when appropriate - into two periods, each of about 8 years, which each cover a different Administration.

THE 1928 - 1963 PERIOD

The Impact of the International Economic Recession; the 1930's

Threats to Liberia's independence and political stability resulted in many cases from financial crises which in their turn often resulted from internal factors such as improper tax legislation and collection, tax evasion, poor administration as well as from irresponsible borrowing and spending, including

mismanagement, nepotism and outright corruption. Embezzlement has taken place at all levels of Government: from as low as the tax collectors and administrators, up to the District Commissioners and Superintendents, and including Secretaries of the Treasury and even Presidents of the Republic (5).
However, external factors also contributed to financial difficulties. In the early 1930's Liberia's revenue, which for a large part consisted of customs duties, fell sharply following the decrease in the volume and value of international trade which was caused by the International Economic Recession. This is illustrated by Table 27. The high level of imports in 1928 reflects the investment activities of Firestone which company around this time started the physical build-up of its plantation after clearing tens of thousands of acres in the preceding years.

TABLE 27

THE IMPACT OF INTERNATIONAL TRADE
ON FISCAL AFFAIRS 1928 - 1933
(in U.S. dollars)

Year	IMPORTS	EXPORTS	REVENUE	EXPENDITURES
1928	$ 4,029,507	$ 1,465,768	$ 1,276,438	$ 1,319,768
1929	2,064,440	1,476,356	1,013,572	1,200,252
1930	1,615,454	912,062	840,473	927,111
1931	858,742	679,885	551,306	676,711
1932	n.a.	n.a.	353,388	517,397
1933	n.a.	n.a.	321,299	232,786

Sources:

- Annual Message President Barclay, 1932
- Brown: 1941, p. 186
- "A Report by the Supervisor of Customs (Charles I.M. Caskey) R.L., For the Period from January 1, 1932 to July 31, 1932", p. 5. In: National Archives, Ministry of Foreign Affairs, Monrovia.

Consequently, as of September 15, 1932 the Public Debt had increased to $ 2,759,575.76 (of which the 1926 Loan represented an amount of $ 2,192,000.00, the remainder being the floating debt). In an attempt to alleviate the financial difficulties the Government of President Edwin Barclay at various times reduced the salaries of the civil service - on one occasion by as much as 50% - whereas the salaries of the Fiscal Officers functioning under the Loan Agreement had to remain unchanged.

In these years the debt service represented, together with these unreduced salaries of the Fiscal Officers, the following percentages of total revenue: in 1928: 20%; in 1929: 26%; in 1930: 32%; in 1931: 55% whereas the 1932 figure threatened to be even higher. President Barclay then declared that though his Government did not seek to repudiate its obligations under the Loan Agreement he did not want to endanger the proper functioning of his Government. Subsequently in December 1932 the Legislature decided to suspend interest payments and amortization of the loan *"until the revenues of the Government shall have reached the sum of $ 650,000.00 annually for two consecutive years" (6).* The reaction of the Finance Corporation of America/ Firestone and of the American Government and the Agreements of 1935 were dealt with before (see Chapter 3).
In January 1933 the League of Nations informed President Barclay that it could not respond favourably to the Liberian request for assistance unless the Moratorium Act were to be repealed.

After the resignation of President King in December 1930, President Edwin Barclay had requested the League of Nations to assist his country. This request had led to the visit to Liberia of a three-member fact-finding mission (in June - July 1931) which was composed of a former French Colonial Governor and expert in general administration, a Dutch financial expert, and a British medical expert (7). The report which the League of Nations published in 1933 was in general very unfavourable to the Liberian Government. On the country's fiscal affairs it said:

> *"Among the causes for the growth of the foreign debt, in no way connected with world economic conditions, may be mentioned the following: Waste of public funds in the maintenance of overstaffed or unnecessary institutions and bureaux; failure of the Department of Justice to enforce payment of delinquent taxes; failure of the Department of Justice to prosecute Liberian officials for embezzlement or diversion of public funds and Government supplies; failure of the Liberian Government to enforce the payment into the Treasury of Consular and other fees; payments of funds due soldiers of the Frontier Force, whose money was collected by Liberian politicians and their friends; failure to institute reforms and economies repeatedly recommended by the Financial Adviser"* (8).

The League went even further and accused the Government:

> *"On the other hand, the Liberian Government has done practically nothing to foster or encourage commerce, or to open the hinterland to trade, a "law" on the subject passed in 1930 for the contrary notwithstanding*

(meant here is the repeal of the Port of Entry Act - the author

> *No progress in the uplift of the native Liberian peoples has been seriously attempted by the Liberian Government, nor have the taxes collected from the natives been spent for their benefit"* (9).

The reported amount of hut taxes paid varied in the 1930's between 20% and 38% of total Government revenue but actual

payments were much higher as (I) a certain portion of the money never reached Monrovia due to (i) payment to the tax-collector of a commission varying between 5% and 10% of the amount of hut tax collected (as from 1936) and to (ii) corruption; (II) as the large majority of the tribal population was still engaged in the subsistence-economy payment of this per capita tax was frequently made "in kind": rice, coffee, cane juice, palm oil or other products (10) (also see Table 28-B). On the other hand, the League of Nations reported that:

> *"The real estate tax, nearly all of which is due from Americo-Liberians, amounts to only approximately $ 4,000 a year, of which 80% is delinquent each year, the arrears never being collected because of the failure to prosecute on the part of the Department of Justice"* (11).

The assistance from the League of Nations was never realised as the Barclay Government rejected the League's proposals which would have resulted in the appointment of numerous white experts to strategic positions in the country, e.g. in the administration of the interior. Already the fiscal affairs of Liberia were "supervised" by American Agents appointed under the 1926 Loan Agreement). In May 1934 the League Council formally withdrew its offer of a plan of assistance. However, Barclay's request for external assistance is noteworthy, as it was one of the first clear signs that the country tried to get out of a situation of international isolation which for so long had formed an obstacle to its development. Therefore, when the League assistance did not materialize Barclay hired the service of two independent experts, one being a Polish national, T.J. Brudzinski, who became the President's Economic Advisor. In December of the same year the country's first Three Year Development Plan was adopted. Under this Plan eight specialists, mostly from the U.S.A., were engaged but their activities in Liberia were not very successful, largely due to the lack of harmonious relations between them and Liberian government officials. When the Development Plan expired in December 1937 their contracts were not renewed (12).

Edwin Barclay's ambitious plan to develop the country failed to materialize. He realised important legislation during his Three Year Development Plan period, e.g. the Civil Service Act of 1935, a Cooperative Societies Act and an Agricultural Societies Act in 1936, and an Internal Revenue Code the following year. However, he failed to implement the Cooperative and Agricultural Societies Acts. Also a Pension Scheme which was adopted never came into force. In 1937 he still contemplated a Second Three Year Development Plan (13), which plan was doubtlessly influenced by the favourable revenue performance of the Treasury. With revenues of over $ 1 million the country had risen to the level achieved prior to the Great Depression.
But in 1938 Barclay considered that the financial situation was becoming increasingly difficult with the international (financial) obligations taking first place (14). Indeed, as can be seen from Tables 28-A and 28-B, interest payments and debt amortization constituted the largest single expenditure item in

TABLE 28-A

COMPARATIVE STATEMENT OF
REVENUES AND EXPENDITURES 1935 - 1940
(in thousands of U.S. dollars)[1]

	1935	1936	1937	1938	1939	1940
INTERNAL REVENUE	191	244	356	347	354	468
Hut Taxes	111	146	208	200	174	268
Other Int. Rev.	58	66	115	118	147	164
Postal, Radio & Power Plant	2[2]	5[2]	9[2]	25	29	33
Municipalities	20	27	24	4	3	3
CUSTOMS REVENUE[3]	429	529	653	538	473	431
TOTAL REVENUES	620	773	1,009	885	827	899
TOTAL EXPENDITURES[4]	506	708	970	1,041	907	757
Operating Exp.	439	477	569	711	677	520
Municipalities	17	22	23	23	24	19
TOTAL OPERATIONS	456	499	592	734	701	539
Interest on Bonds	-	137[5]	134[5]	82	84	90
Bonds Amort. Current	-	-	-	60	31	76
Bonds Amort. Arrears	-	32	120	116	53	18
TOTAL FUNDED DEBT	-	169	254	258	167	183
Floating Debt	34	32	120	49	39[6]	35[6]
Other Arrears	16	9	5	-	-	-
TOTAL FLOATING DEBT	50	41	124	49	39	35
TOTAL DEBT SERVICE	50	210	378	307	206	218

Notes:

(1) Totals may not be exact since figures were occasionally rounded;
(2) Carried as Trust Fund and not appropriated. To Revenues beginning 1938;
(3) Including E.R.F. Tax (see note 1, Chapter 3);
(4) Excluding amounts reappropriated from preceding year;
(5) Interest Payments covering 18 months;
(6) Includes amounts appropriated from Excess Revenues of Current Year, paid following Year.

Source:

- National Archives, Monrovia, Liberia.

TABLE 28-B

COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

(percentages)

	1935	1936	1937	1938	1939	1940
INTERNAL REVENUE	30.8	31.6	35.3	39.2	42.8	52.1
Hut taxes	18.0	18.9	20.6	22.6	21.0	29.8
Other Int. Rev.	9.4	8.6	11.4	13.4	17.8	18.3
Postal, Radio & Power Plant	0.3	0.7	0.9	2.8	3.6	3.7
Municipalities	3.2	3.5	2.4	0.4	0.4	0.3
CUSTOMS REVENUE[1]	69.2	68.4	64.7	40.8	47.2	47.9
TOTAL REVENUES	100.0	100.0	100.0	100.0	100.0	100.0
TOTAL EXPENDITURES	100.0	100.0	100.0	100.0	100.0	100.0
Operating Exp. Municipalities						
TOTAL OPERATIONS	90.1	70.4	61.0	70.5	77.3	71.2
Interest on Bonds	-	19.4	13.8	7.9	9.2	11.9
Bonds Amort. Current	-	-	-	5.8	3.4	10.0
Bonds Amort. Arrears	-	4.5	12.4	11.1	5.8	2.4
TOTAL FUNDED DEBT	-	23.9	26.2	24.8	18.4	24.2
Floating Debt	6.8	5.4	12.3	4.7	4.3	4.6
Other Arrears	3.1	1.2	0.5	-	-	-
TOTAL FLOATING DEBT	9.9	5.7	12.8	4.7	4.3	4.6
TOTAL DEBT SERVICE	9.9	29.6	39.0	29.5	22.7	28.8

Note:
(1) Including E.R.F. Tax.

Source:
- National Archives, Monrovia, Liberia.

the second half of the 1930's. During these six years (1935 - 1940) over $ 1 million was spent on debt service (of which over 50% was on interest payments) out of a total expenditure amounting to $ 4.9 million in the same period. The largest share went to the Finance Corporation of America for payments due under the 1926 Loan ("the Funded Debt").

Thus, Firestone was more a burden than an advantage to the Treasury in this period. Until 1935 the company's payments to the Treasury had consisted of import duties, rental, consular fees and a 1% rubber export tax, a yearly amount of between $ 10,000 and $ 15,000. Payments had been reduced to consular fees and a 1% export tax with the 1935 Supplementary Agreement and the payment of $ 650,000 in bonds in 1935. In return for the payment of $ 250,000 in bonds Firestone had obtained duty exemptions for the rest of the life of the 1926 Planting Agreement. The company's duty free privileges were eliminated with the 1976 revision of the Agreement but by then the Liberian Treasury had in the 1935 - 1976 period lost potential revenue, conservatively estimated at $ 15 million because of this 1935 transaction (15). The modest payments by Firestone in the 1930's constituted the only income from foreign concessions. A Polish Group which had in 1935 started a cocoa plantation in the Central Province had given up its plans before any income could materialise from this venture.

Besides the general negative impact on Liberia's fiscal affairs by the Finance Corporation of America and the Firestone Plantations Company, Firestone influenced the monetary outlook of this tropical West African country. Traditionally the British currency had been legal tender. Almost immediately after the start of its operations in Liberia Firestone had become the largest enterprise in the country but the country lacked sufficient money and had no proper currency system of its own and the rubber company had to import money to pay its labourers. In 1931 the Barclay Administration legalized the circulation of the U.S. dollar. During a period of over ten years both British and American currency circulated freely, supplemented by Liberian coins. As a result of the Second World War and the arrival of the U.S. Army in Liberia and with the start of closer economic cooperation between the Liberian and U.S. Governments President Barclay changed this confusing monetary situation and in 1943 ordered the withdrawal of the British currency from circulation in Liberia. This was to be carried out between December 30, 1943 and June 30, 1944 (16).

Political Independence - Financial Dependence on Firestone

It does not seem to be an exaggeration to speak of Liberia in the 1930's and 1940's as a Firestone Colony or Protectorate. The 1926 Loan Agreement prescribed that without the consent of the owners

of the U.S. rubber company the Liberian Government was not allowed to attract (new) loans. So, even the liquidation and substitution of the 1926 Loan by another debt would require Firestone's approval. The 1926 Loan Agreement further required the Liberian Government to deposit all taxes with a financial institution owned by Firestone. From 1930 till 1935 this was the United States Trading Company's Banking Department (USTC, being a wholly owned Firestone subsidiary). In 1935 the Bank of Monrovia officially started its operations in Liberia and took over this function of the USTC Banking Department. Also the Bank of Monrovia - after 1935 the only bank in the country - was a fully owned Firestone subsidiary.
The American Fiscal Adviser had to approve the budget of this West African country every year and he and his associates virtually controlled the Treasury's intake of revenues (though with moderate success as their activities did not extend beyond the capital). During the first five years of the 1940's the company's yearly profits were four to five times greater than the republic's yearly total domestic revenues. Yet the company enjoyed exemption from import duties and paid no taxes on its income and/or profits. Significant to the position which the Firestone Plantations Company occupied in this West African republic is that the yearly budget of the Phytopathological Service of the company far exceeded the amount which the Government spent on health services for a population of about one million people. The company's pay-roll for its 20,000 employees exceeded total domestic revenues of the Liberian Treasury Department.

This was the situation which William Tubman inherited from President Edwin Barclay in 1944 though the new President was partly responsible for it as he had played an active role in the legislative approval of the 1926 Planning and Loan Agreements. With the constraints which this dependency on Firestone imposed upon Liberia, President Tubman had to govern with the same poorly trained and corrupt civil service as his predecessor Barclay had done over a population which in general was excluded from any participation in the nation's affairs other than a contribution to the national Treasury. Tubman, however, took advantage of the renewed interest which the U.S. Government showed in their African step-child. This renewed interest had started during the Second World War when the rubber produced by Firestone in Liberia and the strategic position of this West African country had led to U.S. assistance in the construction of infrastructural facilities in the country. The American post-war interest in Liberia was based on the country's economic and mineral potential as well as the military-strategic facilities which its Government offered on the western coast of a continent where independence movements were going to change the then existing geo-political situation in this part of the world. Among other opportunities of which Tubman immediately took advantage was the offer of scholarships for Liberian students by the U.S. Government. This had the long-term goal of improving the efficiency of the Liberian administrative apparatus. Among the

first to benefit from this U.S.-aid were Stephen A. Tolbert, Charles D. Sherman and Taylor E. Major (17). But an improvement in the quality of the civil service would take years, if not generations, and in 1946 Tubman announced a Five Year Developmen Plan (which was rather a Plan of Action).

The 1946 - 1950 Development Plan

The Five Year Plan was presented as an "Overall Plan to Develop the Republic of Liberia" and included political as well as economic goals. Its most important objectives were; (i) revision of election laws; (ii) revision of Statutes for the punishment of political offences; (iii) revision of existing military laws (so far as it related to the Militia); (iv) revision of the then actual labour state; (v) revision of the immigration statutes in order to inaugurate a programme for the importation of technical skills; (vi) a national development programme including education, public works, agriculture, industries, transportatior communication, research and banking facilities; (vii) a Centennial Celebration and Post War Building Programme; (viii) the transfer of the nation's capital (18).
The economic objectives of the Plan were sub-divided into:
A) an Economic Development Plan which envisaged expenditure amounting to $ 23,035,000 during this Five-Year period (see Table 29), and
B) Fiscal measures which would result in a more rigid enforceme of existing laws, property reassessments, and in a reduction of government's operational expenditures.

In the years 1941 - 1945 total Government revenue had varied between about $ 1.2 million and 1.9 million (see Table 30). In 1945 total reported expenditures of $ 2,041,999 exceeded revenues by $ 108,293 (19). Therefore, as the national Treasury would not be able to finance this Plan Tubman presented it to t U.S Government with a request for assistance. It may be significant to note here that the only investor of importance w American (Firestone), whereas an important would-be investor, Lansdell Christie, also came from the U.S.A.

Though it started its large-scale assistance to Liberia in this post-war period the American Government postponed a definite answer and the Liberian Government proceeded on its own during these years. In retrospect the Plan was abortive from the start Realising the failure of the Five Year Plan by mid-1947 an agreement was concluded with Stettinius Associates *"for the overall development of the country"* (see Chapters 2 and 4). Domestic revenues, insufficient to finance the ambitious Development Programme, moreover, had to be partly used to repay a loan under which Liberia was not free to borrow.

TABLE 29

EXPENDITURES ENVISAGED UNDER
THE 1946 - 1950 DEVELOPMENT PLAN
(in U.S. dollars)

SECTOR		AMOUNT
Education	$	3,000,000
Roads and Bridges		7,000,000
Light, Water and Power		3,000,000
Agriculture		1,500,000
Industries		500,000
Scientific and Industrial Research and Projects		500,000
Transportation & Communication		1,000,000
Banking Facility		3,000,000
The Centennial Celebration and Post-War Building Programme		3,535,000
G R A N D T O T A L	$	23,035,000

Source:
- Richardson: 1959; p. 253.

Trained manpower was virtually absent in the country, except for a large number of lawyers who - in this respect - constituted no asset to the nation. The absence of basic data prevented any sensible planning. But above all, the list of priorities of the Tubman Administration started with the preparations for the 1947 celebration of the country's existence as an Independent Republic. As President Tubman personally said in his Annual Message to the Nation's Legislature, on November 7, 1950, while reporting on the Five Year Development Plan:

> *"(...) The Centenary which was one of the major project items of the Plan was the first to receive consideration and you enacted the Centennial Tax and 15% Sur Tax Acts. With these, we were successful in executing the Centennial Programme (...). The Centennial and Executive Pavilions as well as the Centennial Monument were constructed in the capital, and the Executive Mansion has been completely remodelled and renovated; a Centennial Monument was also constructed in each of the counties (...)* (20).

TABLE 30

TOTAL DOMESTIC REVENUES AND CUSTOMS REVENUES 1941 - 1962

(in thousands of U.S. dollars)

I	II	III	IV
YEAR	DOMESTIC REVENUES	CUSTOMS	III as a % of II
1941	1,167	n.a.	-
1942	1,203	n.a.	-
1943	1,580	n.a.	-
1944	1,598	n.a.	-
1945	1,934	n.a.	-
1946	2,337	1,194	51
1947	3,212	2,006	63
1948	3,430	2,216	65
1949	3,816	2,364	62
1950	3,872	2,236	58
1951	12,831	3,299	25
1952	8,852	3,172	36
1953	11,199	3,247	29
1954	11,924	3,672	31
1955	15,298	4,632	30
1956	17,924	5,181	29
1957	19,416	6,091	31
1958	18,110	6,623	37
1959	24,553	8,539	35
1960	32,369	10,738	33
1961	32,371	13,147	41
1962	35,568	15,292	43
1946 - 62 TOTAL AND AVERAGE	257,079	93,949	37

Source:

Author's research based on
- "Revenue of the Government of Liberia 1939-1962", p. 16; GT Report No. 101, Bureau of Statistics, Office of National Planning, National Planning Agency, Republic of Liberia, July 15, 1963;
- Annual Reports, Department of the Treasury, 1946-1962.

He continued with to elaborate over the purchase of land for the construction of Monrovia's Free Port, for the construction of Capitol, Law Courts and other public buildings.
These expenditures should not be considered in isolation from the internal political situation which still deprived the peoples from the Hinterland from full political participation both in the Legislative and in the Executive and Judiciary Branches of Government.

The organisation of the national security forces through a strengthening of the army and a reorganisation and coordination of the local police forces came second in importance. The strenght of the nation's army, the Liberian Frontier Force, was increased by 75% during these five years, the Officers' and soldiers' salaries were doubled and their subsistance allowance(s) raised by 50%. Also the salaries of the civil service were raised. The increases depended on the rank and status of the civil servants and varied between 75% and 150% (21). This decision was even more politically motivated than the other as traditionally the support of a President of Liberia is to a large extent determined by his popularity with the civil service. Nepotism, alliances with politically influential families and financial generosity understandably have an impact on this popularity and political support. In 1951 Tubman won the Presidential Elections after intimidations and the hounding out of the country of a tribal candidate for the Presidence, Didwe Twe.

Agriculture seems to be the most neglected of all sectors of the economy which have importance for the nation's development. Prior to 1944 the annual appropriation for agriculture was about six thousand dollars which covered salaries, equipment, travel etc. During the Five Year Plan Period general appropriations for agriculture increased from $ 43,100.00 in 1946 to $ 99,488.00 in 1949 (no figure for 1950 being available). In 1948 (note: after the Centennial Celebrations) a Department of Agriculture and Commerce was created and, with assistance from the U.S.A., this Department was gradually expanded. The gradual introduction of an agricultural programme after 1944 was greatly influenced and facilitated by the United States Economic Mission to Liberia. However, owing to the Government's traditional lack of interest in agriculture, it had to start from scratch as no basic facts were available in Liberia from which a programme of agricultural development could be established. In March 1950 the U.S. and Liberian Governments took the decision to create a Central Agricultural Experimental Station, to be located near Suakoko in the then Central Province. But the first governmental agriculture-related research programme in Liberia only started in 1954 because of delays in the completion of the construction of the necessary facilities (laboratory building, housing for staff and employees etc.) (22). For a further discussion of the U.S. assistance to Liberia in this period see below.

Government Revenues 1941 - 1962

Data with respect to the composition of revenues in the period before 1963 are presented in Table 30,31-A, and 31-B.

Table 30 clearly shows that in the second half of the 1940's income from international trade still formed the main source of revenues. This situation changed in 1951 with the introduction of income tax legislation in Liberia and notably with the payment by Firestone of income taxes in that year. Though the income tax rate to which Firestone had been subjected (through the 1950 Supplemental Agreement to the Planting Agreement) amounted to only 12%, the company provided in 1951 half of the Government's income as a result of the rubber prices which had soared during the Korea-crisis. Firestone remained the second largest single source of income for the Liberian Treasury during the 1950's and until 1963 (after customs duties) with the exception of 1951 and 1955. During these two years income from the rubber company even exceeded customs revenues.

Income tax payments by individuals and companies other than Firestone were generally low during this period, except for the years 1951 and 1952 (Table 31-A). The income tax payers in these two years were mainly Liberian owners of rubber farms who benefitted from the high international rubber price. With the fall in rubber prices in 1953 their income fell and thus affected Government revenue. The rise in income tax payments in the early 1960's followed the boom in employment caused by the construction activities in the country. The Government towards the end of the 1950's embarked on a large scale construction programme and the newly arrived foreign concessionaires, notably LAMCO, employed thousands of workers for the construction of infrastructural facilities (railroad, port). Government revenue from sources other than international trade and the Open Door Policy, i.e. duties, taxes, charges etc. imposed upon Liberian citizens generally did not exceed 20 percent of total Government income (Table 31-B).

The income derived under the Open Door Policy on the other hand constituted an important portion of the Treasury's total income. The contribution to domestic revenues of the Firestone Plantation Company, the Liberian Mining Company and the Maritime Programme are presented in Table 32. The income from these three sources which averaged 41% of total government revenues in the 1946 - 1963 period could be called impressive were it not for three observations. First, the relative importance of these three sources of revenues is over-exaggerated as a result of the poor performance in collecting domestic taxes. Secondly, considering the numerous privileges which both Firestone and Liberia Mining Company enjoyed this contribution should still only be called moderate. Thirdly, a narrow revenue-base such as implied in this

TABLE 31-A

MAIN SOURCES OF DOMESTIC REVENUES[1] 1939 - 1962

(in thousands of U.S. dollars)

Year	Income Tax 2	- of which FPCo 3	- others than FPCo 2	L.M.C.	Maritime Revenues 4	Public Utilities Revenues 5	Real Estate Tax	Tax on Sale and Export of Rubber	Hut Tax	Health Tax 6	Development Tax 7	Coast Guard Tax 8
1939		n.a.							174			
1940		n.a.							268			
....		n.a.										
1946		145										
1947		126										
1948		119										
1949		74			149		n.a.					
1950		52			125		n.a.					
1951	7,816	5,629	2,187		224	206	13	60	305		173	
1952	3,497	2,372	1,125	1,111	269	248	16	74	324		179	
1953	3,289	2,985	304	1,991	493	308	24	26	301	195	164	
1954	2,971	2,686	285	1,801	753	384	52	4	334	180	193	
1955	5,234	4,895	339	2,690	1,100	445	17	82	336	163	162	
1956	5,621	5,149	472	3,041	1,444	556	31	114	312	173	175	197
1957	5,008	4,472	536	3,100	2,019	636	41	104	330	209	208	301
1958	4,248	3,622	626	2,821	1,600	642	37	92	339	183	185	296
1959	6,796	6,074	722	3,768	1,678	316	65	99	329	208	204	285
1960	8,907	7,935	972	5,987	1,157	447	158	155	316	191	194	395
1961	6,947	5,392	1,555	5,578	965	486	103	132	340	216	211	405
1962	6,986	4,508	2,478	4,915	964	543	442	75	322	204	198	395

Notes:

(1) Excluding customs revenues;
(2) Income Tax Legislation introduced in 1951;
(3) Prior to 1951 other than income tax payments;
(4) Maritime Programme inaugurated in 1949. Revenues consisted of Vessel Registration Fees and Vessel Tonnage Taxes;
(5) Includes a. sale of electric current; b. water and sewerage rates; c. radio station receipts; d. telephone receipts; e. postal revenues (local);
(6) Per Capita Health Rax introduced in 1953;
(7) The Per Capita Development Tax substituted the Centennial Tax after 1947;
(8) Coast Guard Tax introduced in 1956.

Sources:

Author's research based on
- The National Archives (Unorganised), Ministry of Foreign Affairs, Monrovia;
- GT Report No. 101
- Table 1
- Table 6

TABLE 31-B

MAIN SOURCES OF DOMESTIC REVENUES[1] 1939 - 1962

(percentages)

Year	Total Income Tax	- of which FPCo	- others than FPCo	L.M.C.	Maritime Revenues	Public Utilities Revenues	Real Estate Tax	Tax on Sale and Export of Rubber	Hut Tax	Health Tax	Development Tax	Coast Guard Tax
1939									21			
1940									30			
....												
1946		6										
1947		4										
1948		3										
1949		2			4							
1950		1			3							
1951	61	49	2		2	2	a	a	2		1	
1952	38	27	11	13	3	3	a	b	4		2	
1953	29	27	2	18	4	3	a	a	3	2	1	
1954	25	23	2	15	6	3	a	a	3	2	2	
1955	34	32	2	18	7	3	a	b	2	1	1	
1956	30	28	2	17	8	3	a	b	2	1	b	1
1957	26	23	3	16	11	4	a	b	2	1	1	2
1958	23	20	3	16	9	4	a	b	2	1	1	2
1959	28	25	3	15	7	1	a	a	1	b	b	1
1960	28	25	3	19	4	1	a	a	1	b	b	1
1961	21	17	4	17	3	2	a	a	1	b	b	1
1962	20	13	7	14	3	2	1	a	1	b	b	1

Notes:

(1) Excluding Customs Revenues;

(a) Less than 0.5%;
(b) Between 0.5% and 0.99%.

Source:

- Table 31-A

TABLE 32

REVENUE DIRECTLY ORIGINATING FROM
THE OPEN DOOR POLICY 1946 - 1962

	FPCo + L.M.C. + Maritime Revenues		
Year	$ 1000		%[1]
1946	145		6
1947	126		4
1948	119		3
1949	223		6
1950	177		4
1951	5,853		51
1952	3,752		43
1953	5,469		49
1954	5,240		44
1955	8,685		57
1956	9,634		53
1957	9,591		50
1958	8,043		45
1959	11,520		47
1960	15,079		48
1961	11,935		37
1962	10,387		30
GRAND TOTAL	105,978	AVERAGE	41

Note:
(1) As a percentage of Total Domestic Revenues.

Source:
- Table 31-A

situation renders the Treasury very vulnerable. The involvement of a revenue source based on depletable natural resources (in this case: iron ore) makes this dependency even worse. It is most remarkable that only two foreign companies made significant tax payments. In a period of less than twenty years at least forty foreign companies concluded concession agreements with the Government. Their number may even be higher as no complete list exists of concession agreements signed and these forty agreements were the ones that could be traced (more precisely, two of them were Statements of Understanding between the Government of Liberia and foreign investors). Among these agreements were 11 mining concessions, 7 agricultural concessions, 6 lumber concessions, 5 concessions for agro-industrial purposes, 4 industrial concessions and 6 others.

Furthermore, in 1960 there were nearly 1,200 foreign corporations registered in Liberia (under the Corporation Law of 1948) (23). The Liberian Corporation Law of 1948 offers a tax-haven to foreign companies which are registered in Liberia but which operate outside this West African country. By agreement between the Government and the U.S. company International Trust Company (I.T.C.) the latter collects the fees which these companies must pay for the tax facility. The Government in this period paid I.T.C. 12½% commission for services rendered. As the impact of the Corproation Law of 1948 on the economic development of Liberia is virtually limited to its revenue generating aspect no further elaboration will follow in this respect. These companies exist only on paper for the Liberian economy.

The International Trust Company not only serves as statutory agent for foreign businesses incorporated in Liberia under the 1948 Corporation Law but also acts as the Government's maritime administrator (see also Chapter 4). Under an agreement made in 1949 between the Government and I.T.C. the latter collects all fees due by the owners of the ships registered under the Liberian flag. For these services I.T.C. received 27% of all fees collected (until 1975 when the agreement was revised and I.T.C.'s share was reduced to 20%) (24). What was previously stated in respect of the Corporation Law of 1948 also applies to the Maritime Law. Therefore no further elaboration will follow here although the financial impact of the Maritime Programme far exceeds that of the 1948 Corporation Law. It is sufficient to mention here that by 1959 Liberia ranked third among the world's maritime nations (25). This achievement was the exclusive result of the flag-of-convenience policy.

In fiscal terms the Open Door Policy yielded less in this period than could be expected. This was due mainly to the nature, if not the absence, of the tax provisions in the concession agreements. Also the fact that a large number of concessions did not reach the stage of production contributed greatly to the low income receipts of the Government from the concession sector.

It would be interesting to see how this income of the Treasury (which grew at an unprecedented rate and which reached heights never reached before in Liberia's history) has been spent. However, reports other than the Treasury Department's Annual Reports are not available, and even these Annual Reports do not properly specify the yearly total expenditures (if a total is at all presented). Thus it is not possible to learn the specific trend of Government's expenditures during this period. In 1960 it was reported that *"for the first time in several years Government revenues exceeded Government expenditures in 1959" (26).*

However, as a government's budget is a reflection of its goals and priorities, and the budgets present a rough idea of how funds were tentatively spent, the Budgets for 1946, 1951, 1956 and 1961 are presented in Annex 21. The reliability of the Budget as an indication of actual disbursements is limited in the case of Liberia. First, "Budget Transfer Orders" were rather common and authorised the President or the Secretary of the Treasury to transfer funds from one "area" to another. Secondly, no systematic record exists of Supplementary Budgets which had been approved. Thirdly, corruption exists within the various departments and agencies which handled government money. In 1948 it was reported

> *"that it was not unusual that as much as three supplementary budgets were made within four months after the Ordinary Budget had been approved and the Legislature had adjourned"* (27).

These Supplementary Budgets were usually distributed on a much smaller scale than the "Ordinary Budget". In this case the Supplementary Budget for 1946 could be traced and was included in Annex 21.

During the 1950's the situation was very complex. In these years the Government's Ordinary Budget which made no distinction between current and capital expenditures was complemented by a second budget for expenditures under a Nine-Year Development Plan (1951 - 1960). This had been introduced and was implemented with the assistance of the U.S. Government. This second budget amounted during each of the nine years to twenty per cent of total domestic revenues (the Liberian contribution). A third budget consisted of funds which were obtained from the Export-Import Bank and which were utilized exclusively to finance capital expenditures (28). In addition to these three "budgets" the Liberian Government during the second half of the 1950's started to borrow large amounts of money, most of these being suppliers' credits and prefinanced loans. It is not surprising that in such a situation no complete records exist in Liberia which specify total expenditures during these years. Even information related to expenditures under the Nine-Year Development Plan have disappeared in Liberia. Here it is interesting to note that the unexpected large revenues of 1951 had enabled the Government to make the final re-payment of the 1926 Loan which freed the country of Firestone's control. (The 1951 Budget was still based on total domestic revenues amounting to $ 5.0 million).

The trend of public expenditures during this period

The data presented in Annex 21 show us that in the 1946 - 1961 period appropriations for "International Relations" increased twenty-fold, making it the fastest growing expenditure item. The impressive but costly network of diplomatic missions which was set up during the 1950's reflects Liberia's post war abandonment of its internationally isolated position. We have seen how President Barclay had started this process by inviting the League of Nations to assist the country. The growth of government funds in the 1950's enabled President Tubman to spend substantial amounts on the representation of Liberia abroad, notably in the newly independent countries of Africa but also in countries such as the very first independent black Republic, Haïti, and in Taiwan, Israel, the Vatican, Jamaica etc. By refusing to open the doors for diplomats from the Eastern European countries, including Russia, or from the People's Republic of China, Tubman closely followed the diplomacy of Western countries which was inspired by the U.S.A.

At times the costs of the Liberian representation abroad reached levels which were disproportionate to the nation's domestic needs and priorities. In 1954 the Legislature passed a law approving President Tubman's visit to the U.S.A., Haïti, and the Lebanon and allocating $ 100,000 for this purpose (29). But the generosity towards Tubman (whether or not for official purposes) reached sometimes grotesque proportions. In March 1952 the Lesiglature granted Tubman a three month leave of absence with paid expenditures in fact, an unlimited amount with a minimum of $25,000. (30).
In 1956 and 1958 this was repeated. In each of these years the Legislature legalized the spending of $ 100,000 during these 3 months presidential holidays. In 1960 even the (rubber-stamp) Parliament passed a Joint Resolution granting President Tubman a 3 months rest leave with an unlimited budget at his disposal (31). These decisions may well constitute evasions of the Constitution which stipulates that

> *"the President shall at stated times receive for his services a compensation which shall neither be increased or diminished during the period for which he shall have been elected"* (32).

Tubman had been reelected in 1951 and 1955 respectively.

Second in importance in this period, judging from budgetary appropriations, came "Education". It may be well to note, however, that the appropriations for the Nine-Year Development Programme and for the Development Programme under Sponsorship of the Joint Commission, in 1956 and 1961 respectively, see Annex 21, will probably have included appropriations related to education as well as to agriculture, health and infrastructure and communications . The appropriations for agriculture, for health or for industrial development (though the last mentioned expenditure item was not even specified in these four Budgets)

however, were all surpassed by the appropriations for the nation's security forces of which the allocations for the War Department proper constituted only a very small portion. In April 1950, the Legislature had approved the employment of Public Relations Officers

> *"so as to prevent the making of Liberian territories into fertile soil for the infiltration and germination of dangerous propaganda and subversive activity"* (33).

Though originally the intention may have been to shield Liberia from undesirable influences from abroad, the services of these Public Relations Officers were soon used to build up and strengthen an internal security system. The main aims were the protection of the Head of State from subversive activities as well as the suppression of popular feelings which implied criticism of the President, his protegées, or the official policy. This system thus significantly contributed to the continuation of the domination of the Americo-Liberians. Notably after the 1955 attempt to assassinate President Tubman allocations for his P.R.O.'s were substantial (See note J of Annex 21). In 1956 the budget of the Department of Agriculture and Commerce was less than the total amount appropriated for an unspecified but large number of P.R.O.'s. Also in 1956, the allocations for Inauguration Expenses still exceeded the ordinary budget of the Department of Agriculture and Commerce.

By 1961, however, the largest single expenditure item had become the servicing of the nation's debt. When on January 3, 1944, Tubman was inaugurated for the first time, the Public Debt had amounted to $ 1,259,699.15 but as of December 22, 1949 this had been reduced to $ 589,050.93. Never before, during this century, had the Government's debt been so low. It may be important to note here that the decrease in the nation's debt did not result from the increase of revenues under the Open Door Policy - which growth only started as from 1951. It rather resulted from a modest expenditure pattern, no doubt influenced by the control which the Finance Corporation of America then exercised over Liberia's public finances. The fact that Liberia was not allowed to contract any debt without the approval of Firestone's Finance Corporation should be born in mind. The windfall for Government revenues as a result of the taxing of Firestone's profits in a year when rubber prices were extremely high had enabled Tubman to terminate this dependency in December 1952. The economic and fiscal growth during the 1950's - which were caused by the Open Door Policy - had made the Government over-optimistic in its attempt to compensate for nearly a century of carelessness and the impotence of previous governments. The awareness that infrastructure (in its broadest sense) was virtually lacking in the country even led to a kind of self-chastisement when Liberia's ambassador to the U.N., C.T.O. King, made the historic public statement that Liberia had never had the advantage of colonial rule (34). Certainly, this was a true statement, though it is often interpreted as meaning that Liberia was never colonized.

During the 1950's the Government engaged in road building activities, the construction of public buildings, and the improvement of communication facilities. These were mainly financed with loans granted by the contractors. Simultaneously, an increased effort was made to provide more educational opportunities and medical facilities to more people and to improve the sanitary situation in the capital. These expenditures were generally financed from current revenues supplemented with funds obtained from the U.S.A. under the Nine-Year Development Plan. The general administration of the country's affairs each year needed higher amounts as the existing Departments were expanded and new ones were created. Unrestricted use of these prefinanced loans, unwise spending, an over-optimistic anticipation of future revenues, and a drop in commodity prices, in the early 1960's all contributed to a financial crisis which was unprecedented in the history of the country. The chaotic public finance administration which prevented a proper fiscal planning as well as proper tax collection made the situation unnecessarily bad. In March 1952 the Legislature had passed a law introducing another per capita tax, a Relief Tax of $ 1.00 annually on every citizen between the ages of 21 and 60 (35). However, six years later the Treasury Department reported that this law had never been enforced owing to the fact that the Bureau of Internal Revenue (the collecting agency) had never received a copy of this Bill (36). A Mercantile Gains Tax and Excise Tax, introduced in 1945 and 1946 respectively, had been ineffective in the absence of a reporting system by which to check on the merchant-importers' accounts (37). Even in the early 1960's the Bureau of Internal Revenue of the Treasury Department did not have a master checklist of concessions which offered the necessary information regarding these foreign companies' tax liability and tax exemptions. Despite the existence of a Board of Concessions (created in 1953) no list existed of all concessions in the country, neither had any Government agency ever compiled all the concession agreements (38). In general the enforcement of general tax laws or of fiscal provisions of these concession agreements was not systematic, coordinated or complete. Despite this general lack of knowledge as to who were entitled to e.g. duty free privileges, abuses of duty exemptions by both concessionaires and others were reported in 1958 (39). The creation of a commission for the control of duty free privileges did not produce the satisfactory results in this case either.

Tax evasion by Liberian citizens (both Hut Tax and Real Estate Tax) and by Lebanese merchants occurred on a large scale and deprived the Treasury of large sums of money (40). The report of a Tax Planning and Coordination Committee mentioned in 1960 that lawyers and law firms of high standing, including high ranking government officials, were actively engaged in tax-evading practices. In vain it was recommended that legislation should be passed prohibiting lawyers on Government Payrolls from representing their clients involved in tax cases (41). In the same year the Secretary to the Treasury complained that

government agencies other than the Treasury Department engaged in borrowing from firms, concessions or even foreign Governments without the Treasury's prior approval or even knowledge (42). Moreover, the pre-financed loans had not always been made at fair prices owing to the lack of international bidding. And, anxious to proceed quickly, the Government had often failed to obtain detailed estimates for the construction of certain projects. This had in many cases resulted in severe difficulties when final costs proved to be completely out of line with the original estimates (43). No corrective measures, however, had ever been taken.

In attracting these short-term loans, often at high interest rates, the Government had anticipated the revenues resulting from the start of production in foreign concessions while expecting that the rapid growth of revenues of the 1950's would continue. But LAMCO failed to come into production prior to 1963 owing to delays in the financing of the project, followed by delays in the construction of the railroad and port. No income was forthcoming from NIOC either. The disease which destroyed the banana-plantation of the African Fruit Company rendered the Government's investment in the Port of Greenville negative. On the other hand numerous construction projects had been financed which were to boost the country's prestige but which were economically non-productive. Among these were the new Capitol building which cost over $ 2 million, and the President's new Executive Mansion of about $ 15 million, whereas $ 1 million of public funds was spent on the construction of a Masonic Temple Building in Monrovia. This fraternal organization is a powerful institution in Liberian internal politics. Though officially no relationship exists with the Government, its influence on public affairs is in practice substantial if only because every (urban) Liberian of any importance has joined or aspires to join this organization. Membership of the Masonry usually coincides with the membership of the only political party in the country since 1955, the True Whig Party, though the reverse does not always hold good.

The extravagance in representing Liberia abroad had, among other things, led to the purchase of Liberian Embassy quarters in Washington, London, and Paris and the maintenance of a Presidential Yacht which cost the Treasury millions of dollars which it could ill afford. With the private constructors of the prestigious Ducor Hotel in the nation's capital the Government undertook by agreement, in 1958, to lease a minimum number of suites and double rooms at a total rental of $ 125,000 per year during the first ten years of the existence of the hotel. Unnecessary investments in the National Iron Ore Company in 1958 cost the Treasury another $ 5 million (see Chapter 7).

The 1963 Financial Crisis

With an annual total revenue of less than $ 40 million the Government in the beginning of 1963 faced a public debt amounting to nearly $ 135 million in principal, with an additional $ 34 million in interest. Of this total debt of $ 167 million about

$ 117 million were due for repayment before 1969 (44). Virtually all short-term public debts were owed to foreign banks and companies (contractors and/or suppliers); the long-term debts being owed to foreign governments or institutions owned or controlled by them (mainly U.S.A. and West Germany). The debt service due in 1963 amounted to $ 33.6 million if no postponement of repayment and/or interest payments were obtained,

"an amount not much less than the entire estimated government revenue for that year" (45).

Early 1963 a comprehensive debt-rearrangement plan was prepared with the assistance of the International Monetary Fund (I.M.F.). (The previous year Liberia had joined the I.M.F and the International Bank for Reconstruction and Development, I.B.R.D.). As a result of this re-arrangement of the public debt temporary relief was granted to the Treasury enabling the Government to introduce measures to improve the situation in the area of public finance. The re-payment of the bulk of the debt was postponed until 1969, nevertheless making an immediate stand-by credit of the I.M.F. necessary in 1963. The Liberian Government had requested and obtained this I.M.F. assistance, including the services of an I.M.F. representative in Liberia/Monrovia to assist and advise the Government in carrying out an imposed financial program as well as fiscal measures. The Government had to and did promise in return for this I.M.F. assistance (i) to refrain from any new commitments with maturities of less than 15 years, (ii) to try to increase revenues by improving existing collection procedures and by introducing new taxes (i.a. an Austerity Tax was introduced), (iii) to make regular transfers from its own resources to a special account set up for the purpose of servicing the debt, (iv) to limit its ordinary budget expenditures and to introduce an Austerity budget, and (v) to introduce a new budgetary system.
Until then, as was stated above, various budgets existed whereas the ordinary budget did not specify expenditures with respect to current operations and capital formation.
It is important to note here that one of the consequences of the financial crisis was the gradual development of an Investment Incentive Code (completed and enacted in 1966). Its goal was to attract new investments and thus generate additional revenues for the Treasury and to uniformize (concession) agreements with investors with the aim of eliminating abuses and reducing loss of potential revenues. Also in this period the idea germinated of developing an "Industrial Park" outside Monrovia to facilitate the location of private industries. With respect to existing concession agreements the Government agreed to investigate the possibilities of increasing revenues from these sources.
In spite of the drastic cuts in expenditures, the enforcement of existing tax legislation, the introduction of new sources of revenues, and the improvement of the administration (which of course could not be realized overnight) the Government continued to be confronted with substantial budgetary deficits.

After the austerity measures had been introduced about two-thirds of the ordinary budget were still for salaries and a further reduction was considered not practical in view of the politically nature of these expenditures.

The introduction of the austerity measures, including the introduction of an Austerity Tax which had far more deeply affected the people in the lower income group than the existing Income Tax legislation had been followed by political unrest and a series of strikes which had paralysed the large foreign rubber plantations as well as the iron mines. The only alternative solution to cover the deficits would have had as a consequence a limitation of the expenditures on high-priority development projects. Not surprisingly, the Government decided upon increased foreign public assistance (46). It goes without saying that foreign governments whose nationals had made considerable investments in Liberia had an immediate interest in the absence of political unrest in this underdeveloped country. Strikes would have a negative impact on the profitability of the investment and would also affect the production of raw materials which were in many cases processed in the country of origin of the investor. In the long run they might even lead to a deterioration of the general investment climate. The growing political willingness in the 1960's industrial countries to provide assistance to underdeveloped or developing countries combined with this interest of certain (Western) governments largely explains the pattern and volume of public foreign assistance to Liberia as from the mid-1960's. As will be seen political motives also played an important role .

Public Foreign Assistance

Traditionally, Liberia had received foreign assistance from three different sources and for three distinct purposes. First, private foreign commercial institutions and banks had granted loans to supplement the country's deficient domestic financial resources. Secondly, foreign governments, notably those of the U.S.A. and of Germany, had provided military assistance to the Government in Monrovia to quell tribal revolts. And lastly, foreign non-profit organizations such as religious and philanthropic organizations had made valuable contribution in the fields of education and health, both in financial terms and with respect to the supply of trained personnel.

The 1939 - 1945 war incited the U.S. Government to step up its assistance to the West African Republic. As a result of the Defense Area Agreement which the two Governments concluded on March 31, 1942 the U.S. Army completed an international airfield which had been started by the Firestone Plantations Company and constructed two auxiliary roads as well as a road leading to the interior of the Republic.

In 1943 Liberia and the U.S.A. signed a Mutual Aid Agreement under which Liberia obtained Lend-Lease funds. In December 1943 a U.S. Geological Mission arrived in Liberia and the Agreement for the construction of the Monrovia Free Port was signed in the same month. The change of power in Liberia in January 1944 did not affect U.S. interest in and support of Liberia which was not always inspired by altruistic motives. The presence of American Army personnel in Liberia, which was based on the 1942 Defense Agreement, resulted in U.S. concern in the health hazards to which their citizens were exposed while being in Liberia. In 1944, the desire to protect American troops against tropical diseases and to prevent the transmission of these diseases to the U.S.A. led to the decision to send a U.S. Public Health Mission to Liberia. Also in that year a U.S. Economic Mission to Liberia arrived in Monrovia.

Initially the U.S. Government had wished to increase relations with Liberia because of this country's strategic position. However, political, ideological and economic interests gradually superseded military considerations. For the U.S.A. Liberia offered excellent possibilities as to the supply of valuable natural resources for the domestic economy as well as an attractive area of investment for U.S. companies. The U.S. Geological Mission to Liberia, which had surveyed the country's mineral resources, the presence of Firestone which had contributed significantly to the U.S. war industries, the dispatch of a U.S. Economic Mission whose purpose it was to assist Liberia in the production of strategic materials and agricultural commodities, as well as the decision to construct the Free Port (initially conceived as a military base but constructed after the Second World War) all confirm this conclusion. Furthermore, Liberia provided the U.S.A. with the opportunity of obtaining a bridgehead on the African continent from which important political developments could be observed at close quarters and from which the continent could easily be penetrated and further explored. It was also of great importance for the U.S.A. to have an opportunity of making Liberia a model state, a western democracy based on the system of private enterprise, in a continent which was on the threshold of determining its own fate.

The U.S. assistance to Liberia covered nearly all areas. Assistance was given in the establishment of a vocational training center (as part of the Booker Washington Institute in Kakata), a public health center (for the training of nurses) as well as agricultural projects. During 1945 and 1946 the U.S. Army Air Force made aerial photographs of Liberia which greatly contributed to the first survey ever made of Liberia's timber resources by the Economic Mission in 1947 and 1949. The importance of the Free Port and the Bridge over the St. Paul river as well as of the $ 4 million loan from the Export-Import Bank for the success of the Liberian Mining Company were mentioned before (see Chapter 7).

From 1944 a U.S. Army officer had been training the Liberian Frontier Force and police officers, and army personnel had attended training courses in the U.S.A. after the end of the war. With the arrival of the U.S. Military Mission in Liberia in 1951, following the conclusion of a military agreement between Liberia and the U.S.A. in that year, military assistance to the country increased. Now the U.S.A. also trained the Liberian Militia. The Military Mission became one of the co-ordinating branches of the then called War Department (after 1955: Department of National Defense).

On the basis of the activities of these various U.S. Missions and their findings President Tubman applied for U.S. aid in 1950 when the U.S. Congress enacted the Act for International Development ("Point IV Program"). His request was granted. In December 1950 the U.S. and Liberian Governments subsequently signed a General Agreement for Technical Cooperation and a Memorandum of Agreement for the establishment of a Joint Commission for Economic Development. The U.S. Economic Mission and the Public Health Mission then merged into the Joint U.S.-Liberia Economic Commission. This Joint Commission became the vehicle for the execution of the Five Year Economic Development Plan (1951 - 1955) which was simultaneously agreed upon. The Joint Commission had thirteen members, seven of whom were appointed by the Liberian Government and six by the U.S.A. It is interesting to note that at the time of the creation of this Commission the 1926 Loan still had not been completely re-paid (as a result of which there was an American Financial Adviser with considerable powers).
The Development Plan called for the expenditure of some $ 32.6 million over a period of five years in five broad categories (Table 33).
This Plan was to be financed by Government sources (20 per cent of current revenues), U.S. grants and loans. Soon, however, it was realized that the Five-Year Plan could not be fully implemented mainly because of financial and administrative reasons. The notorious lack of data prevented a proper planning and estimating of costs whereas government revenues had proved insufficient despite the considerable growth of revenues in the early 1950's Therefore the Five-Year Plan was in 1953 extended to a Nine-Year Development Plan. The expenditure envisaged under the expanded Plan amounted to $ 73.6 million. The sectorial distribution of this amount is presented in Table 34.
In his Annual Message to the Legislature, October 23, 1953 President Tubman advised that

> *"ways and means for the financing of this Program be authorized to be initiated not by gifts or benevolence but upon the guarantee of the natural resourses of the country which are already being exploited, and others that are in the exploratory state"* (47).

As in his opinion

> *"It is sound economics and fair equity to impose on succeeding generations, obligations for benefits that will accrue to them",*

TABLE 33

PLANNED EXPENDITURES UNDER THE

FIVE YEAR DEVELOPMENT PLAN 1951-1955

Sector	US $ million	%
Infrastructure (principally roads and bridges)	11.3	34.7
Public Health projects	8.7	26.7
Education	7.1	21.8
Agricultural projects	4.3	13.2
Government Administration	1.2	3.7
TOTAL	32.6	100.0

Source:

Author's research based on
- "An Act Approving The Nine-Year Program For The Economic Development of The Republic of Liberia" In: Acts Passed By The Legislature of The Republic of Liberia During The Session 1953 - 1954, pp. 61-95.

TABLE 34

PLANNED EXPENDITURES UNDER THE

REVISED DEVELOPMENT PLAN 1951-1960

Sector	US $ Million	%
Infrastructure (roads, hydro-electric power, harbors, airports, public buildings etc.)	52.8	71.7
Public Health projects	7.3	9.9
Education	3.5	4.8
Agricultural projects	5.2	7.1
Communication (postal services, telephone, radio)	3.1	4.2
Government Administration	1.7	2.3
TOTAL	73.6	100.0

Source: See Source Table 33.

the Legislature authorized him to contract long-term (!) loans to execute the development program (48). Tubman's deviation from this authorization by contracting short-term loans and its financial consequences were dealt with before.

The composition of the Joint Commission changed in 1955 with the signing of a new memorandum of understanding between the U.S. and Liberian Governments. Membership was reduced to 4 Liberians and 3 Americans.

The absence of detailed information with respect to expenditures made under these two Development Plans in the 1950's - even their aggregate total is not available in Liberia - do not allow for conclusions concerning the effectiveness of the money thus spent. U.S. financial support to the country's development efforts was substantial especially when compared to the total domestic revenues of the recipient, the Government of Liberia. These revenues totalled $ 20.2 million in the years 1944 through 1951. In the 1944 - 1950 period the U.S. Government alone spent about $ 27 million in Liberia. Nearly all money was spent on infrastructural works: an international airfield, interior roads and the Free Port.

Table 35 presents the U.S. assistance to Liberia during the years 1946 through 1961. It is noteworthy that these amounts are exclusive of the commitments and disbursements made during the Second World War. The bulk of the money was channelled through the U.S. Agency for International Development (USAID), and its predecessor, the International Cooperation Agency (I.C.A.). From 1951 until March 1962 they spent some $ 22 million. Total domestic revenues of the Liberian Treasury in this period totalled $ 204.8 million. Education and agriculture each accounted for approximately 20 per cent of this assistance. They were followed by transportation (15%), and health and sanitation (10%). However, personnel costs accounted for a large share of the American expenditures. Of USAID's expenditures of $ 21.6 million, 42 per cent was used for the paying of American technicians. The Northwestern University team severely criticized the U.S. aid mission's inability to select priority projects and the reluctance of some of its members to realize that certain American practices did not always provide a solution or relief to Liberia's special problems (49).

Prior to 1951 the U.S. Government had formed the only external source of supplementary funds for the Tubman Administration. But with the creation of the United Nations Expanded Programme of Technical Assistance (EPTA) in 1950 new opportunities were offered. Liberia was a member of the U.N.O. as a result of its signing of the United Nations Declaration in 1944, making it the thirty-fifth signatory (50).

TABLE 35

U.S. ASSISTANCE TO THE
LIBERIAN GOVERNMENT 1946 - 1961[1]
(in millions of U.S. dollars)

Type of Assistance	1946 - 1948	1949 - 1952	1953 - 1961[2]	1946 - 1961[2]
I. Economic Asst.	7.5	2.3	29.2	39.0
of which Loans	7.5	0.2	3.2	10.9
Grants	-	2.1	26.0	28.1
II. Military Asst.	-	-	1.8	1.8
of which Loans	-	-	1.2	1.2
Grants	-	-	0.6	0.6
III. Total	7.5	2.3	31.0	40.8
of which Loans	7.5	0.2	4.4	12.1
Grants	-	2.1	26.6	28.7
IV. Exim-Bank Loans	-	10.3	61.3	71.6
V. GRAND TOTAL	7.5	12.6	92.3	112.4
of which Loans	7.5	10.5	65.7	83.7
Grants	-	2.1	26.6	28.7

Notes:

(1) U.S. Fiscal Years;
(2) From Fiscal Year 1955 to 1961, obligations by the year are on a gross basis, i.e. total new obligations entered into during that year.

Source:

- "U.S. Overseas Loans and Grants and Assistance From International Organizations; Obligations and Loan Authorizations July 1, 1945 - September 30, 1977", p. 107.

United Nations' assistance to Liberia began in 1951 when the United Nations Educational Scientific and Cultural Organization (UNESCO) started providing assistance in the field of education. In the early 1950's also the Food and Agriculture Organization (F.A.O.) and the World Health Organization (W.H.O.) became engaged in several projects in the country. By the end of the fifties also the United Nations Special Fund (UNSF), created in 1959, the International Labour Organization (I.L.O.) and the International Civil Aviation Organization provided services to Liberia (51). Between 1951 and 1961 the U.N.O. and its Specialized Agencies provided technical assistance worth some $ 2.5 to $ 3.0 million (52). Still a substantial amount though far less than the $ 50 million the U.S.A. had supplied in the 1944 - 1962 period.

In 1961 U.N. assistance to Liberia became institutionalized by the establishment of a United Nations Mission to Liberia. Furthermore, China-Taiwan, Israel and Switzerland/the City of Zürich offered assistance to Liberia for various reasons. The amounts involved here, however, were negligable compared to Liberia's overall development needs. Small contributions also came during the 1950's from Italy/the Vatican. After the conclusion of a Technical Assistance Agreement between Sweden and Liberia in 1962 the Swedish Government started to support the Liberian-Swedish Vocational Training Center in Yekepa. Swedish aid funds, however, did not exceed $ 0.7 million a year. Most of the graduates from the Vocational Training Center later found employment with the LAMCO J.V. It was the German Government, however, which constituted the second most important source of public foreign funds to the Liberian Government. Incidentally, prior to 1963, the German investments in Liberia ranked second too (after the U.S.A.). During the 1950's the African Fruit Company, the Society for the Utilization of Vegetable Raw Materials, the Maryland Logging Company, and the Deutsch/Liberian Mining Company - then all German investments - had made considerable investments in Liberia. The increased German involvement in Liberian affairs resulted from their interest in the Salala Rubber Corporation, the loans of the Kreditanstalt für Wiederaufbau to LAMCO and the supply of iron ore to the German steel works.

German assistance began in 1959 when the German Government provided loans for the re-payment of the construction costs of the port of Greenville to the African Fruit Company and provided equipment for the Government Hospital in Tubman's natal town, Harper in Maryland County. Subsequently, the German Government financed a study of the Monrovia Free Port (1960), port and shipping experts (1961 - 1962), a study of city planning in Monrovia (1962 - 1964) and a forest inventory (1960 - 1967).

THE 1963 - 1978 PERIOD

Revenue Performance

In 1978 Liberia's domestic revenues were more than five times the 1963 figure but revenue performance in general was disappointing during the 1963 - 1978 period. The most important source of revenue consisted of charges on international trade of which import duties formed the chief component. There were only five years during which revenues directly originating from the economic Open Door Policy were larger (see Table 36).

The average annual contribution of external trade charges in the 1963 - 1977 period slightly exceeded the average combined (direct) payments to the National Treasury of the Forestone Plantations Company, the iron ore mining companies, the logging companies and the Liberian registered ships, and were nearly one-third of total domestic revenues. It should be noted, however, that for various reasons the fiscal contribution of a number of foreign companies was not included in Table 37. Examples of these companies are the rubber plantations (other than Firestone) and a few industrial companies. Their insignificance with respect to actual contribution to the Treasury and the lack of data were already presented in earlier chapters. On the other hand, stumpage fees as presented in Table 37 include payments by Liberian owned logging companies. Furthermore, the Table includes payments made by the majority Liberian owned N.I.O.C. For these reasons the conclusion seems justified that in the years 1963 through 1977 direct payments to the Treasury by the foreign concessions, and including the Flag of Convenience, approximated one-third of the total domestic revenues.

Roughly fifty percent of these payments were made by only three companies: L.M.C., B.M.C. and the LAMCO Joint Venture. The dangers inherent in such an extremely narrow basis of revenue were referred to before. If world economic conditions cause profits from iron ore mining operations to fall, the Government's income will automatically be considerably affected. This will not necessarily result in a decrease in domestic revenues but certainly cause a slowing down of the growth rate of these revenues. With yearly increasing expenditures of the Liberian Government this is bound to create financial difficulties.
This is what actually happened after 1975 and the closing down of L.M.C. enhanced the consequences. Obviously, the depletion of the ore reserves and the consequent withdrawal of the mining companies in the long run form the most serious threat to future Government revenues. The weakness of this revenue structure makes it therefore all the more imperative to give high priority to the financing of the development of the country's productive capacity with the proceeds of these depletable resources. (This will be dealt with in more detail in the next section, "Development Planning and Expenditure Patterns").

The financial contribution of companies engaged in the production

TABLE 36

GOVERNMENT OF LIBERIA INCOME
FROM FOREIGN TRADE/INVESTMENTS
(percentages)

Year	Customs as a % of Domestic Revenues	Income from the ODP as % of D.R.	GoL Income from Foreign Trade/ Investment as a % of D.R.
1963	45.3	31.6	76.9
1964	41.4	34.7	76.1
1965	38.7	42.9	81.6
1966	39.4	37.0	76.4
1967	38.5	36.0	74.5
1968	34.4	31.3	65.7
1969	33.7	32.3	66.0
1970	31.1	34.7	65.8
1971	31.8	32.9	64.7
1972	30.1	29.2	59.3
1973	27.7	27.2	54.9
1974	30.4	29.5	59.9
1975	27.0	38.5	65.5
1976	27.6	31.1	58.7
1977	34.5	20.2	54.7
1978	38.3	n.a.	n.a.
1963 - 1977 Average	32.3	31.1	63.4

Sources:

Author's research based on
- Economic Surveys of Liberia, 1967-1978
- Table 37

TABLE 37

REVENUES DIRECTLY ORIGINATING FROM
THE OPEN DOOR POLICY 1963 - 1978
(in millions of U.S. dollars)

Year	FPCo.	Iron Ore	Timber	Mar. Rev.	Total ODP	as % of D.R.
1963	4.7	5.0	a	2.1	11.8	31.6
1964	3.3	7.9	a	2.8	13.9	34.7
1965	4.3	10.3	a	3.6	18.2	42.9
1966	4.3	10.3	a	2.6	17.3	37.0
1967	3.7	10.1	a	3.5	17.3	36.0
1968	2.4	9.9	0.1	3.8	16.3	31.3
1969	3.5	11.8	0.3	4.2	19.9	32.2
1970	3.6	13.9	0.6	5.0	23.1	34.7
1971	2.4	13.9	0.5	6.1	22.9	32.9
1972	1.4	13.4	0.8	7.2	22.8	29.2
1973	1.5	12.2	2.2	8.6	24.5	27.2
1974	4.6	15.0	2.6	9.9	32.0	29.5
1975	2.2	26.6	2.9	16.5	48.1	38.4
1976	0.6	23.6	6.1	16.3	46.6	31.1
1977	2.6	13.9	5.6	12.8	34.9	20.2
1978	n.a.	n.a.	7.9	13.6	n.a.	n.a.
Total 1963/77	45.1	197.8	21.7	105.0	369.6	-
Average 1963/77	3.8%	16.6%	1.8%	8.8%	31.1%	31.1

Note:
(a) less than $50,000.

Sources:
Author's research based on
- Tables 1, 7, 9, 13, and 15;
- Economic Surveys of Liberia, 1967 - 1978.

capacity with the proceeds of these depletable resources. (This will be dealt with in more detail in the next section, "Development Planning and Expenditure Patterns" .

The financial contribution of companies engaged in the production of agricultural and forestry products - which activities are in principle perpetual ones - was very low. The only significant plantation company/tax payer (Firestone) never contributed more than $ 4.7 million to domestic revenues (in 1963) whereas this company's yearly average during these 15 years amounts to only $ 3 million. Considering the company's role in the domestic economy this can be called a modest performance. The main cause of the plantation sector's small contribution to the Treasury lies with the basic principles of the Open Door Policy. The consequences of the generous granting of tax exemptions and income tax holidays have been further aggrevated by Liberia's poor administrative system and by tax evasion. The occasional inability of the Ministry of Finance to determine the expiration dates of tax holidays and of duty free privileges, the use of disguised equity capital, the concessionaires' reluctance and even refusal to provide the Liberians with information requested and Firestone's manipulations as to the fixing of the price(s) of its product(s) may serve as examples. Unless stopped, the evasion by most of the logging companies of the reafforestation rules will put a definite end to income derived from the exploitation of the country's rich tropical forests, not to mention the extreme harm it causes to the environment as a result of the subsequent erosion of the soil. The Government's income from the concession sector is far from being maximized. The Treasury has foregone millions of dollars annually because of the unnecessary continuation of privileges granted initially as an incentive to start production. If the Government had granted these (tax) privileges in order to make a production profitable which it would not be without these exemptions, this would simply mean that the Liberian Government is subsidizing the export of the country's natural resources in general and its depletable resources in particular. However, the yearly profits of these companies do not justify this conclusion. Firestone's duty free import privileges and exemption from export taxes on rubber (abrogated in 1976) were not justified either by the company's "pioneering effort" or by the financial losses which might have resulted from an elimination of these privileges. The 1935 payment does not form a sufficient justification either.

Total revenues foregone because of the exemptions granted are immeasurable. The Liberian Treasury lost potential revenues of nearly $ 300 million just during the five years 1975 - 1979 as a result of the policy of granting (import) duty free privileges. This means that every year an amount averaging almost $ 60 million was foregone, representing about 40 per cent of the annual average Domestic Revenue of the Government (53). It is true that not only foreign concessionaires and investors enjoyed

TABLE 38
CUSTOMS REVENUES 1963 - 1978
(in millions of U.S. dollars)

Year	Tot. Dom. Rev.	Customs	as % of D.R.
1963	37.3	16.9	45.3
1964	40.1	16.6	41.4
1965	42.4	16.4	38.7
1966	46.7	18.4	39.4
1967	48.1	18.5	38.5
1968	51.8	17.8	34.4
1969	61.8	20.8	33.7
1970	66.5	20.7	31.1
1971	69.5	22.1	31.8
1972	78.1	23.5	30.1
1973	90.0	24.9	27.7
1974	108.6	33.0	30.4
1975	125.3	33.8	27.0
1976	149.8	41.4	27.6
1977	172.7	59.6	34.5
1978	190.6	73.0	38.3
Total 1963/77	1,188.7	384.4	32.3 (average)

Source: Author's research based on Economic Surveys of Liberia, 1976 - 1978.

these duty free privileges. Also religious groups and the diplomatic corps have been granted these privileges. However, foreign businessmen constitute by far the largest and most important group. It should be taken in account that the level of import duties in Liberia can be said to be generally low (see Annex 22).

When looking at other revenue performers it might at first sight be concluded that improvements in tax collection are being made. The revenues reported for the years 1963 through 1978 are presented in Table 39. Taxes on domestic production, consumption and transactions show the highest growth rate during this period. Revenues from this source increased from an estimated figure of $ 0.6 million in 1963 to nearly $ 18 million in 1978 (or a 2000% increase). The Government's revenue from this source suffers from a general complaint, at least has done so until recently. The Ministry of Finance could not verify the production of the companies because of the shortage of qualified manpower. A recent effort to reduce the tax evasion resulting from this absence of supervision and control still has to prove successful. Excise tax officers were stationed in eleven companies to keep record of the companies' activities (54). Though their number was necessarily limited the employment of these excise tax officers may in the long run contribute to an improvement of the taxpayers' behaviour. Excise taxes on domestic production formed the major component of taxes on domestic production, consumption and transactions until 1976.
There are about 40 companies in the country contributing excise taxes. The largest in this category, the foreign-owned Liberia Refining Company, was responsible for withholding excise taxes from its customers but total collection has in general been low. The main reason is that the company does not have many tax paying customers. About 90% of its customers are exempt from excise taxes either by law or by concession agreement. The excise tax on petroleum products is extremely low in Liberia (ranging from 9% to 12% only) which further limits the revenues derived from this source. The fact that many exemptees abuse their privileges by buying for resale to others who do not qualify for exemption also keeps revenues from this source unnecessarily low.
The second largest tax payer in this category is another foreign-owned company, the Monrovia Breweries Inc., operating since 1962 in Liberia. However, also in this case excise tax has from the start been very low. Rates were increased from 13 cents to 53 cents per liter in 1977 when tariffs in Liberia and neighbouring Sierra Leone were harmonized within the framework of the Mano River Union (55). By the end of 1979, however, Liberia had not yet implemented this decision because of the failure of the National Legislature to approve the decision (56).

Another source of revenues which increased in importance consists of Taxes on Income and Profits. About 40 companies pay Corporate and/or Partnership Income Taxes but also in this

TABLE 39

STRUCTURE OF DOMESTIC REVENUES 1963 - 1978

Year	Taxes on Income & Profits(1)	Taxes on Property(2)	Taxes on Production, Consumption, or Domestic Transactions - of which: Excise Taxes	(Other(3)	Taxes on International Trade(4)	Hut and Development Tax	Other Taxes(5)	Non-Tax Revenue(6)	Total Domestic Revenues
1963	n.a.	0.3	n.a.	n.a.	16.9	n.a.	n.a.	n.a.	37.3
1964	n.a.	0.3	n.a.	n.a.	16.6	n.a.	3.5	4.0	40.1
1965	16.2[a]	0.4	0.7	-	16.4	0.4	3.0	5.4	42.2
1966	17.6[a]	0.6	0.7	-	18.4	0.4	3.0	6.1	46.7
1967	17.4[a]	1.2	0.9	-	18.5	n.a.	4.3[a]	5.8	48.1
1968	18.7[a]	1.1	1.6	0.1	17.8	1.3	3.4[a]	7.7	51.8
1969	22.8[a]	0.9	2.4	0.3	20.8	0.9	3.8[a]	9.9	61.8
1970	25.7	1.2	2.8	0.6	20.7	1.8	2.2	11.5	66.5
1971	26.9	1.1	3.3	0.5	22.1	1.8	2.1	11.7	69.5
1972	27.6	1.3	4.3	0.8	23.5	2.2	2.7	15.7	78.1
1973	31.5	1.4	n.a.	n.a.	24.9	2.1	4.0	18.5	90.0
1974	41.5	1.5	n.a.	n.a.	33.0	1.8	5.6	17.4	108.6
1975	46.9	2.0	5.0	3.0	33.8	1.7	6.9	26.0	125.3
1976	62.4	2.4	5.7	6.3	41.4	1.7	7.2	22.7	149.8
1977	60.5	2.5	7.0	6.6	59.6	2.4	9.0	25.1	172.7
1978	56.9	2.8	7.7	10.0	73.0	3.2	10.2	26.8	190.6

Notes:

(1) Includes taxes paid by Companies, Individuals, Partnerships, Iron Ore Profit Sharing, Austerity Tax, Withholding Tax on Non-Residents, Dividends & Interest Sharing, Special levy, and others.
(2) Includes Real Estate Tax and Realty Lease Tax.
(3) Includes Stumpage Tax (see column 4 of Table 37), and Rubber Sales Tax.
(4) Includes Import & Export Duties, Consular Fees, and other Customs & External Trade Charges.
(5) Includes General License Revenues, Hut & Development Tax (prior to 1976 Hut Tax only), Education Relief Fund, and Miscellaneous Taxes.
(6) Includes Maritime Revenue (see column 5 of Table 37), Revenue from Public Corporations, Motor Vehicle Revenue, and others.

(a) Estimated by the author as data were not available.

Source:

Author's research based on
- Economic Surveys of Liberia, 1967 - 1978.

category revenue collection must be described as poor. Despite a recent increase in rates (1977), tax collection can be generally described as low. Only in some cases this is legalized by (concession) agreements. The lack of trained clerical staff to examine the tax returns of those companies which for some reason have not escaped the filing of their tax returns continues to deprive the Government of a substantial amount. A recent attempt to enforce payments by tax payers in this category failed. When the number of trained civil servants employed in the Income Tax Division of the Ministry of Finance was increased, the companies-taxpayers responded by filing their tax returns in the outstations rather than in Monrovia (57). As the law prescribes that income tax returns must be filed at the nearest revenue office these practices were legal but the Government failed to react promptly and adequately to this problem (which seems to be of an administrative nature rather than a legal impossibility).

Also in the sub-category of Individual Income Taxes a narrow tax base forms one of the major characteristics as well as a limiting factor for increased revenue collection. Non-compliance with existing tax laws and large-scale evasion of taxes by mainly Liberian citizens are among the main causes of this phenomenon which is further explained by the level of economic development of the country and the subsequent small group of wage earners there. The statutory exemption from income taxes of the first $ 1,500 a year also accounts for the small number of income tax payers in the country.

At the end of the 1960's, on the initiative of the Secretary to the Treasury, J. Milton Weeks, two U.S. missions examined Liberia's tax performance. The first, a tax policy mission, headed by Professor Carl Shoup of Colombia University (U.S.A.), completed its survey in September 1969. The second mission surveyed Liberia's Tax Administration and also made recommendations for improvements. It was conducted by the Foreign Tax Assistance Staff of the U.S. Internal Revenue Service and was completed in March 1970. Both missions were financed by the Liberian Government. The ultimate fate of the reports submitted by foreign missions to Liberia is a dusty shelf somewhere in an office of a Ministry in Monrovia, or in someone's desk, where they may stay for years, forgotten, sometimes even unread, and in most cases not implemented. As no improvements are introduced occasionally a newly appointed Minister may order a similar study to be carried out without realising that this will duplicate the first mission's work. The second mission subsequently arrives at the same conclusion as its predecessor but its report is destined for the same fate. The two tax reports already mentioned are no exceptions to this general rule. In 1978 the author personally discovered in one of the rooms of the Ministry of Finance numerous unopened boxes containing hundreds of copies of the Shoup Report of 1969. The Shoup Report, however, is unknown to most of the top officials

of the Ministry of Finance whilst its conclusions and recommendations are worthy of the same consideration in 1978 as they were nearly ten years earlier. This is also applicable to the survey of Liberia's Tax Administration, but here there is no reason to repeat recommendations made by earlier reports.

It is interesting to note, however, that Shoup et al. reported that with respect to Income Taxes no record could be found of any income having been subjected to the marginal income tax rate of over 25% applicable to taxable income, i.e. after deduction of the statutory exemption, of over $ 50,000.00. Only two tax payers had reported a taxable income of between $ 20,000 and $ 50,000 and paid accordingly (58). Ten years later an investigation conducted by an I.M.F. mission revealed that in 1977/78 only 9 people in the private sector had reported earnings over $ 18,000 (59). Also personal investigation into the files of the Bureau of Internal Revenues of the Ministry of Finance in Monrovia showed numerous cases of apparent fraudulent tax behaviour. Although official files and records in Liberia do not carry the same weight as they do in other places the conclusions are clear.

A last major potential source of domestic revenues is formed by taxes on property (real estate taxes and realty lease taxes). Collections, however, have been far below the legal obligations of real estate owners. The main reason for this poor performance is that these property-owners simply refuse to pay, while poor record keeping and the lack of honest and qualified staff in the Ministry of Finance makes it easier for them to persist in this attitude (60). Though Shoup et al. refused to study this problem in depth because of the social and political character of this tax it was nevertheless concluded that

> *"(...) Moreover, in a context where any vigorous attempts to enforce the payment of the property taxes are inhibited by political considerations, it is hardly surprising that the maintenance of an up-to-date and full-valued assesment roll has not been given the attention that would be required to give full effect of the property tax"* (61).

This negative attitude of the tax payer is also the cause of one of the main problems of a major public corporation, the Liberia Electricity Corporation. As of early 1978 L.E.C. had outstanding bills amounting to over $ 7 million. Many of its (non-paying) customers are respectable citizens who, as is the case with non-compliance with real estate tax, simply refuse to honour their obligations. As a result the financial situation of L.E.C. - already poor - was further weakened and this contributed to an increase in the overall deficits of the Government's fiscal operations. This is worthy of note in view of the fact that the Government borrowed $ 60,000,000.00 in 1977/1978 to strenghten the public corporations which with the notable exceptions of the National Port Authority and the Liberian Produce Marketing Corporation all operated at large losses during the mid-1970's.

Both the previous and the present Administration have failed to take measures which would introduce a truly progressive tax structure and eliminate the privileges which discriminate viz-a-viz the lower income classes.

The country's internal politics are the main reason that the (locally called) "big shots" are more successful in avoiding the payment of their taxes than their less fortunate fellow-countrymen. The majority of the Liberian people, in general the rural population, faces per capita taxes such as Hut Tax, Development Tax (also Coast Guard Tax, Health Tax etc.) regardless of the level of their income. The regressive nature of these per capita taxes and the practically inavoidable character of these taxes have resulted in a situation in which the "Have nots" and the poor people contribute (in relative terms) more to the National Treasury than the rich and the super-rich. The Deputy Minister of Finance who in 1979 said that the poor in Liberia are bearing the brunt of the cost of running the Government was therefore right (62).
The problem of enforced collection of delinquent taxes is above all a political problem, though it is treated as a legal dispute in Liberia. In 1970 the U.S. mission which surveyed Liberia's Tax Administration had recommended that the authority for administrative enforcement of collections should be transferred from the Department of Justice to the Treasury Department (63). The recommendation was never accepted and implemented as the Minister of Justice continued to hold the opinion that such a transfer was against the Constitution which provides for a separation of the Executive, Legislative and Judiciary. Article I, Section 14 of the Constitution reads that

> *"The powers of this Government shall be divided into three distinct departments: Legislative, Executive, and Judicial: and no person belonging to one of these departments shall exercise any of the powers belonging to either of the others. This section is not to be construed to include Justices of the Peace".*

Yet in 1979 there were complaints that the Courts did not do their work properly and were not even able to collect 5 per cent of claims amounting to $ 1.1 million (64).

It is therefore not surprising that a comparison of eleven developing countries with relatively similar economies made at the end of the 1970's showed that Liberia ranked last in tax effort. Tax effort is meant here as actual performance resulting from tax legislation, interpretation and enforcement of tax laws, and the administrative machinery (65). As a result it is estimated that revenue collection can improve by as much as 60 per cent whereas lower estimates indicate an improvement by at least 25 per cent over the level of nearly $ 200 million in 1978 (66).

Development Planning and Expenditure Patterns: The 1967 - 1970 Development Plan

The austerity programme which was introduced in the aftermath of the 1963 financial crisis did not prevent the Liberian Government from drawing up a Four Year Development Plan for the years 1967 through 1970. The economic survey which had been carried out by the Northwestern University Team and the results of the 1962 Population Census had contributed to an unprecedented quantity of data. This enabled the Government for the first time in the country's history to base a multi-year Development Plan on basic and relatively reliable data. It is noteworthy that though Article II, Section 7 of the Liberian Constitution of 1847 provided that a Census of Population was to be taken every ten years the 1962 Population Census was the first national census ever held. One of its most remarkable findings had been that the country's population totalled about 1.1 million people. Before, official estimates of the total population of the country had always varied between 1.5 million - 2.5 million.

In the Plan the Government emphasized its commitment to the principles of the free enterprise system in general and of the Open Door Policy in particular. To encourage private investments the Government would provide the necessary infrastructure as well as investment incentives (in 1966 the Investment Incentive Code was enacted). However, special attention and consideration would be given to investment activities which would result in import substitution, in the use of locally available raw materials, and in the growth of the country's National Product (rather than its Domestic Product as this also includes the economic activities in Liberia of foreigners and foreign-owned companies). The stated long-range development objectives underlying the 1967 - 1970 Development Plan were (i) a steadily increasing per capita income through increased production; (ii) a distribution of income conducive to long-run political stability and social justice; (iii) a greater participation by Liberians in positions of skill and responsibility in all areas of the economy; (iv) a more widespread distribution of the benefits of economic advance, to improve the quality of life for Liberians of all regions and all social groups; and (v) a more broadly-based economic and industrial development through active participation in joint economic projects involving other nations of the West African sub-region (67).
The Plan envisaged additional expenditures (over the already committed expenditures of $ 213.1 million) (68) amounting to $ 98.1 million in the 1967 - 1970 period. Over sixty per cent of this amount was to be spent on the improvement of infrastructural activities (transportation, communication and public utilities). The greatest emphasis was placed on transportation development, particularly roads, as it was considered essential for the exploitation of the country's timber resources (69). It was expected that a more extensive network of roads would result in

an increase of logging activities. This, in turn, would have an impact on employment opportunities, the diversification of the economy as well as the Government's revenues.
The allocation of resources over the various sectors of the economy is presented in Annex 23. The absence of any allocations for Industry & Commerce is explained by the Government's reliance upon foreign capital through its Open Door Policy. Officially the objective was to

> *"encourage industrialization by continuation of the Open Door Policy"* (70).

The sectoral distribution of resources, presented by the Government in its Four Year Development Plan, is however grossly misleading in respect of the beneficiaries of the expenditures. A thorough study of the Development Plan showed that only somewhat over 30 per cent of the planned development expenditures was to be spent in the rural areas of Liberia where over 85 per cent of the population live. However, more than 50 per cent of this amount, or $ 17 million, was allocated for regional roads linking the main cities. In fact, less than 15 per cent of the total development budget was to benefit the rural population directly (excluding expenditures for education which could not be allocated to beneficiaries due to lack of specification). Only 3 per cent of total planned expenditures was allocated for the improvement and increase of the nation's rice production though national self-sufficiency in rice had officially been made the nation's number one agricultural priority (71). Over $ 48 million of total expenditures, or nearly 50 per cent, was allocated for the urban population, constituting less than 15 per cent of the total population. Expenditures in Monrovia alone - where about 125,000 Liberian lived - represented over 40 per cent of total expenditures envisaged under the Plan.

Nearly 20 per cent of planned expenditures could not be specified (column 5 in Table 40). Of this unspecified amount some $ 9 million was to be spent on Education. The designers of the Plan had to abandon an attempt to introduce some planning in this sector because of the inadequacy and the unreliability of the available statistical data and the lack of an appropriate breakdown of the budget of the (then called) Department of Education. Therefore it was decided that the $ 9 million would be used to improve the quality of the existing educational system and its facilities (72). Given the uneven distribution of educational and health facilities in the Counties and Townships this "educational policy" meant a favouring of the urban population, in particular in Monrovia, over the rural population of the country (see also Chapter 11).

The allocation of funds in the Health Sector as presented in Table 40 clearly illustrates this assumption. Although hospitals are located in County Capitals and clinics in the rural areas it was taken into consideration that these hospitals also serve the rural population. Because of this, and because of the lack of specification, the amount of $ 187,00 for the renovations of

TABLE 40

ALLOCATIONS OF FUNDS UNDER THE
1967 - 1970 DEVELOPMENT PLAN BY DESTINATION
(in thousands of U.S. dollars)

	Monrovia	Urban excl. Monrovia [1]	Rural [2]	Not Specified
1.1 Agriculture	1		10,293	
2.1 Rural Roads			3,400	
2.2 Street Improvement	1,750			
2.3 Street Paving		505		
2.4 Regional Roads			17,015	
2.5 Robertsfield Internat. Airport	3,800			
2.6 Other airfields than Robertsfield		376		
2.7 Port of Monrovia	3,570			
2.8 Ports of Buchanan, Greenville and Harper		5,515		
2.9 Misc.				542
3.1 New Post Office	480			
3.2 Old Post Office	2			
3.3 Postal Services		71.7		
3.4 Telecommunications	877.3			
4.1 Monrovia Water Program	7,800			
4.2 Monrovia Sewer Program	8,000			
4.3 Power Program	6,227			
4.4 Municipal Water Systems		1,900		
5.1 Natural Resources				7,514
6.1 Education				9,107
7.1 Completion J.F. Kennedy Hospital	4,577			
7.2 Operating Costs JFK	1,690			
7.3 Monrovia Turino Medical School	553			
7.4 Administrative Building	540			
7.5 Basic Health Services			195	
7.6 Renovation of Hospitals and Clinics			187 [2]	
7.7 Misc.				1,216
8.1 Other				390
TOTAL	39,866.3	8,367.7	31,090	18,769
PERCENTAGE	40.6	8.5	31.7	19.1

Notes:

(1) Includes the County Capitals, Buchanan, Gbarnga, Greenville, Harper, Robertsport, Sanniquellie, Tchien and Voinjama.
(2) Excluding Monrovia and major cities mentioned in note (1).

Source:

Author's research based on the
- Four Year Plan For Economic and Social Development.

hospitals and clinics has been placed in column (4) of the Table.
In 1964, 1965 and 1966 domestic revenues had not covered the total expenditures of the Government. As nearly $ 25 million was to be spent annually under the Four Year Plan it is not surprising that about sixty per cent of the planned expenditures under the Plan had to be financed from foreign funds. Table 41 shows the Government's expenditures by function during the 1964 - 1966 period.

TABLE 41

GoL EXPENDITURES BY FUNCTION 1964 - 1966
(in millions of U.S. dollars)

Expenditure	1964	1965	1966
Current Expenditures	30.1	32.1	35.4
Existing Development Programmes	0.4	2.3	2.3
Debt Service[1]	11.3	9.9	9.8
Transfers	0.6	1.0	1.4
Accounts Payable	-	-	0.3
TOTAL	42.4	45.3	49.8

Footnote: 1. Excluding "Commission and Fees".

Source: Four Year Plan For Economic and Social Development, Table 4.2, p.33.

The financing of the Plan is presented, by sector, in Annex 24. Most remarkable is that the Government had added to its own resources an amount of over $ 9 million which had to be contributed by the private sector. As Liberian enterprises of any significance were virtually non-existent (except for a number of private rubber farms, the majority Liberian-owned Bank of Liberia, and a large number of law firms) this meant in practice that the foreign owned concession sector had to join the Liberian Government in the financing of the Plan. However, a legal base for this obligation did not exist. Among the activities to which foreign companies were to contribute were the dredging of the Monrovia Port (the iron ore mining companies) and a programme for the rehabilitation of Liberian rubber farms (the rubber plantations companies) (73).

The Plan which was approved by President Tubman was never implemented. Among the main causes of this failure was the Government's inability to maintain public capital formation at the planned level despite increases in domestic revenues. The growth of domestic revenues, however, was less than the growth of current expenditures and notably the increase in debt servicing. With the rescheduling of the public debt in 1963 it had been agreed that accelerated debt repayments would start as from 1969, providing temporary relief during the 1963 - 1969 period. The large debt servicing in 1969 even resulted in a negative foreign aid situation. In other words, there was a net flow of money out of Liberia despite the substantial increase of public foreign assistance to Liberia during the second half of the 1960's. Table 42 shows these developments in detail. However, the year 1969 also showed a remarkably positive achievement as current expenditures (including substantial debt service payments) were for the first time in years lower than domestic revenues (74). This was achieved at the expense of the long-term goal of improving the nation's productive capacity. The little which was achieved during the sixties was mainly realized thanks to the (financial and technical) assistance which foreign governments had provided.

As a matter of fact, the major part of Liberia's development has been financed with foreign assistance (75). Domestic revenues of the Liberian Government, including the revenues from foreign concessions, merely served the purpose of financing the current operations of the Government and providing funds to support the development expenditures of friendly foreign governments which were assisting Liberia in its development efforts. Their contribution usually financed the much needed capital formation and sometimes part of the associated recurrent expenditures (see also Table 48, "Capital Formation By Source of Finance 1964 - 1977"). The remaining recurrent expenditure was born by the Liberian Government.

The 1976 - 1980 Development Plan

The 1970's brought changes, albeit superficial ones, but in retrospect they may prove to be substantial departures from traditional policies. Certainly the language used by President Tolbert and his co-workers sounds more "involved" than his predecessor's though one would need facts to substantiate this conclusion. Already at the end of the 1960's the Secretary of the Department of Planning and Economic Affairs, Cyril Bright, had complained that the Gross Domestic Product continued to grow faster than the Gross National Product (76). This constituted an indirect criticism of the Open Door Policy. After Tolbert had succeeded Tubman, the newly appointed Minister of Planning and Economic Affairs, David F. Neal, in his first annual report stated that:

TABLE 42

NET FOREIGN AID TO LIBERIA 1964 - 1971
(in millions of U.S. dollars)

	1964	1965	1966	1967	1968	1969	1970	1971
I. GROSS FOREIGN AID	20.0	30.4	35.4	35.7	22.3	17.2	20.8	23.3
A. 1. Loans	5.0	15.0	16.8	16.2	7.3	6.8	5.7	5.8
2. Grants	12.0	12.4	13.3	13.3	11.6	9.0	10.8	13.3
3. (1) + (2)	17.0	27.4	30.2	29.5	18.9	15.8	16.5	18.3
B. IMF Drawings	3.0	3.0	5.2	6.2	3.4	1.4	2.0	1.0
C. IMF SDR's	-	-	-	-	-	-	2.3	4.0
II. TOTAL FOREIGN DEBT SERVICING	11.5	10.2	13.1	14.1	16.8	19.4	20.6	20.6
a. Service of Foreign Debt of which:	11.5	10.2	9.5	9.9	13.4	15.0	15.4	17.2
i Principal	6.3	5.1	3.6	3.5	5.7	8.1	9.1	11.2
ii Interest	5.2	5.1	5.9	6.4	7.7	6.9	6.3	6.0
b. IMF Repurchases	-	-	3.6	4.2	3.4	4.4	5.2	3.4
III. NET FOREIGN AID	8.5	20.2	22.3	20.6	5.3	-2.2	0.2	2.7

Source: Author's research based on Economic Surveys of Liberia, 1967 - 1971.

"While the performance of the economy recorded phenomenal gains during particularly the past two decades, the quality of rural life and the rural environment deteriorated. Such deterioration was reflected in the desperate relatively large exodus of the rural school age population and the rural active population to the few urban areas where schooling and employment opportunities were already limited for the ill prepared immigrants. The social and economic cost both in the rural and urban areas has been grave" (77).

Such criticism of the official policy was unheard of in the Tubman era. Several years later the Four Year National Socio-Economic Development Plan 1976 - 1980 was launched. Preparation for this Development Plan was begun in 1974, the same year in which a National Census of Population and Housing was carried out. It is interesting to note that initially it was planned to draft an Eight-Year Development Plan which would cover the years 1976 - 1984,

"which coincides with the next full term of President Tolbert's Administration beginning in 1976" (78).

As this was written in January 1975 before the Presidential candidate had even been nominated by the ruling political party it serves as an illustration of the general predictibility of the outcome of elections in Liberia.

In the Foreword to the 1976 - 1980 Development Plan William Tolbert, elected in the October 1975 Presidential elections in which he was the only candidate, stated that

"when I became President of Liberia, I (...) realized that Liberians were living at vastly different levels of increasing wealth and accelerating poverty. The infusion of the money economy into the rural agricultural sector created forces which widened the chasm between those who abundantly possess and the majority who barely exist" (79).

The stated basic long-term objectives of the Liberian development strategy were now described as: (i) diversification of the production; (ii) dispersion of sustainable socio-economic activities throughout the country; (iii) total involvement of the entire population in the development efforts, and (iv) equitable distribution of the benefits of economic growth, development, and diversification so as to ensure an acceptable standard of living to all Liberians (80). The language used sounds very similar to that used in the abortive 1967 - 1970 Development Plan but an important new concept was introduced in this first Four Year Development Plan of the Tolbert Administration. With respect to the objective of diversification of production it was emphasized that the cornerstone of the diversification strategy would be *"integrated rural development"*. It was recognized that this philosophy would involve the design and implementation of comprehensive programmes for raising agricultural productivity and improving associated rural economic activities such as marketing and providing social and physical infrastructure so as to enhance the quality of life in

the rural areas (81). However, the Plan did not provide any concrete Program.
The dependency on foreign funds was re-affirmed as it was recognized that foreign capital and technical know-how were considered essential factors in the transformation of the nation's development potential into concrete resources available for the implementation of socio-economic development programmes. Accordingly, the Tolbert Administration re-affirmed the country's Open Door Policy as a crucial element of its development strategy. Nevertheless, the importance of increased participation of Liberians and of Liberian capital in the economy was stressed with the ultimate goal of national self-reliance (82).

The sectoral distribution of the planned expenditures under the Four Year Development Plan and the insufficiency of domestic revenues to finance the major part of the Plan are presented in Table 43. Sixty per cent of the envisaged development expenditures would have to come from foreign sources. The improvement of the country's physical infrastructure proved to be the Government's number one priority with over 40 per cent of all resources allocated to Transportation and Communication with Road Transport alone accounting for one third of all planned expenditures. The geographical distribution of the allocations under the Plan is presented in Table 44. A unique feature is that over 50 per cent of all funds, or $ 216.6 million, was to be spent in the rural areas of the country. The construction of roads, bridges, etc. accounted for half of this amount, or $ 107.0 million.

However, the 1976 - 1980 Development Plan can hardly qualify as a serious Plan both in respect of its drafting and in view of the implementation. Though the inaccuracies in the text and tables of the Plan can be considered as characteristic of the country's problems, the lack of a comprehensive rural development strategy - suddenly elevated to the leitmotiv of the nation's socio-economic development - creates an important flaw in the Plan. The Planners apparently have not done more than compile all ongoing projects and projects in an advanced stage of preparation, and added a number of new projects which seem to have been created in a rather haphazard way. The lack of coordination between the various Government agencies involved in the financing and implementation of the projects and the priority of politically motivated expenditures over socio-economic development needs jeopardized the entire Plan. Within one year of the start of the Four Year Development Plan an attempt was made to control the increasing financial chaos by defining three categories of expenditures: 1. expenditures made on projects which were mentioned both in the Development Plan and in the Budget; 2. expenditures made on projects not mentioned in the Plan but mentioned in the Budget, and 3. expenditures on projects which were neither mentioned in the Plan nor in the Budget.

TABLE 43

PLANNED DEVELOPMENT EXPENDITURES UNDER THE 1976 - 1980 PLAN[1]

BY SECTOR AND BY SOURCE OF FINANCE

(in thousands of U.S. dollars)

STATUS OF PROJECT			SECTOR	FINANCING	
A	B	C		Domestic	Foreign
38,287	33,600	71,887	Agriculture	28,681	43,206
2,945	5,124	8,069	Forestry	5,728	2,341
8,537	8,000	16,537	Manufacturing Industry	10,767	5,770
116,635	58,387	174,922	Transportation & Communication	56,351	118,571
83,040	55,287	138,327	Road Transport	42,946	95,381
8,864	-	8,864	Ports	3,644	5,220
3,256	-	3,256	Air Transport	3,256	-
21,475	-	21,475	Telecommunication	6,505	14,970
-	3,000	3,000	Broadcasting	-	3,000
25,044	23,060	48,104	Public Utilities	12,194	35,910
11,500	13,000	24,500	Electric Power	8,600	15,900
13,544	10,060	23,604	Water & Sewerage	3,594	20,010
39,799	35,968	75,747	Social and Community Services	40,231	35,516
15,802	19,269	35,071	Education & Training	18,815	16,256
9,137	13,424	22,561	Health	12,426	10,135
8,340	1,500	9,840	Housing	715	9,125
6,500	-	6,500	Rural Community Programmes	6,500	-
-	1,775	1,775	Social Welfare	1,775	-
15,221	7,225	22,446	Miscellaneous	12,104	10,342
12,426	-	12,426	Conference Center	6,026	6,400
820	4,910	5,730	Public Buildings etc.	5,730	-
1,975	2,315	4,390	Technical Assistance	348	3,942
246,448	171,264	417,712	GRAND TOTAL[2]	166,056	251,656

Notes:

(1) In 1976 the Fiscal Year was changed. The Plan Period ran accordingly from July 1, 1976 through June 30, 1980.
(2) Totals do not correspond to data provided elsewhere in the Development Plan.

Status of Project:

(A) Ongoing or substantially prepared in conjunction with prospective donor.
(B) New Projects.
(C) Total of (A) and (B).

Source:

Author's research based on
- National Socio-Economic Plan, July 1976 - June 1980, pp. 16-20.

TABLE 44

ALLOCATIONS OF FUNDS UNDER THE
1976 - 1980 DEVELOPMENT PLAN BY DESTINATION
(in thousands of U.S. dollars)

	Monrovia	Urban excl. Monrovia [1]	Rural [2]	Not Specified
1 Agriculture			71,887	
2 Forestry			8,069	
3 Manufacturing Industries	8,000		8,537	
4 Road Transport	31,150		107,027	150
5 Ports	1,500	7,364		
6 Air Transport	2,846	410		
7 Telecommunications	11,720	3,600		6,155
8 Broadcasting	1,000	1,000	1,000	
9 Electric Power	17,150	7,350		
10 Water & Sewerage	13,694	9,910		6,402
11 Education & Training	14,450	8,669	5,550	
12 Health	3,798	5,285	7,610	5,868
13 Housing	9,840			
14 Rural Community Programmes			6,500	
15 Social Welfare		1,385		390
16 Miscellaneous	19,446	416	2,584	
T O T A L	134,594	44,973	216,596	21,549
Percentage	32.2	10.7	51.9	5.2

Notes:
(1) Includes the County Capitals: Bentol, Buchanan, Gbarnga, Greenville, Harper, Robertsport, Sanniquellie, Tchien and Voinjama.
(2) Excluding Monrovia and major cities mentioned in note (1).

Source:
Author's research based on
- National Socio-Economic Plan, July 1976 - June 1980.

The unenvisaged expenditures and updated revenue projections made a revision of the Plan unavoidable. In late 1977 the Four Year Plan was drastically changed. Total planned expenditures on development projects during the Plan period were increased from $ 415 million to $ 712 million. The allocation of resources by sector under the Revised Plan showed a substantial increase in non-priority development expenditures ("Other") apart from important increases for rural development schemes and in projects aiming at diversification of the economy. The development character of many of the planned expenditures under IV ("Others") in Table 45 is of a questionable nature. Most projects in this category were construction works needed and undertaken in view of the hosting of the Summit meeting of Heads of States of the Organization of African Unity by Liberia in 1979.

TABLE 45

COMPARISON OF THE ORIGINAL AND
THE REVISED 1976 - 1980 PLAN BY SECTOR
(in millions of U.S. dollars)

	Category	ORIGINAL amount[1]	ORIGINAL percentage	REVISED amount[1]	REVISED percentage
I.	Infrastructure	224.1	54	256.3	36
II.	Commodity Producing	95.5	23	135.3	19
III.	Social & Regional Development	74.7	18	135.3	19
IV.	Others	20.8	5	185.1	26
	TOTAL	415.0	100	712.0	100

Note:
(1) Rounded figures; totals may not add up due to rounding.

Source:
- Adapted from Finance Bulletin, Vol. 1, No. 1, p.3.

TABLE 46

FUNCTIONAL CLASSIFICATION OF BUDGETARY EXPENDITURES 1970 - 1977

(percentages)

	1970	1971	1972	1973	1974	1975	1976	1977	1972 - 1977 aver
GENERAL SERVICES	31.9	33.7	34.9	31.7	27.4	31.3	32.1	30.8	31.4
Administration	14.8	15.6	19.9	18.3	15.9	19.1	20.1	19.8	18.9
Other	17.1	18.1	15.0	13.4	11.5	12.2	12.0	11.0	12.5
SOCIAL & COMM. SERVICES	20.5	21.1	21.3	21.4	22.7	23.7	25.0	24.9	23.2
Education	10.9	12.3	12.2	12.0	11.1	12.7	12.9	12.9	12.3
Health	5.2	5.2	6.2	6.6	6.5	7.0	7.8	7.8	7.0
Other	4.3	3.6	2.9	2.8	5.1	4.0	4.3	4.2	3.9
ECONOMIC SERVICES	14.1	13.4	11.2	12.7	14.1	16.7	14.4	15.9	14.2
Agriculture	1.9	2.6	3.0	4.3	5.4	7.5	5.8	5.9	5.3
Transport & Communications[1]	6.8	5.5	4.7						
Industry[1]	0.3	1.2	1.6						
Other[2]	5.1	4.1	1.9	8.4	8.7	9.2	8.6	10.0	8.9
DEBT SERVICES	30.0	28.4	27.3	25.3	24.2	19.3	17.0	18.5	21.9
UNALLOCATED	3.5	3.4	5.3	8.9	11.6	9.0	11.5	10.0	9.4
BUDGETARY EXPENDITURE	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes:

(1) No breakdown available for the years 1973 through 1977.
(2) Includes Transport, Communication and Industry (1973 through 1977).

Source:

Author's research based on
- Economic Surveys, 1972-1978.

Under the revised Plan total domestic funds available for development purposes were estimated at only $ 129 million whereas foreign funds available for projects were projected at $ 366 million (of which $ 30 million only were grants). Of this amount of $ 366 million foreign funds, however, only $ 234 million had been committed by foreign donors by December 1977. Even at an optimistic estimate there remained a gap of $ 217 million in the revised Four Year Development Plan (83). The high priority given to O.A.U. related projects, together with this financial gap makes the ultimate achievement of the more urgent socio-economic development objectives of the Plan very unlikely. Given the unrealistic nature of the revised Plan there appears to be no point in dealing with it at great length. Instead it may be more instructive to have a brief look at the structure and trend of actual expenditures during the Tolbert Administration.

Structure and Trend of Expenditures During The 1970's

One of the most remarkable features of Public Expenditures during the years 1970 through 1977 is the obviously low priority which the Tolbert Administration attached to Agriculture. This did not differ fundamentally from the view of their predecessors. During the last full year of Tubman's reign (1970) even less than 2 per cent of the total budgetary expenditures was actually disbursed for the improvement of the country's agricultural status. (The even lower priority attached to the encouragement of its industrial development is hardly surprising in view of the goals of the abortive Four Year Development Plan of the 1960's, which did not include any specified allocation for the promotion of industrial development). Apparently, in President Tubman's view it was not necessary or appropriate to promote the agricultural and industrial development (in short, economic development) of the country by any means other than the providing of incentives to (mainly foreign) investors. The Government's main responsibility in his eyes was to provide for the infrastructure (roads, communication facilities, power facilities) which are basic to any industrial or agricultural development. The relatively small amounts which were spent on Agriculture represented virtually all recurrent expenditures. These were the recurrent costs of foreign financed agricultural projects, - only few in number - and the recurrent expenditures of the Department of Agriculture. One of the most serious consequences of this short-sighted policy was the disregard for the modernization of the production methods of the rural population. This caused these people to persist in their traditional ways of farming and fishing and to maintain the vicious circle of low productivity, low income, low savings, low investments, low productivity etc.

After the Tolbert Administration came to power this policy underwent a slight change though the expenditures for agricultural development remain among the lowest. Upward trends

can also be observed with respect to expenditures for health and education though in general the Government's expenditures for these two sectors continue to be modest. However, the total (absolute) amount spent in a particular sector is far from being the main yardstick by which to evaluate a Government's policy since the quality of the services provided or the nature of the expenditures (recurrent/capital costs) are important indicators of the efficiency of the expenditures. The qualitative aspect of the expenditures, notably as it concerns the development of manpower, will be the subject of the next chapter whereas Table 47 shows Public Capital Formation by sector for the years 1964 through 1975. Owing to the change of Fiscal Year in 1976 and the uncoordinated and haphazard nature of the expenditures under the 1976 - 1980 Development Plan reliable data for the years beyond 1975 were not available at the time of compiling this table. Preliminary data for the years 1976 and 1977 (and later) indicate that public capital formation - which in general has been very low during the years shown in Table 47 - has increased sharply. Responsible officers within the Ministry of Finance informed the present author that for political reasons these figures had been subject to manipulation.
The high level of public investments in 1965 - 1967 was to a large extent the result of the construction of a hydro-electric dam at Mount Coffee near Monrovia, of water supply and sewage disposal systems in the nation's capital, of the construction of the J.F. Kennedy Memorial Hospital in Monrovia, regional roads, and elementary and secondary schools. A major portion of these capital outlays were financed from foreign sources, mainly loans (Table 48). It is important to note the insufficiency of domestic funds to finance this improvement of the country's productive capacity.

The considerable dependency on foreign money is clearly illustrated by the use of foreign grants to cover operational (current) costs of government. In 1977 the Government even started to contract loans for the financing of current operations when a $ 30 million Eurodollar loan (a commercial loan from a Syndicate of Banks) was contracted for the strengthening of the finances of the public corporations. The number of Public Corporations had considerably increased during the 1970's but this quantitative increase had not been accompanied by qualitative improvements. All but three were operating at large losses thereby further deteriorating an already bad financial situation. It is noteworthy that the $ 30 million Eurodollar loan had not been included in the original Plan. In 1978 this loan was consolidated when it was included in a $ 60 million Eurodollar loan which was granted by the same Syndicate of Banks which had provided the first Eurodollar loan

With the advance of the 1970's expenditures of the Central Government and of government agencies went further out of control. As a result of the fast growth of Government expenditures and the slower growth of domestic revenues, budget deficits emerged in the second half of the 1970's which

TABLE 47

PUBLIC CAPITAL FORMATION BY SECTOR 1964 - 1975

(in millions of U.S. dollars)

	Agriculture & Forestry	Training & Education	Health & Welfare	Housing & Community Services	Roads & (Tele)Comm.	Power	Other	GRAND TOTAL
1964	0.1	2.0	0.2	0.1	2.3	1.5	2.5	8.7
1965	0.1	1.4	1.2	0.2	4.1	12.8	1.5	21.3
1966	a	1.0	1.4	0.4	8.2	12.0	a	23.1
1967	0.3	3.3	2.5	4.5	6.4	3.8	2.2	23.0
1968	-	0.4	4.3	0.1	2.8	0.7	2.3	10.6
1969	0.1	0.5	0.7	4.8	3.8	0.2	0.3	10.4
1970	0.1	0.4	0.7	3.7	3.6	1.4	4.2	14.1
1971	0.6	0.6	0.4	2.0	3.7	1.8	2.2	11.3
1972	1.4	0.7	0.5	0.4	5.2	3.8	2.7	14.9
1973	0.9	2.4	0.2	1.8	6.2	3.7	4.2	19.4
1974[1]	0.8	0.2	0.3	3.2	4.1	-	2.9	11.6
1975	10.2	1.8	0.5	1.3	11.2	-	14.1	39.1
GRAND TOTAL	14.7	14.7	12.9	22.6	61.6	41.7	39.1	207.5

Notes:

(1) Budgetary Expenditures only. Breakdown for Extra-budgetary expenditures not available.

(a) Less than $ 50,000.

Source:

Author's research based on
- Economic Surveys, 1967-1977.

TABLE 48

PUBLIC CAPITAL FORMATION BY SOURCE OF FINANCE 1964 - 1977

(in millions of U.S. dollars)

	Total Capital Outlay	Budgetary Expend.	Extra-Budg. Expend.	Extra-Budgetary Resources		TOTAL GRANTS
				Loans	Grants	
1964	8.7	1.2	7.5	5.0	2.5	12.0
1965	21.3	3.3	18.0	15.0	3.0	12.4
1966	23.0	2.0	19.0	16.8	2.3	13.3
1967	23.0	5.0	18.0	16.2	1.8	13.3
1968	10.6	0.5	10.1	7.3	2.8	11.6
1969	10.4	2.6	7.8	6.8	1.0	9.0
1970	14.1	6.8	7.3	5.7	1.6	10.8
1971	11.3	4.8	6.5	5.0	1.5	13.3
1972	14.9	5.1	9.8	8.2	1.6	11.3
1973	19.4	9.7	9.7	8.2	1.5	11.0
1974	18.6	11.9	6.7	5.1	1.6	12.3
1975	39.1	19.1	20.0	18.0	2.0	11.3
1976	56.9	21.2	35.7	33.7	2.0	16.0
1977[1]	n.a.	22.6	n.a.	65.0	n.a.	16.0

Note:
(1) Preliminary figures.

Source:
Author's research based on
- Economic Surveys, 1967-1978.

coincided with the start of the 1976 - 1980 Development Plan. Noteworthy are the causes of the rise in expenditures and the (relative) decrease in revenues. Increasing costs of living, caused partly by an imported inflation, in 1975/1976 caused the Government to increase the salaries of the civil service, a decision which was also influenced by the booming revenues from the iron ore sector and the Maritime Program in the preceding year. The partial substitution of an elaborate system of fringe benefits enjoyed by civil servants by raises in their salaries further contributed to an accelerated rise in personnel costs and recurrent expenditures. Large outlays on projects with a questionable priority from the point of view of development, combined with these increased personnel costs, caused the total government expenditures to double from $ 133.1 million in 1975 to $ 266.0 million in the Fiscal Year 1977/78 (See Table 49).
Income from the concession sector which in 1975 still had represented 38.5 percent of domestic revenues fell to 20 percent in 1977 (see Table 36). The drop in revenues from the concession sector coincided with the steeply increased expenditures. Lack of control over both domestic revenues and expenditures subsequently resulted in yearly increasing budget deficits. The budget deficit expected for the Fiscal Year 1978/79 had reached the $ 100 million mark and was practically equal to the total annual government expenditures of less than five years before.

A significant portion of the expenditures of the late 1970's was O.A.U. related. Estimates of the expenditures made in view of the hosting of the O.A.U. Summit meeting vary roughly speaking between $ 100 million and $ 200 million but is likely that the latter figure will be the more correct one. These expenditures include the costs of constructing and furnishing a Conference Center, Hotel Africa, bungalows for the African Heads of State as well as housing for their respective delegations, a new Ministry of Foreign Affairs, and the purchase of a Boeing 737 Presidential aircraft. Among the O.A.U. related expenditures on projects which the country would anyhow have needed in the long run are a new terminal building on the international airfield, Robertsfield International Airport, the resurfacing of the 42 miles of highway between the international airport and the nation's capital, road improvements on Bushrod Island (a suburb of Monrovia which lies on the way to the O.A.U. Conference Center in Virginia, some 24 miles from the capital). Further, a new (second) bridge across the Mesurado River, linking "Crown Hill" in Monrovia with

TABLE 49

GOVERNMENT FINANCE SURPLUS/DEFICIT 1972 - 1978

(in millions of U.S. dollars)

	1972	1973	1974	1975	1976	76/77[1]	77/78[1]	78/79[1,2]
Domestic Revenues	78.1	90.0	108.6	125.3	149.8	166.5	185.5	200.8
Grants	11.3	11.0	12.3	111.3	16.0	16.0	23.0	23.0
TOTAL RESOURCES	89.4	101.0	120.9	136.6	165.8	182.5	201.5	223.8
TOTAL EXPENDITURES	79.7	89.9	104.3	133.1	167.2	209.1	266.0	324.0
Recurrent	52.8	58.4	72.0	79.8	87.6	108.5	122.3	151.5
Development (Internally financed)	7.7	12.3	14.9	24.0	29.9	56.7	78.3	80.9
Development (Otherwise financed)	19.5	19.2	17.4	29.3	49.7	43.9	65.4	91.5
Surplus/ Deficit	+9.7	+11.1	+16.6	+3.5	-1.4	-26.6	-64.5	-100.1

Footnote: 1. Fiscal Years
2. Preliminary figures

Source: Finance Bulletin, Volume I, no. I, p. 5.

Bushrod Island; a new bridge over the St. Paul River and the paving of the 24 miles long road to Virginia, a section of the Monrovia - Bomi Hills road; road improvements between Bentol and Virginia, and street and other improvements of the President's natal village, Bentol. This town, formerly called Bensonville, had replaced Monrovia as the capital of Montserrado County in 1973.

Foreign Funds and The External Debt

In an attempt to finance both O.A.U. related projects and projects more essential to the basic needs of the country at a time when the Domestic Revenues were growing at a declining rate the Tolbert Administration engaged in irresponsible borrowing. From July 1, 1976 till December 31, 1978 over 40 loans amounting to $ 325.7 million were contracted, the majority of which was signed for in 1978 (over a quarter of a billion dollars) (84). About $ 100 million was contracted at interest rates of over 10 per cent per year (see Annex 26)

When consumed, the Liberian Government will face repayments on at least $ 202.1 million worth of loans within five years as most of these loans have a short grace period. Within ten years loans totalling $ 114.4 million will have to be completely repaid. Loans of which the terms (notably grace periods) were not available were excluded from these amounts.
Actual debt servicing in the 1980's, however, will be substantially higher than the foregoing suggests: interest on these loans will also have to be paid whereas repayments on the remaining $ 123.6 million loans will also have to start in this decade. It should be realized that this debt-servicing only relates to the loans contracted during the 1976 - 1980 Development Plan (and until December 1978 only).
Loans totalling $ 339.6 million had already been contracted prior to the launching of the Plan (July 1976).
The alarming trend of the growth of Liberia's external debt during the most recent years for which reliable figures were available is shown in Table 50. This Table shows the growth of the Public External Debt. The (relatively large) amount of disbursed funds increased from some $ 200 million in December 1976 to a little over $ 300 million on March 31, 1979. This may be an indication of the Liberian economy's limited capacity to absorb those foreign funds as the external debt (commitments) increased by nearly $ 280 million in the same period.

The amounts mentioned in Table 50 are exclusive of some $ 121 million loans guaranteed by the Government of Liberia (on June 30, 1978) (85). Reliable figures with respect to the Government's substantial internal debt were not available. The importance of the latter is illustrated by the fact that in 1978 alone the Government borrowed $ 6.3 million domestically.

TABLE 50

GROWTH OF THE PUBLIC EXTERNAL DEBT 1974 - 1979
(in millions of U.S. dollars)

Years	Commitments	Disbursements
1974	211.3	152.0
1975	276.1	169.3
1976	348.4	201.2
1976/77	399.5	215.2
1977/78	521.8	236.7
March 31, 1979	626.4	304.5

Source: Adapted from Ministry of Finance, Annual Report 1977/1978, Statistical Annex p. 27, and Finance Bulletin, Volume I, no. I, p. 12.

During the 1970's the U.S. Government remained Liberia's main source of public foreign funds. As can be seen from Annex 25, "Composition of Liberia's External Direct Debt as of March 31, 1979" (commitments and disbursements), nearly a quarter of the Liberian Government's direct external debt, or some $ 150 million, was owed to the U.S. Government on March 31, 1979. The majority of Liberia's external debt on that date (51 per cent) was owed to the U.S. government, U.S. banks, the World Bank Group and the I.M.F. (excluding the Euro-dollar loan of $ 60 million which was granted by a Bank Syndicate composed of U.S. and European Banks). It is interesting to note that the European Economic Community and two E.E.C.-members (the Federal Republic of Germany and Italy) accounted for only 12 per cent of Liberia's external debt (17 per cent if Banks from E.E.C. member-countries are included). Nearly a quarter of the debt on March 1979 consisted of commercial loans (private banks and suppliers' credit). The critical financial situation is illustrated by the fact that on 62 of the 98 loans presented in Annex 25 principal repayments will have to be made by early 1982 (86).

U.S. Assistance

The assistance granted to Liberia by its most important donor, the U.S.A., was summarized in Table 51. Included are loans and grants for economic purposes as well as for military assistance although the amount involved in the latter type of cooperation between the U.S. and the Liberian Government can be called

TABLE 51

U.S. ASSISTANCE TO LIBERIAN GOVERNMENT 1946 - 1977[1]

(in millions of U.S. dollars)

Type of Assistance	1962 - 1977	1946 - 1977	Repayments & Interest 1946-1977	TOTAL less Repayments & Interest 1946-1977
Economic Asst.	234.6	261.2	12.7	248.5
of which Loans	102.4	108.6	12.7	95.9
Grants	132.3	152.6	-	152.6
Military Asst.	114.5	16.3	2.2	14.1
of which Loans	6.0	7.1	2.2	4.9
Grants	8.5	9.2	-	9.2
Total	249.1	277.5	14.9	262.6
of which Loans	108.4	115.7	14.9	100.8
Grants	140.7	161.8	-	161.8
Exim-Bank Loans	59.7	118.1	152.6	34.5
GRAND TOTAL	308.8	395.6	167.5	228.1
of which Loans	168.1	233.8	167.5	66.3
Grants	140.7	161.8	-	161.8

Note:

(1) U.S. Fiscal Years. From Fiscal Year 1955 to 1977, obligations by year are on a gross basis, that is, total new obligations enterèd into during that year. Also see Table 35.

Source:

- "U.S. Overseas Loans and Grants and assistance from International Organizations; Obligations and Loan Authorizations July 1, 1945 - September 30, 1977", p. 107.

modest (averaging less than 5 per cent of the total). The military assistance was largely made up of grants consisting of technical and financial assistance in the mapping of Liberia. Credit sales of military equipment accounted for the major part of the loans granted under the military assistance programme (87). Total U.S. assistance in the years 1962 through 1977 amounted to $ 308.8 million. This is equivalent to nearly 84% per cent of the direct revenues originating from the Open Door Policy in the 1963 - 1977 period (see Table 37). In the 1946 - 1977 period direct payments by the companies operating in Liberia under the Open Door Policy had in all amounted to $ 475.6 million, whereas U.S. assistance to the Liberian Government in this period totalled $ 395.6 million or 83 per cent.

Complete and reliable statistics on public foreign assistance to Liberia in the 1964 - 1977 period are not available. The main cause for this is the lack of continuity in reporting periods, combined with the inconsistency of available data. However, the data from Annex 25 justify the conclusion that the total flow of foreign funds to Liberia exceeded the total direct income from the concession sector (including Maritime Revenues) in the 1963 - 1977 period.

CONCLUSIONS

Three important conclusions may be drawn from the foregoing. First, the total flow of foreign funds to Liberia exceeded the total direct income from the concession sector (including Maritime Revenues) - which already formed nearly one third of Total Domestic Revenues (see Table 37). The Liberian Government has thus shown its extreme dependency on foreign funds to maintain its present level of expenditures, i.e. to continue the services (limited and of poor quality as they may be) actually provided to the country's population and to finance the improvement of the productive capacity of the economy. To give concrete form to this conclusion it may be stated that without foreign funds the economy will collapse and tens of thousands of civil servants and other workers will become unemployed. This will become a reality without the willingness of foreign investors to (continue to) invest in the exploitation of Liberia's natural resources or without the continued flow of foreign capital (from public, multilateral and private sources). It goes without saying that the foreign investors' attitude is to a large extent determined by the willingness of the Government of Liberia to provide attractive incentives to foreign investments.
Secondly, the Liberian Government has shown itself to be unable to introduce and implement a clear fiscal policy or even development policy, apart from its general adherence to the principles of the (much referred to) Open Door Policy. The Government's fiscal practices in the 1926 - 1978 period do not justify the qualification of "policy". Everything seems to have

happened in a haphazard way. (This was the main reason why this chapter was deliberately titled "Fiscal Performance vs. Development Planning".)
The inability to develop a true fiscal policy is not only explained by a lack of trained manpower but also by political unwillingness. The priority of the President's political "grandeur" over socio-economic development is to a large extent responsible for the waste of public funds much needed for the country's development. The concentration of power in the hands of the President and the lack of a democratic participation of the country's population in the legal, administrative and financial affairs of the country only facilitated this choice.

A third conclusion is that the apparently unavoidable approaching financial crisis will impose a heave drain on the country's scarce financial resources unless revenue collections improve significantly. A rescheduling of the nation's external debt may again bring some relief as it did in 1963, but is not likely to bring a solution to the financial problems. Austerity measures may become unavoidable. The austerity measures taken in the aftermath of the 1963 financial crisis were followed by a series of strikes paralysing the (foreign owned) rubber plantations and the mining companies. However, the 1960's brought increased revenues from the iron ore mining companies which had just gone into production (LAMCO and Bong Mines). There are no such prospects for the 1980's since the most important investment in the pipeline, L.I.S.C.O., has so far failed to materialise whereas the continuation of LAMCO's mining operations is not even guaranteed. This prospect may result in the scaling down or even postponement of development programmes as the Government will not be able to finance the recurrent costs of these programmes.

CHAPTER 11

THE TRANSFER OF TECHNOLOGY AND THE TRAINING AND EDUCATION OF MANPOWER 1900 - 1979

Introduction

Whereas the availability of labour, of natural resources including land and water, and of capital constitute an economy's productive capacity, the key to a full and rational utilization of these assets is provided by a well-trained (and healthy) labour force, the existence of infrastructural facilities such as transportation networks and communication systems, and efficiently operating government institutions which supervise or in some cases control these (productive) activities.
The decision to make more and better use of the country's potential was taken in the case of Liberia at a stage when neither manpower, nor infrastructure and (government) institutions were developed (see Chapter 2). This partly explains the historical decision to make use of foreigners through the introduction of an Economic Open Door Policy. Another reason for the introduction of an Open Door Policy was the necessity felt to safeguard the country's territorial integrity and political souvereignty. However, the invitation to and the installation of foreign investors, notably the first major one (Firestone), eventually greatly endangered the nation's political souvereignty (see Chapter 3 and 10). This was partly caused by the country's underdevelopment and weaknesses, partly by the socio-political structure of the country's leading and dominant elite, the Americo-Liberians, and partly by the nature of this foreign investment which made some kind of political control over the host Government imperative (see Chapter 3).

It almost goes without saying that an invitation to foreign investors to fill a gap in a (developing) country can only be explained or justified when at the same time long-term objectives are formulated by the host country to develop its manpower and to create and develop the necessary infrastructure and institutions whose absence or underdevelopment inhibited the exploitation and the use of the country's productive capacity by its nationals.
None of the Administrations which Liberia has had since the concept of an Economic Open Door Policy was introduced ever presented a coherent over-all Development Plan which aimed at making the presence of foreign investors redundant (see Chapter 10). This again is to a great extent explained by the socio-political structure of the country's elite which would have imperiled its dominant position by making the country independent of foreigners (1).

The (investment) activities of foreign investors, however, made certain improvements imperative, such as a basic infrastructural network of roads, ports, and communication facilities. Simultaneously, the presence of foreign investors entailed the need to deal with them in some organized and systematic way. This necessity led to the establishment of a (large) number of government institutions. As the development of infrastructure was greatly in the interest of virtually all foreign investors they and their home governments participated in the financing of these facilities.
Some of the foreign investors had a (limited) interest in yet another aspect of the country's potential: its labour force. Notably the investors who for their operations needed a considerable number of trained and educated people, the iron ore mining companies, for instance, thus contributed to the building up of a healthy and well-trained labour force by the financing of medical facilities, schools, foreign scholarships etc. Those companies which hardly required trained manpower showed their lack of interest by not or scarcely participating in the development of this manpower: the plantation companies, logging companies, and the gold and diamond mining companies. Worth noticing is also that expenditures for "Health" and "Education" greatly increased after the 1939 - 1945 World War, i.e. after the arrival of a large number of foreign investors. The increased availibility of (financial) means to finance these activities forms only one reason why the Government decided to increase its efforts in these fields. But the failure of all Administrations and the deplorable educational situation cannot be better illustrated than by the words of Liberia's second Vice-President of tribal origin, Methodist Bishop Bennie D. Warner. In 1977, shortly before he was (formally) elected the country's new Vice-President - after the death of James A. Green - he said:

> *"(...) And, what is disturbing to me is that after 130 years*

(meant here is 130 years after the Declaration of Independence - the author)

> *there is such a high rate of illiteracy even with such a small population as ours. I see no justification for this.(...)"* (2).

The introduction and gradual expansion of an educational system throughout the country will be discussed in this chapter. Special attention will be given to the activities of the Government and the foreign companies with respect to the attainment of a certain degree of independence from foreign qualified (trained and skilled) manpower. The two main ways to realize or promote this independence are: (1) a transfer of technology by the multinational corporations and foreign companies operating in the country, and (2) a pragmatic and systematic educational policy which is based on the country's primary needs, and which is adapted to the country's economic potential and its endowment with natural resources. This policy is reflected by the schools' curricula and the availability

(distribution) of educational, technical and vocational training facilities.

The Transfer of Technology and the Industrial and/or Technological Co-operation Between the Foreign Investors and the Host Country

In Liberia there is no question of industrial and/or technological co-operation between the multinational corporations and other foreign investors operating in the country and the Government and/or Liberian entrepeneurs. The Liberian political elite had realized that its capacity to exploit the country's potential was insufficient but the content of the concession agreements granted to foreign investors who had the financial means and the technical capability of such an exploitation clearly prove:
First, that it had never been the intention of the Government to gradually take over the exploitation of the country's natural resources as most agreements were granted for extremely long periods, generally varying from 60 to 99 years: 80 years (L.M.C. and N.I.O.C.) and 70 years (L.A.M.C.O.-J.V., B.M.C. and L.I.S.C.O.) in case of the iron ore mining companies, and 99 years (Firestone), 80 years (The Liberia Company, B.F. Goodrich), and 70 years (Salala Rubber Company, L.A.C.) in case of some of the plantation companies, to mention the country's most important investments;
Secondly, that it had never been the intention of the Government to increasingly participate side by side with the foreign investors in the management and exploitation of these natural resources: until 1973 the training of Liberians was generally not provided for in the concession agreements whereas in those - exceptional - cases that some kind of training of Liberians had been included in the agreements signed between foreign investor and the Government the latter never took any action to enforce this obligation.

The concession agreements with two of the four big iron ore mining companies did not provide for the training of employees or the education of their children (L.M.C. and N.I.O.C.).
The LAMCO J.V. was officially obliged (1) to provide free primary and secondary school education for the dependents of employees and of some local government officials, and (2) to provide on the job training, to operate vocational training centers, and to provide scholarships (see the reviewed agreement of 1974, in Annex 14). The same applies to the Bong Mining Company. These two companies form the only two notable exceptions to the preceding general statement of the companies' obligations and behaviour with respect to manpower training and development. As one Liberian author stated, the LAMCO Joint Venture's training programme constituted the largest as well as

the most organized and intensive training activity in the private (and public) sectors of the Liberian economy (3). Bong Mining Company's efforts in this respect were significantly less but nonetheless ranked second within the national context (4).
However, it is worth mentioning that through the ownership structure of these companies the Liberian Government participated in the financing of these training and educational activities in conformity with the number of shares held (50%).
It was not until 1973 that the Tolbert-Administration announced a Liberianization policy which referred to an increasing participation of Liberians in the qualified labour force of the multinational companies operating in the country. As will be discussed later in this Chapter this policy mainly served the interests of the political elite of the country. The absence of a policy or a desire to co-operate with foreign investors in the management of the country's natural resources is further evidenced by two cases in which the Government of Liberia is an important shareholder (50%) in the company which was granted concession rights. In both cases, viz., the exploitation of iron ore in the Nimba Mountains and in the Bong Range respectively, the Government had agreed to be excluded from management decisions (see Chapter 8). Co-ownership in both cases refers to a legal structure on which income from this exploitation is based rather than to a desire to co-operate with the foreign investor in order to develop its own ability and capacity to perform the role initially offered to foreign investors only (as in the case of L.M.C.). The factual exploitation of the Mano River (iron ore) deposits by a foreign-owned management company - though the concessionaire-company was 70% Liberian owned - is in this respect also significant (see Chapter 7).

Thirdly, that it had never been the intention of the Government to promote an industrial co-operation which would make economic activities of foreign investors and of Liberian entrepeneurs complementary. The economic and/or industrial activities of foreign investors operating under concession agreements with the Liberian Government were generally very limited and virtually confined to (1) the extraction of natural resources (minerals, logs) and their subsequent exportation, and (2) the production of raw materials which were exported virtually unprocessed too (agricultural products such as rubber). Various examples justify this conclusion, and involve all major investors.
Not only did the Government fail to link the economic activities of foreign investors with those of national entrepeneurs but it also showed to be unable or unwilling to change the enclave character of the "foreign sector" of the Liberian economy. Thus Liberia became just a supplier of raw materials for industries located abroad - for which not much trained manpower is needed. One case, which has been dealt with extensively, showed that a foreign investor refused to co-operate with the Liberian Government in this respect by not being willing to install a rubber processing industry (tyre factory) in the country. The

same foreign investor, the Firestone Plantations Company, also for a long time refused to accede to the demand to sell part of its production to the Government, before finally giving in in 1976 (see Chapter 3). The inability of the Liberian Government to attract investors who were willing to establish a steel factory - or the failure to set up a steel factory itself - is also significant in this respect. The same applies to the logging companies which in practice could not be forced to set up wood processing industries as was stipulated in their concession agreements.

The companies' participation in the financing and realization of a national educational programme or of a programme designed to train manpower who (1) would meet the manpower needs of these companies, and (2) would improve Liberia's capacity to exploit its natural resources without these foreign investors, or with a reduced number of them - though this would, of course, clash with these companies' interests - was either non-existent or symbolic. This even applies to the LAMCO J.V. and the Bong Mining Company despite their previously mentioned remarkable efforts in this field. The Firestone Plantations Company as well as the other plantation companies still employ a vital number of expatriates to perform the technical tasks necessary to continue the companies' operations. To describe the relations with foreign investors as *"Partnership and Progress"* is therefore, to say the least, misleading. In the case of Firestone, for example, the most important phenomenon approaching a reasonable concept of partnership consisted of the rubber company's free distribution of clones, the free advice given to Liberian rubber farmers, and the buying of their product (rubber) - from which primarily the political elite has benefited (see Chapter 13). Likewise, "progress" as a characteristic of the Firestone - Liberia relations refers to the company's advancement rather then to an increasing exploitation of the country's potential to the benefit of its inhabitants. The Liberian Minister of Finance, Stephen A. Tolbert (1972 - 1975), himself an important rubber plantation owner, defended his own and Firestone's interests when in 1975 during a meeting with educational experts of the World Bank who insisted that Liberia whould accelerate its educational efforts he said:

"(...) but then - who is going to tap our rubber trees?" (5).

Yet there are more striking examples of the attitude and the interests of the foreign investors - and the concept of their role as shown by the Liberian political elite. As a consequence of the absence of any Government policy with respect to education and training of manpower, and given the efforts undertaken by the mining companies there was, for instance, only one mining engineer working at the Ministry of Lands and Mines, Carney Johnson in 1977 (6). In this year the country's first major mining company closed its gates after operating for almost one third of a century in the country. Also at the end of the 1970's it was still not possible to study mining at a university level in Liberia. Consequently, the foreign companies skillfully

exploited this situation by saying that it justified the necessity to have an expatriate staff who could perform the vital tasks. This greatly contributed to the inequality which characterizes the Liberian society and its economy. The distribution of income is closely related to the distribution of educational possibilities and facilities. Any amelioration in the latter is immediately, directly or indirectly, reflected in a more equal distribution of income.
What exactly has been the role and/or contribution of foreign investors in the training of manpower in Liberia?
Their impact on the development of the country's manpower can be divided into two categories:

(1) an indirect impact as it enabled the Government of Liberia to finance educational, vocational and technical training programmes with the funds provided by these foreign investors (taxes, profit-sharing, and/or donations - whether or not of a political nature). The size of this impact depended of course on the amount of money transferred to the Government but also on the latter's (educational) philosophy and its (political) priorities.

(2) a direct impact where it directly financed schools operating within its concession area, training programmes which were designed to respond to the needs of the company, and/or scholarships abroad as well as in Liberia. Given the political nature of the Liberian society the question "Who benefited from these opportunities?" is inevitable and even necessary to evaluate this impact in a broader socio-economic context. As on-the-spot-training and practical experience acquired during employment are of great importance the companies' recruitment policy should be included in our investigation. This recruitment policy (of nationals) is in turn closely related to the Liberianization Policy (with respect to employment only) referred to above.

The answer to the question "Why did the foreign investors come to Liberia?" is of fundamental interest in our investigation. What the LAMCO J.V. and the Bong Mining Company are at present doing with the Vocational Training Centers in Yekepa and in Bong respectively is not likely to be a transfer of technology aiming at the gradual take-over by Liberians of the exploitation of their country's natural resources. The two companies have created these centers as they will contribute towards a considerable reduction in the company's labour cost: expatriate workers are more expensive than locally hired nationals.
The same interest of foreign investors explains why there is no relationship at all between the foreign companies (rubber and oilpalm plantations, iron ore, gold, and diamond mining companies, logging companies) and research institutions or associations in Liberia (though the latter are almost absent). The Firestone Plantation Company's research center depends on Americans. A re-inforcement and/or development of Liberian research institutes would render Liberia less dependent but would make the position of the foreign companies more vulnerable.

There is one foreign-owned company which mentioned the furtherance of education in Liberia as an explicit goal of its activities in the country. It is The Liberia Company which for this purpose even created the "Liberian Educational Foundation". In conformity with the Revised Statement of Understanding (1949), as amended (1962), 10% of The Liberia Company's net income went - through the Liberian Educational Foundation - to institutions of higher learning in Liberia, the University of Liberia and Cuttington College, and to various health projects (see Chapter 4).
In 1947 The Liberia Company started very ambitiously and idealistically - though not without self-interest - but within two decades it had become a commercially oriented company which was hardly distinguishable from the other plantation companies.

A transfer of technology may also be realized through the purchasing of products supplied by local companies. The only significant example of foreign companies operating in Liberia which buy supplies in considerable quantities from a local supplier is the group of (iron ore) mining companies. Particularly their needs for fuel and lubricants, explosives, and cement are largely met by the internal Liberian market but the three companies supplying the goods are also foreign-owned: the Liberian Refining Company (L.R.C.), the West African Explosives and Chemicals, Ltd. (Exchem), and the Liberia Cement Corporation (Cemenco), which are US, Canadian and Lebanese owned companies respectively (7).

The recruitment policy of the foreign companies and the Liberianization of their staff

With respect to the foreign companies' recruitment policy for the hiring of qualified local staff one may distinguish the following five possibilities:
(1) advertisements in newspapers and/or periodicals
(2) contacts with universities or other relevant institutions
(3) personal contacts of (both expatriate and local) staff personnel already employed by these companies
(4) political relations
(5) the use of specialized institutions as e.g. publicity firms

An investigation was conducted by the present author which covered the four main Liberian newspapers during the three-year period 1975 - 1977 (The Liberian Age, The Liberian Star, The Liberian Inaugural, and the Sunday Express) (8). It showed that the total number of foreign companies using advertisements in these newspapers as a means to recruit local staff was very small in relation to the total number of foreign companies operating in the country. Only 18 companies were counted. Of these not even

all offered staff positions or restricted applications to Liberian nationals only. Of the numerous logging companies, for instance, only three (East Asiatic Company, Cestos Nimba Corporation, and Vanply of Liberia) placed advertisements as a means of hiring employees, but of the 29 different positions offered only 14 were staff positions and in only 10 advertisements the qualification *"Only Liberians need apply"* was included. The fact that the logging operations are generally of a simple nature being virtually limited to the selection, felling, transportation and exportation of (valuable) logs partly explains the low number of logging companies in this connection.
Three of the six foreign-owned plantation companies did not use advertising as a method to recruit people during this three-year period investigated: the B.F. Goodrich Company, The Liberia Company, and Liberia Operations Inc. Virtually all advertisements of the remaining three companies were placed by the Firestone Plantations Company; the Salala Rubber Company and the Liberia Agricultural Company being responsible for only 3 and 1 advertisements respectively, (which involved only one staff position - in the Salala Rubber Company) (9). The importance of the Firestone Plantations Company in this respect is to a great extent explained by the company's size and its relatively large manpower needs.
All four operating iron ore mining companies used advertising as a means to publish employment opportunities provided by them. In this case too the number of vacancies offered was closely related to the overall manpower needs of the companies involved, the LAMCO J.V. and the Bong Mining Company being the two most important advertisers. The Liberia Mining Company only placed advertisements for the hiring of teachers. This is explained by the phasing out of the company and the termination of its mining activities in early 1977 (10).
Five foreign-owned industrial companies only turned to the local newspapers to publish employment opportunities but none of the vacancies was a staff position (Monrovia Breweries, Exchem, Cemenco, the Liberia Refining Company, and the Alan Grant Company). Three trading companies also placed advertisements to recruit employees but of them only the United States Trading Company offered staff positions to which *"Only Liberian Citizens Need Apply" (11).*

Altogether, only nine companies tried to hire local qualified staff through advertisements in local newspapers. In fact, only four companies were important in this respect: the Firestone Plantations Company, the LAMCO J.V., the Bong Mining Company, and the United States Trading Company (a Firestone-subsidiary). It should be realized that advertising in itself does not say everything about a company's recruitment policy. In the first place, as stated before, not all advertisements included the limiting qualification *"Only Liberian Citizens Need Apply"*. Secondly, not all factors which determine the actual hiring of candidates are known. The following may illustrate this:

(1) None of the Liberian lawyers hired by the about forty logging companies had been recruited by means of advertisements in the local newspapers. Their employment or working relationship with these companies had been mainly based on personal and/or political relationships (see Chapter 9, notably Annexes 19 and 20).
(2) Another example is provided by the employment of a former Deputy Director of Police, John Payne Tucker, by the LAMCO J.V. In 1976 John Tucker had been sentenced to seven years imprisonment because of his participation in a counterfeit money gang but the following year he was employed by LAMCO in an important position (12). (John P. Tucker's brother, Gabriel J. Tucker, was Minister of Public Works and married to Wilhelmina Tubman, only child of the late President Tubman and Mrs. Antoinette Padmore Tubman. His sister, Mrs. Leona Tucker Chesson, had been married to a well-known Liberian lawyer, Joseph F. Chesson - nicknamed Liberia's Perry Mason - who was to play an important role at the end of the 1970's as Minister of Justice). The case of John Payne Tucker unfortunately is not unique though it does represent an extreme example of using political pressure and relations by the political elite in order to have relatives and/or friends appointed in foreign companies.
It is important to refer here to an expatriate Bong Mining Company staff member, of the company's Personnel Planning Office, who in an interview admitted that top government officials always seemed to have someone who needed employment (13). The author of a study on the relations between the Bong Mining Company and Liberia/the Liberian Government concluded that this mining company and other concessionaires were viewed by those in power as an extension of the political patronage system. In this system jobs are rewards for political support (14).

As the political elite is formed by Americo-Liberians and their allies of tribal origin it is not surprising to find many Americo-Liberians - with close relations with the ruling clan - in important (staff) positions within the foreign companies. An attempt to conduct a thorough investigation on the subject failed owing to the unwillingness of these companies to co-operate (15). Nevertheless, the examples are numerous. It is worth mentioning that most of these positions were administrative and/or managerial ones, technical positions not being aspired to by most Americo-Liberians - most of whom would not qualify for them, anyway. It thus appears that those Americo-Liberians who had received a certain education or training but who upon their return (from studies abroad) could not be absorbed by the country's political and administrative system were given well-paid jobs with the concessionaires as a reward for their political support of or their alliance with the Tolbert Administration - which in 1973 had introduced this "Liberianization Policy". The concessionaires thus became a parking place for Americo-Liberians and tribal Liberians who were

allied to the Tolbert clan but who for various reasons could not get a government position. It would be unfair to suggest that all those who benefited from this political patronage and/or nepotism did not qualify for the jobs they obtained. Many of them were intelligent and had been trained at institutions of good reputation (mostly abroad). The main reason for their recruitment, however, had been a political one. The following examples are illustrative and can easily be added to:

- Richelieu W. Dennis (nephew of President Tolbert) nominated President of the International Trust Company (16);
- Lafayette K. Morgan (former Minister of State without Portfolio) appointed General Services Manager Bong Mining Company (17);
- Joseph S.O. Coleman (former ambassador and Chief of Protocol) appointed Section Head, Industrial Relations Department, Buchanan, LAMCO J.V. (18);
- R. Francis Okai (former Deputy Minister of Foreign Affairs) elected on the Board of Directors of the International Trust Company (19);
- Thelma Goll (niece of Frank J. Stewart, Director Bureau of the Budget, member of the Tolbert clan) employed as Resident Manager, Monrovia, of the LAMCO J.V. (20);
- Joseph K. Acqui (foster son of Richard A. Henries) elected Vice-President of the International Trust Company (21);
- James A. Gbarbea (former Minister of Lands and Mines) appointed Director of Personnel Bong Mining Company (22);
- T. Nelson Williams (former Deputy Minister of Information, Cultural Affairs and Tourism) appointed Public Relations Officer, LAMCO J.V. (23);
- Ben Page (former Deputy Minister of Information, Cultural Affairs and Tourism) appointed Public Relations Officer, Bong Mining Company (24);

By giving in to political pressure the foreign companies supported the regime. Discussions which the present author held with expatriates working with some of these foreign companies as well as experiences described by other authors clearly indicate that this "co-operation" was not always voluntary. Understandably, these companies are more interested in an (objective) recruitment which uses education and training rather than political relations and social class as its main criteria. However, it will be clear that although this "co-operation" at times resulted from political pressure it still provided the foreign companies with certain facilities and privileges which are bound to have had a positive impact on their day-to-day operations, and thus on their financial results and economic gains. That this will not necessarily have been to the advantage of the country and its population in general goes without saying.

Also the opposite holds true. Both Presidents Tubman and Tolbert exerted pressure on foreign investors to dismiss or not to recruit those (Liberian) employees which, for some reason or the

other, had to be "punished". Three examples illustrate this statement:

1. In 1966, when workers on the Firestone plantations and with LAMCO had gone on strike and refused to obey a Presidential back to work order, Tubman had them forcibly expulsed, thereby ending these strikes (25).
2. In 1973 President Tolbert personally intervened during a strike at B.M.C.issuing an ultimatum threatening those workers who would refuse to go back to work with (instant) dismissal (26).
3. In 1974 Dr. Togba-Nah Tipoteh lost both his job at the Ministry of Planning and Economic Affairs and at the University of Liberia, where he taught economics, as a result of his conflict with members of the Tolbert-clan. In 1976, during an interview which the present author had with him, in Monrovia, he complained that he could not find another job as the President had forbidden the country's major foreign investors to employ him (27). As the Government and foreign investors are virtually the only employers in the country such a "bar" effectively "punishes" those opposing the Government. Generally, in Liberia the intervention of the President rather than of the trade union is sought by the (foreign) company-owners when trying to solve labour disputes and/or strikes. The absence of a well organized and powerful trade union understandably facilitates this. The ruling class' needs to safeguard its (political) interests combined with the economic-financial interests of the (Liberian) plantation owners explain very well why the Liberian Government never allowed the creation and development of a strong and independent labour movement. Such a trade union would automatically have a strong tribal base and this is rightly seen by nearly all Americo-Liberians as a threat to their social, economic as well as political dominance (see Chapter 13).

The remaining section of this chapter will deal with the establishment of an educational system throughout the country.

EDUCATION : HISTORICAL BACKGROUND

Before the arrival of (European and American) foreigners who came to the Pepper Coast to settle, trade or invest, the tribal societies of this region already had vested traditional institutions which (i) preserved valuable acquisitions of the past, and (ii) acted at the same time as a relatively effective means to transfer knowledge from one generation to the next. The most widespread of these institutions were the (secret) Poro and Sande Societies. They periodically held sessions during which the boys and the girls of the tribes were prepared for adult life, instructed in practical skills, and taught the

history, secrets and traditional medecine of their respective tribes. The southward migration of tribes from the Western Soudan, notably the Vais and the Mandingoes, added another type of education: the Coranic or Moslem school. It is worth mentioning again that the Vais independently developed a script of their own. This made this tribe one of the few tribes of Black Africa to do so. It was in 1830 that a Vai named Dwalu Bukele invented and developed this system of writing (28). Thus the traditional African "bush school" and the Arabic Moslem school can be classified as the traditional "Liberian" educational system whose main features were the conservation of historical, cultural and religious values.

The Western type of education can be said to have been introduced in Liberia with the arrival of the colonists of the U.S.A. in the second decade of the nineteenth century. The American Colonization Society as well as the other colonization societies supported the educational efforts of the settlers by financing school supplies, paying teachers and providing money. The intervention of these organizations in the field of education is explained by the motivations behind the sending and financing of freed slaves and coloured persons to Africa. The "dark continent" was believed to be inhabited by savage people who had neither civilization nor religion and who needed to be "enlightened". To introduce and spread Western civilization and to christianize the black continent was a strong driving force behind the "repatriation" of black people and mulattoes. It was combined with the desire to get rid of a group of people who formed a potential threat to white supremacy in the New World. The foregoing explains why the arrival of black colonists at this part of the West African coast practically coincided with the arrival of missionaries. The latter started preaching the Gospel while simultaneously introducing, (gradually) developing and expanding an educational system which finally makes it hard to separate education and religion in Liberia. The arrival of foreign missionaries thus made the introduction of a Western type of education inevitable, whilst the (increasingly) frequent contacts with foreign traders, investors and (later) Governments made the development of this type of education very desirable, not to say indispensible.

Unfortunately, the educational system created by the Americo-Liberians failed to respond to the economic needs of the country. The emphasis was laid on educating people to govern the country and to spread christianity. Thus for nearly a century the educational system produced virtually only politicians and preachers. Technical and vocational training, on the other hand, was not provided for. This explains in the first place why at a certain stage of the country's history foreign traders and investors were invited to make use of the country's potential. In the second place, it explains why the majority of the Liberians failed adequately to share with the foreigners in the benefits of this exploitation. Thirdly, it explains why Liberia continued to rely on these foreigners for the exploitation

of the country's natural resources.
Public resentment and political decisions with respect to foreign traders and investors operating in the Republic at the same time affected the official attitude towards foreign missionaries. Under Government pressure the educational efforts of the missionaries began to diminish in the 1870's following the passing of the Ports of Entry Act (1865) which had restricted the activities of foreign traders in the Republic. Towards the end of the 19th century and in the beginning of the present century educational activities by the numerous missions active in the country were revived. This coincided with a gradual change in attitude towards foreign investors and traders (see Chapter 2).

Around the turn of the century, in 1900, the educational activities of the Liberian Government became institutionalized with the creation of a Bureau of Education (January 26, 1900 - during the Administration of President G.W. Gibson), raised to the status of Department twelve years later (February 5, 1912 - during the Administration of President Daniel E. Howard) and then called the Department of Public Instruction. Also in 1912 the National Legislature imposed a school tax of one dollar per head, and passed the General Education Act which made education for children between the ages of six and sixteen compulsary. Like so many laws passed by the National Legislature these two laws were never enforced. (This General Education Act was probably the only law at the time in Africa embodying the principle of compulsary education for children).
The special school tax was fortunately hardly levied, since most people would not have been able to bear this extra burden. In 1920 the tax yielded only $ 178; it rose to $ 1,109 in 1923 and tripled to $ 3,609 the following year, in 1924 (29).

Expenditures on education were therefore very low - while most of them were made by the (foreign) missions - and very unevenly distributed. At the beginning of the present century a yearly amount of $ 40,000 was spent on education, primarily on primary schools, but as President Arthur Barclay recognized in 1906, the results were not satisfying (30). As Government revenues dropped during the second decade of the century budgetary allocations and actual expenditures of the Government for education reflected this deteriorating situation - education traditionally having one of the lowest priorities. In FY 1919/20 e.g. overall Government expenditures were over $ 311,000.00 of which only $ 4,000.00 was spent on education. Half of this amount was spent on Liberia College, all public schools together in the Republic having the same amount disbursed (31). Ten years later, in 1931, the Government Budget totalled $ 419,195.59 of which less than 1 per cent ($ 3,936.40) was for education (32). Also in this (second) example Government Revenues and the country's Budget had been adversely affected by external factors, i.e. the world economic crisis.

At the time of the arrival of the first major foreign investor the country's educational situation could be summarized as shown in Table 52. There were 142 schools with a total student enrolment of about 8,700. It is interesting to note that it was reported that at that time some 140 organized churches were established in the country (33).

TABLE 52

EDUCATIONAL STATISTICS 1925/1926

TYPE OF SCHOOL	NUMBER OF SCHOOLS	NUMBER OF TEACHERS	NUMBER OF STUDENTS
Government school	56	60	2,000
Mission school	83	201	6,624
Other Private school	3	8	75
TOTAL	142	269	8,699

Source:
- Adapted from Boon: 1929; p.123.

The 1925 Budget allocated $ 18,120 for education which amount included $ 7,000 for Liberia College. Even when to this amount was added some $ 5,000 taken from the native poll tax the resulting total amount of $ 23,120 represented only a little over three per cent of total Government Revenue. This was little compared with e.g. educational expenditures of $ 186,000 in neighbouring Sierra Leone (34). With such a low priority for education it is no longer surprising that the General Education Act of 1900 was never enforced or applied to the whole of the country's territory. The following may illustrate this low priority. In 1932 the then Secretary of Public Instruction, G.W. Gibson, transferred funds from the "Government Depository for the purchase of textbooks" to another account which had been opened to entertain the visiting President of the American Colonization Society, Henry L. West. This transfer of funds was explained by Secretary Gibson when he stated that *"(...) which books are not all required at this time (...)" (35).*

The picture is even made more unfavourable by the fact that most public schools covered the first to the third grades only. About twenty Government schools went beyond the third grade.

Out of the total of 142 schools only about ten gave instruction above the eighth grade - having a student population of about one hundred. About 24 public schools were located in the Hinterland having an enrolment of over 700 students. This, however, represented a significant increase when compared with 1920 when there were only 2 public schools reported in the Hinterland, having 45 students (36). It was estimated that only some six hundred out of the total enrolment of nearly nine thousand (Table 52) were Americo-Liberians (37). This relatively low figure is partly explained by the fact that the more prosperous Americo-Liberians sent their children abroad for education (Sierra Leone, England, U.S.A.) (38). In this respect it is important to know that most mission schools were village schools though their educational programme was largely evangelical. Most of their teachers were of tribal origin, unpaid and untrained (39).

The Tubman Administration

In 1944 the number of schools (251) and of pupils (19,000) had increased with some 77 and 118 per cent respectively compared to the 1925/26 situation (see also Table 59). Public schools, numbering 187, had an enrolment of 11,267 pupils, whom were taught by a total of 235 teachers. The relative importance of public schools in the Hinterland with respect to the total number of public schools had remained virtually unchanged: from 43 per cent in 1925/26 to 45 per cent in 1944 (40).

All observers of the Liberian educational system were unanimous in their opinion that this system was of an extremely low standard. This low level is partly explained by the fact that the Government required no special training, qualification or level of education to teach at any school at any level in the country. This did not change until 1947. Of equal importance to note here is that these schools offered a foreign (American) oriented curriculum and that they had excluded the study of Liberian history, geography, traditions, tribal customs, languages, folkways, etc. Only in the 1950's did the Government begin to require courses in Liberian history, geography and civics in the elementary and secondary schools (41).
As a consequence the few Liberians who were educated in Liberia were ill-prepared to participate effectively in the socio-economic development of their country. On the other hand, the foreign-trained Liberians (of wealthy or politically powerful Americo-Liberian origin) were much better equipped to participate in their country's affairs than those who had received education at home.
Another consequence was that when the Government made a more realistic curriculum compulsary for all schools there were virtually no books adapted to the country's needs. Given the educational background of most Liberians who had received some kind of education Liberians were - in general - unable to write books on their own country.

The very few books which indeed were written by Liberians were of a propagandistic nature and served in most cases ostensibly political purposes. This resulted too often in a distortion of historical facts and/or obvious lies (42).

At the end of the 1940's the educational system was further characterized by a lack of school buildings, lack of school equipment (including books), and lack of qualified teachers. Also in subsequent Annual Reports - during the 1950's - the Secretary of Public Instruction repeatedly recognized the generally deplorable conditions of Public School buildings, the absence of equipment, and the urgent need to improve the level of instructors (43). In the Hinterland only boys had access to the educational facilities provided by the Government - girls being officially excluded from modern instruction.
The interest in education which Government officials showed, notably the Secretary of Public Instruction, and the lack of funds - as well as the way in which the funds available were spent - proved strong obstacles to a rapid improvement of the situation. During the whole of the Fiscal Year 1948/49 the then Secretary of Public Instruction, John W. Pearson, only made two visits to public schools up country. These were visits to Brewerville and Harper, both Americo-Liberian settlements. However, the following year he flew to the U.S.A. where he spent four months visiting Liberian students studying in that country (44). In the same year, Fiscal Year 1949/50, the Government appropriated $ 292,671.38 for Education. Available for Public Schools and Subsidies was an amount of $ 57,912.00 whereas $ 98,799.00 was appropriated for Scholarships.

Nearly all beneficiaries of Full Scholarships, however, were of Americo-Liberian origin. The Annual Report of the Department of Public Instruction for the period September 1947 - August 1948 shows a list of all Liberians who benefitted from a Full Scholarship in 1948. At least 21 of the 23 beneficiaries mentioned in this report were Americo-Liberians (45). These children of wealthy and/or politically influential parents were, ten to fifteen years later, to occupy the highest positions in the country. One of the two tribal beneficiaries in the 1960's became the Director of the Bureau of Natural Resources and Surveys before it was elevated in 1971 to the status of a Ministry (Ministry of Lands and Mines). But among the Americo-Liberian students, four were to reach much more prestigious positions. They became Secretary of Foreign Affairs, Secretary of the Treasury, Secretary of Agriculture and Commerce and later Minister of Finance, and President of the Public Utilities Authorities with authority over what was to become in 1973 the Liberia Electricity Corporation, the Liberia Broadcasting Corproation, the Liberia Telecommunications Corporation and the Liberia Water and Sewer Corporation.

Thus a vicious circle was created which worked in the interest of the politically elite. The children of rich, important and/or powerful leading families were granted Government scholarships by their parents and relatives. They studied abroad and upon return were given important positions in the Government which enabled them to do the same for their children and relatives. The cost of Liberian students studying abroad was extremely high. These investments by the National Treasury would, however, have been justified if the selection of candidates had been based on capacity and merit rather than on nepotism and class interest. As it actually worked out the Government of Americo-Liberians used Treasury funds to serve its own interests and to maintain its privileged position. In 1950 it cost the Treasury $ 153,663.50 to maintain Liberian students studying or undergoing training at Foreign Institutions abroad. It was reported that approximately $ 1,800 was needed to meet the expenses of one student for one year (except those students studying medicine and the students at Harvard University, U.S.A., who required approximately $ 2,500 to cover their expenses for one year) (46). This sharply contrasts with the impossibility to improve the country's schools' supply of (good) textbooks. When a committee which in 1951 was instituted by President Tubman to revise the curricula of the Elementary and High Schools and to select textbooks selected and recommended the purchase of textbooks to the value of $ 53,000.00 the Department of Public Instruction could not order these books as the Budget only provided for $ 15,000.00 for this item (47).

Table 53 summarizes the educational situation in 1950. In that year there were 2 Public High Schools in Montserrado County (in Monrovia): Liberia College, with 160 students, and the W.D. Coleman High School, with 2 (!) students; there was 1 Public High School in Grand Cape Mount County, with 15 students; 1 Public High School in Grand Bassa County, with 39 students; 1 Public High School in Sinoe County, with 58 students, and 1 Public High School in Maryland County, with 54 students. There were no public high schools in one of the three Provinces (the "Hinterland").
There were 5 Mission High Schools in Montserrado County, with 367 students; 1 Mission High School in Grand Cape Mount County, with 58 students, and 1 Mission High School in the Western Province (15 students).
There were no high schools operated by concessionaires.One foreign company operating under a concession agreement in Liberia. Firestone, operated 5 primary schools, staffed by 6 teachers and with an enrolment of 387, in the Central Province (48). None of the concessionaires, however, was obliged to provide educational facilities, their concession agreements with the Liberian Government being silent in this respect.
The relative importance of the (educational) facilities provided is difficult to establish as in 1950 the country's total population and its geographical distribution were not yet known. In 1956, for the first time, a population census of Monrovia was conducted. This was followed in 1957/58 by censuses taken in

TABLE 53

GOVERNMENT, MISSION, PRIVATE, TRIBAL AND OTHER SCHOOLS, TEACHERS AND ENROLLMENT - 1950.

G O V E R N M E N T S C H O O L S

COUNTY/PROVINCE	Number of Schools	Number of Teachers	No. of Elementary Pupils	No. of High School Students	No. of College Students
Montserrado Co.	32	87	3,096	162	101
Marshall Terr.	3	8	299	-	-
Grand Bassa Co.	13	26	1,348	39	-
Sinoe Co.	15	27	1,003	58	-
Maryland Co.	20	33	1,714	54	-
Gr. Cape Mount Co.	6	15	698	15	-
TOTAL ALL (COASTAL) COUNTIES	89	196	8,158	328	101
Western Province	5	10	426	-	-
Central Province	17	29	1,425	-	-
Eastern Province	6	12	585	-	-
TOTAL HINTERLAND	28	51	2,436	-	-
GRAND TOTAL	117	247	10,594	328	101

M I S S I O N S C H O O L S

COUNTY/PROVINCE	Number of Schools	Number of Teachers	No. of Elementary Pupils	No. of High School Students	No. of College Students
Montserrado Co.	23	111	2,703	367	-
Marshall Terr.	1	1	40	-	-
Grand Bassa Co.	9	23	1,190	-	-
Sinoe Co.	13	24	1,335	-	-
Maryland Co.	17	33	2,010	-	-
Gr. Cape Mount Co.	7	34	525	58	-
TOTAL ALL (COASTAL) COUNTIES	70	226	7,803	425	-
Western Province	19	48	1,152	15	-
Central Province	21	51	1,147	-	18
Eastern Province	8	18	430	-	-
TOTAL HINTERLAND	48	117	2,729	-	18
GRAND TOTAL	118	343	10,532	440	18

PROFESSIONAL AND TECHNICAL SCHOOLS

COUNTY/PROVINCE	Number of Schools	Number of Teachers	No. of Elementary Pupils	No. of High School Students	No. of College Students
Montserrado Co.	5	36	-	134	39

P R I V A T E S C H O O L S

COUNTY/PROVINCE	Number of Schools	Number of Teachers	No. of Elementary Pupils	No. of High School Students	No. of College Students
Montserrado Co.	12	22	869	-	-
Sinoe Co.	1	2	60	-	-
Gr. Cape Mount Co.	1	2	17	-	-
TOTAL ALL (COASTAL) COUNTIES	14	26	946	-	-
Western Province	1	1	50	-	-
Central Province	7	8	472	-	-
TOTAL HINTERLAND	8	9	522	-	-
GRAND TOTAL	22	35	1.468	-	-

T R I B A L S C H O O L S

COUNTY/PROVINCE	Number of Schools	Number of Teachers	No. of Elementary Pupils	No. of High School Students	No. of College Students
Sinoe Co.	6	7	390	-	-

P H I L A N T R O P I C S C H O O L S

COUNTY/PROVINCE	Number of Schools	Number of Teachers	No. of Elementary Pupils	No. of High School Students	No. of College Students
Montserrado Co.	1	8	260	-	-
Central Province	1	8	250	-	-
GRAND TOTAL	2	16	510	-	-

Source: Annual Report, Department of Public Instruction, 1950 (Monrovia, Liberia).

Greenville, Buchanan, Robertsport and Harper (all A.L. settlements) (49). The first nation-wide population census was carried out in 1962.

The Educational Situation in 1963

Before the 1960's no planning of educational activities existed. The first series of data with respect to education resulted from the 1962 Population Census (see Table 54). In 1963 a National School Survey was carried out, the first one ever held, on which a Five Year Education Plan (1964 - 1968 both inclusive) was based, published later that year. This Five Year Education Plan replaced another, Ten Year Plan, and took into account the latest available information concerning the financial and economic conditions and prospects for the country, in view of the financial crisis of the early 1960's (see Chapter 10). Total cost of the Five Year Plan was estimated at $ 49,012,100. Of this amount $ 28,497,000 was to be paid from current revenues, the rest from international loans and grants (50). The financial crisis referred to above and the subsequent impossibility to finance the Plan might be the (main) reason for the fact that the 1964 - 1968 Education Plan was never carried out.

According to the 1963 Educational Survey there were in that year 471 public elementary schools throughout the country, with 1,429 teachers, and an enrolment of 45,487 pupils. Whereas only 8 per cent of these schools were situated in the nation's capital they employed 29 per cent of the country's elementary school teachers. Fourteen per cent of the pupils of the elementary school lived in the capital. There were 39,100 pupils (28,636 boys and 10,464 girls) enrolled in the 431 public elementary schools outside Monrovia, which had 1,013 teachers.

The main problems in the educational field were cited as being: (1) the lack of adequate school buildings; (2) the limited number of qualified teachers; (3) the shortage of textbooks and other instructional materials and equipment, and (4) enormous drop-out rates (51).

Books and materials being inadequate for the implementation of the course of study and curriculum guides, many teachers had problems in deciding just what to teach and how to teach it. Combined with the classroom conditions and the low salaries paid the morale of the teaching staff was - generally speaking - very low. Consequently, absenteeism (of teachers) was very high. What made things even worse was that over 85 per cent of the nation's teachers had never received any specific training and less than half of the teaching staff had received instruction beyond junior high school level (9th grade).

Two teachers may even have had qualifications below the 6th grade level as the Survey only specified the educational level of 1,427 teachers (see Table 55).

These inexperienced and insufficiently trained and educated teachers had to teach a school population which varied enormously in age and background. For example, in the capital, first graders alone ranged from 5 years to 24 years in age.

TABLE 54

1962 POPULATION AND SCHOOL ATTENDANCE STATISTICS

	TOTAL	MALE	FEMALE
Total Population	1,016,443	503,588	512,855
School Age Population[1]	851,061	421,926	429,135
Population 5 - 24 yrs	380,012	186,297	193,715
School Attending Population	76,002	54,038	21,964
of which Full Time	66,759	46,662	20,097
Part Time	9,243	7,376	1,867
School Attending Population as a % of the School Age Population	8.9%	12.8%	5.1%
School Attending Population as a % of the Population 5 - 24 yrs 2	20.0%	29.0%	11.3%

Notes:

(1) According to the 1962 Census this included all persons 5 years of age and over;
(2) The 1974 Population and Housing Census defined the School Age Population as the population 5 to 24 years of age; the 1978 School Survey used yet another definition resulting in an even smaller group (6 to 18 years of age).

Sources:

- "1962 Census of Pupulation", Summary Report for Liberia, PC-B, Tables 12 and 13, pp. 13 and 14;
- 1974 Census of Population & Housing", Population Bulletin No. 2, Final Population Totals And Related Percentages With Some Salient Demographic Characteristics, Table 7, p. xiii.

TABLE 55

HIGHEST GRADE COMPLETED OF GOVERNMENT ELEMENTARY SCHOOL TEACHERS

1963

Grade or level of instruction	Number of Teachers	Percentage of Teachers
6th	7	0.5
7th	92	6.4
8th	371	26.0
9th	209	14.6
10th	188	13.2
11th	142	9.9
12th	209	14.6
1 yr of College	27	1.9
2 yrs of College	45	3.1
3 yrs of College	27	1.9
4 yrs or more of College	110	7.7
TOTAL	1,427	100.0

Source: Based on "A Five-Year Plan for Education in Liberia", p.26

Many of them were of tribal back-ground and had to learn English as a second language. Being introduced to English in school and not hearing English at home most children had to overcome many obstacles to stay on. Conditions in the rural areas are bound to have been even worse. All the factors mentioned above explain the high drop-out rates which characterised the Liberian educational system in the 1960's. The Department of Education failed to adequately supervise the instructional programmes and the schools - transportation being inadequate and automobiles not made available to supervisory personnel.

In 1963 there were 41 public school sessions both at elementary and secondary school level operating in 26 buildings in Monrovia. The nation's capital then had some 81,000 inhabitants of whom

about 19,000 were between 5 and 15 years of age. Nearly two thirds of Monrovia's population of 10 years and over were considered illiterate in 1962 (52).
During only five sessions instruction above 6th grade level was given. The 9,300 Monrovian elementary and secondary school pupils attended sessions which ranged in size from 100 to 550 (53).

TABLE 56

SESSIONS OF GRADE LEVEL TAUGHT IN PUBLIC SCHOOLS IN MONROVIA (1963).

	GRADE LEVEL TAUGHT			
SESSION	1 - 6	7 - 9	9 - 12	7 - 12
Morning	17	1	1	
Afternoon	13	1	1	
Evening	6			1
TOTAL	36	2	2	1

Source: "A Five-Year Plan for Education In Liberia", p.14.

Of the 26 structures which were used for classroom purposes only four had been constructed for school use and were publicly owned (54). These four buildings housed some 1,800 students. The other 7,500 students attended classes in houses, apartments, fraternal buildings, churches, warehouses, and in one case a palm frond hut. All buildings were leased (by the Government) from private owners. The houses and apartments had rooms which allowed a separation of grades but the warehouses and the churches did not. Consequently, several grades were taught in large, single rooms. More than 1,600 children received instruction in large rooms together with five or six other class groups.
Sanitary facilities were poor - if available at all. Only six schools had running water and more than 7,000 elementary school children shared 31 toilets of which, however, only 21 were in working order at the time of the survey, early 1963 (55).

Training of Teachers (1963)

Prior to March 1947 no systematically organized and implemented training of teachers existed. In 1947 the first degree-granting teachers' training college was created by a joint effort of the

Government, the first Protestant Episcopal Mission and the Methodist Mission. Three years later this institution came under full (and exclusive) control of the Liberian Government.
In 1953, a Roman Catholic Institution in Harper, Maryland County, (Our Lady of Fatima College), established another degree granting programme for the training of teachers. In 1960 Junior Teacher Training Colleges were openend in two cities, Monrovia and Harper. The following year the Junior Teacher Training Programme in Harper was integrated with that of Our Lady of Fatima College. Likewise, the Monrovia Junior Teacher Training Programme was integrated in the programme provided by the University of Liberia. However, the incentives given to teachers were virtually absent and consequently only very few high school graduates enrolled in these training programmes for teachers.
In another attempt to solve the problem of unqualified teachers teaching in Liberian schools the Government introduced short-term teachers' training programmes. The first one was created in the Zorzor Institute, in what was then called Western Province, in 1961. Two others were subsequently planned at Kakata, in the Central Province, and in Webbo, in the Eastern Province. The two-year programme offered to students who had completed at least the 9th grade aimed at preparing them for teaching in rural schools. At the same time effort was made to upgrade the professional and academic level of the existing teaching staff throughout the country (56). Nevertheless it was admitted by the Government that the help of foreign instructors remained indispensable (57).

Vocational Education (1963)

In 1963 Liberia had only one vocational training school, the Booker Washington Institute, in Kakata, Central Province. This institute had been created in 1926 as a private elementary school. In 1950 the school had been taken over by the Liberian Government and converted into a vocational high school. About 500 students were enrolled in 1963. The school was characterized by (i) political appointments which resulted in a ratio of employees to students of 1 : 10; (ii) an inadequate administration which resulted in long delays in the procurement of equipment and materials; (iii) an unwise spending of the institution's limited funds (58).
A training center for vocational teachers or a programme for their training did not exist in 1963. In that year, Liberia still had no planned vocational training programme, nationwide in character. It was not until 1960 that a Division of Vocational Education was set up within the Department of Education.

Higher Education (1963)

Higher education officially began in Liberia with the founding of

Liberia College in 1862. Elementary and secondary school education was then still in an embryonic stage in the Republic (see above). Only two high schools with an enrolment of less than 50 students existed at the time when Liberia College opened its doors (59). As stated before, the programme offered mainly served the purpose of educating people to govern the country. The mulatto segment of the settlers' community was for a long time over-represented in the student population of the College (60). This was due to the fact that this group of Liberians dominated the country's politics during the corresponding period. Liberia College was a liberal arts college largely based on the classical tradition. In 1951 it was incorporated into the University of Liberia, established in that year. In 1963 there were five degree granting Colleges forming the University of Liberia (although the degrees granted did not go beyond a Bachelor's degree): (1) the Liberal Arts College; (2) the Teachers College; (3) the Louis Arthur Grimes School of Law; (4) the College of Forestry, and (5) the College of Agriculture.

Liberia's second institution of higher education in 1963 was "Cuttington College and Divinity School". It had opened its doors for the first time in Harper, Maryland County, in 1889. Originally a missionary institution, it later received annual subsidies from the Liberian Government. Initially its programme emphasized theology and liberal arts but after re-opening - it had been forced to close down between 1928 and 1949 owing to lack of money - the programme was changed and also included the training of teachers and agricultural technicians.

The country's third degree granting institution was "Our Lady of Fatima", in Harper, which had trained teachers since its establishment in 1953. However, in 1963 the institution was considered to have an insufficient number of students and faculty members to justify its existence and expenses (61). Unfortunately, the 1963 Survey did not include detailed information on the subject.

In 1963 there were 321 students enrolled in the University of Liberia. The Liberal Arts College enrolled some 50 per cent of all students of the University. There were 150 students enrolled in Cuttington College (62).

Adult Education and Other Educational Activities of the Government

In 1950 President Tubman had officially launched a nation-wide literacy campaign. In 1963 there were only 250 Adult Education teachers with an average of twenty adult students to one teacher (63). Along with the literacy campaign a Community Education

Programme was introduced. Its main objective was to help members of the community to recognize and meet their personal needs and the needs of their respective societies or communities. In 1963 there were approximately 1,500 people receiving instruction from 100 teachers, in various parts of the country (64).
The discrepancy between the number of teachers assigned, the number of adult students, and the number of adult students eligible for these programmes, in combination with the (budgetary) absence of funds to train more adult teachers, clearly indicates that the Government's main activity in this respect was paying lip-service to a nice-sounding objective ("adult education") which, however, it never took seriously.
The (first and only) training center for community education workers (the "National Fundamental Education Center"), established in 1954, never even started to work properly, mainly because of an untrained staff.

Liberia's National Library, first established on an extremely small scale in 1926, was re-organized in 1950. Two branches were opened: one in Harper, Maryland County, and the other in Sanniquellie, in the Central Province. Another re-organization took place in 1958 but in 1963 out of a staff of ten people employed for this institution only the Director had been trained for his work.
Liberia's National Museum, established in 1960, was characterized by the same handicap in 1963, having a staff of six of whom one only was qualified for the work.

The failure of these educational activities, notably the Adult Education Programme, are in general due to: (1) insufficiency of funds, (2) the little money which was allocated had a great imbalance between funds for salaries and for operation, the former often taking as much as 85% of the total budget, (3) shortage of trained and competent personnel (65).

Testing and Evaluating

Before 1961 the evaluation of the students' performances was left entirely with the teachers. Given the educational level of most teachers, and taking all previously mentioned conditions and factors into account it is not surprising that in 1963 the standard of the Liberian educational system was very low. The following may illustrate this conclusion.
In 1960 a preliminary survey examination was given to students in the 6th and 9th grades throughout the country to determine the average level of achievement of the elementary and junior high schools. The result showed that only 2% of the elementary schools and 22% of the junior high schools reached the passing mark. And even the passing mark for this survey examination had been set at 60%, i.e. 10% marks below the passing school

mark of 70%. This shocking and alarming result paved the way for the introduction of the National Examination Programme. Thus, since 1961, National Examinations are held toward the close of each school year in the terminal grades of the elementary, junior high and senior high schools (66).

Beneficiaries of Scholarships (1963-1964)

The availability of educational facilities, and their quality, and the opportunities offered in this respect to the various segments of the population form interesting yardsticks to measure the seriousness of the Liberian Government's much lauded National Unification Policy. It should immediately be added that the (public) positive evaluation of this Unification Policy mainly served political purposes and did not correspond with the (Liberian) reality. The following may illustrate this. According to the results of the 1962 Population Census the group of Liberians with no tribal affiliation ("the Americo-Liberians") consisted of 23,478 people, which represented 2,3% of the country's total population (67). However, of the beneficiaries of the scholarships awarded in 1963/64 and of the students who in that year returned from abroad, (at least) 88,5% were Americo-Liberians (68).

The Number of Schools, Teachers and Students (selected years 1944-1974)

Reliable and detailed information on the development of education in Liberia unfortunately does not exist. "Facts" depend in general on a haphazard collection of material, or on incidental surveys. Even information provided by the Ministry of Education has proved on more than one occasion to be unreliable. In 1958, e.g. the Director of Elementary Education within this Ministry, Mrs. Laura Tucker, reported that she had discovered that the previously reported enrolment of the (public) elementary schools was inaccurate. Further, and to her great surprise, she had to admit that some of the schools registered at the Department of Public Instruction did not exist in reality (69).
In spite of these inaccuracies, which resulted from administrative underdevelopment and from corruption, a certain trend is distinguishable after a study of the changes which characterize the past thirty years, 1944 - 1974, and which indicates that Liberia in the post-war period underwent more changes in the field of education than ever before in its history. Of course, much was still left to be desired, as will be clear after the previous paragraphs. Table 57 summarizes these changes during the 1944 - 1974 period.

TABLE 57

NUMBER OF SCHOOLS, STUDENTS AND TEACHERS, BY TYPE OF SCHOOL, LIBERIA, SELECTED YEARS 1944 - 1974.

YEAR	Number of Schools	ENROLMENT					TEACHERS			
		Elementary	Secondary	Vocational	Teacher Training	Higher Education	K-12	Vocational	Teacher Training	Higher Education
1944	251	19,000	(2)	(1)	(1)	(1)	1,200	(1)	(1)	(1)
1949	253	19,880	680	(1)	(1)	12 (1)	1,333	(1)	(1)	(1)
1954	456	41,527	800	(1)	(1)	40	1,476	(1)	(1)	(1)
1959	602	55,132	3,046	445	(1)	450	1,796	(1)	(1)	(1)
1964	857	78,539	5,977	605	225	583	2,815	45	34	109
1969	995	130,309	14,374	823	359	1,229	3,568	81	30	154
1970	1,084	120,245	15,494	887	390	1,109	4,023	66	32	164
1971	1,096	128,755	17,055	762	290	1,199	4,315	(1)	(1)	(1)
1972	1,121	139,045	21,411	908	305	1,413	4,689	(1)	(1)	(1)
1973	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1974	1,167	149,494	26,426	1,087	424	1,711	5,409	(1)	(1)	(1)

Notes: (1) Data not available
(2) Included in elementary

Source: Division of Statistics, Ministry of Education, quoted from: Statistical Handbook, Ministry of Agriculture, Monrovia.

The 1978 National Education Survey

In April 1978 a National Education Survey was launched by the Ministry of Education. The main purpose was to provide an up-to-date abstract of educational statistical information, as it was officially recognized that there was a serious lack of basic and reliable educational statistics and that even the data that were available were found to be incomplete and relatively inconsistent (70).

The survey covered 1,441 schools which represented a coverage of 98% of the elementary and secondary schools of the country (71). This may lead us to the conclusion that the actual total number of elementary and secondary schools in the country was 1,470. However, the National Education Survey Report is not clear (i) in explaining how this number (1,470) was found, and (ii) why these 29 schools were not covered by the survey. The survey was further characterized by the fact that it was limited to elementary and secondary schools and that vocational/technical and teachers' training institutions, and the commercial/business schools were not included. Though inconsistencies and contradictions still do exist there seems to be no justification not to accept the general results of the survey.

The survey showed that with respect to education considerable differences between regions or counties, as well as between sexes, existed. Table 58-A and 58-B show the 1978 school attending population by county and by sex and the 1978 school attending population as a percentage of the school age population - also by county and by sex. It should be noted, however, that the importance of figures presented in this respect is very much dependent on the definition of "School Age Population" . The 1962 Census had defined "School Age Population" as including all persons 5 years and over. The 1974 Population and Housing Census, already, had defined the School Age Population as the population between 5 and 24 years (both inclusive). The 1978 School Survey reduced the group to the population between 6 and 18 years.
Calculations based on the 1974 Population and Housing Census results indicated that out of a total population of 1,692,745 the number of people in the school age (the 6 - 18 year age group) was 740,714, or 43.8 per cent (374,032 male and 366,682 female) (72). Out of every 100 children in the school age 32 went to a school in 1978, according to the 1978 National Education Survey. The other 68 children in 1978 lacked any form of modern education. The survey also indicated that the enrolment situation in the three south-eastern counties (Sinoe County, Grand Gedeh County, and Maryland County) was the most favourable with 5 out of every 10 boys, and 3 out of every 10 girls in the school age population enrolled in 1978. Bong County, however, showed the lowest figures with only 1 out of every 4 boys and 1 out of every 10 girls in the school age attending classes in 1978. The situation in Grand Cape Mount County was only slightly more favourable.

TABLE 58-A

SCHOOL ATTENDING POPULATION BY COUNTY AND BY SEX - AS COVERED BY THE NATIONAL EDUCATION SURVEY (1978).

COUNTY	SCHOOL ATTENDING POPULATION		
	MALE	FEMALE	TOTAL
Montserrado County excl. Monrovia	19,519	11,661	31,180
Monrovia	31,888	22,087	53,975
Montserrado County incl. Monrovia	51,407	33,748	85,155
Grand Cape Mount County	4,073	2,326	6,399
Grand Bassa County	12,229	6,810	19,039
Sinoe County	9,635	4,849	14,484
Maryland County	12,242	6,765	19,007
TOTAL ALL COASTAL COUNTIES	89,586	54,498	144,084
Bong County	11,542	5,301	16,843
Lofa County	16,629	5,828	22,457
Nimba County	25,271	15,035	40,306
Grand Gedeh County	9,317[1]	4,846	14,163
TOTAL ALL INLAND COUNTIES	62,759	31,010	93,769
GRAND TOTAL ALL COUNTIES	152,345	85,508	237,853

Note: 1. Table I of the National Education Survey (1978) erroneously mentions here the figure of 9,817 but the correct figure for the males student population of Grand Gedeh County is 9,317 - given the information presented elsewhere.

Source: The National Education Survey, 1978, Table I, p. 45.

TABLE 58-B

SCHOOL ATTENDING POPULATION (AS COVERED BY THE NATIONAL EDUCATION SURVEY - 1978) AS A PERCENTAGE OF THE SCHOOL AGE POPULATION, BY COUNTY AND BY SEX.

COUNTY	MALE	FEMALE	TOTAL
Montserrado County[1]	43.8	29.9	37.0
Grand Cape Mount County	29.6	17.9	24.0
Grand Bassa County	32.5	18.4	25.5
Sinoe County	52.5	30.6	42.3
Maryland County	49.4	30.4	40.4
TOTAL ALL COASTAL COUNTIES	42.3	27.1	34.9
Bong County	24.3	10.1	16.8
Lofa County	44.6	13.6	28.0
Nimba County	42.1	28.6	35.8
Grand Gedeh County	57.2	27.5	40.7
TOTAL ALL INLAND COUNTIES	38.7	18.7	28.6
GRAND TOTAL ALL COUNTIES	40.7	23.3	32.1

Note: 1 including Monrovia
Source: Author's research based on Table 58-A.

TABLE 59

STUDENT ENROLMENT BY SEX AND BY LEVEL TAUGHT (%) - 1978

SCHOOL TYPE	BOYS	GIRLS
Kindergarten & Pre-Grade	59	41
Elementary School	64	36
Junior High School	70	30
Senior High School	72	28

Source: The National Education Survey, 1978, p. 27

The educational opportunities are very unequally divided between the sexes. The overall proportion of boys from the school age population who actually attended school was 40.7% while that of the girls was only 23.2%. A closer examination of this characteristic showed that educational opportunities for girls decrease with the increase of the educational level. Whereas in the elementary schools twice as many boys were enrolled, the senior high schools were attended by nearly three times as many boys. (Table 59).
Of the 32 out of every 100 Liberian children who were so fortunate as to find a place in a school 20 went to a public school, 7 attended classes in a school run by missionaries, and 5 received instruction in a private school (individuals, companies, concessions). The ratio between students in public schools and students in non-public schools varies however significantly with the level of instruction. In general the ration is 2 : 1, notably at elementary and pre-elementary school level. Already at junior high school level a shift towards a higher proportion of students in non-public schools is noticable, with a ratio of 3 : 2, whereas at senior high school level the ratio has virtually become 1 : 1. (see Tables 60-A 60-B). This decreasing participation of the Liberian Government in Education, as the level of instruction increases, is further clear from Table 60-C which shows that 6% of public school students were enrolled in senior high schools - with a corresponding figure of 10.5% for the mission schools. The number of students enrolled in Government, Mission and other than Government and Mission Schools, by level taught, and by Country, are presented in Annex 27, 28 and 29 respectively.

As is also shown in Table 60-C over 50% of all students were enrolled in elementary schools. However, it is important to note that not all of these (elementary) schools were of equal importance or quality. No less than 410 schools did not provide the final grade (6th grade) whereas 150 did not even go beyond the 4th grade (see Annex 30 for further details).
The pupils enrolled in the elementary schools of Montserrado County can in this respect be considered to be the luckiest as in this county only 25.3% of the elementary schools offered less than the 6th grade. The situation was extremely bad for two non-coastal counties (Lofa County and Grand Gedeh County) and for one coastal county (Grand Cape Mount County). Of all elementary schools which did not provide all six grades 45% were located in the coastal counties whereas nearly 60% of all elementary schools were located in these coastal counties.
The lack of a school syllabus provides us with another indicator of the level of education offered. More than half of the country's schools did not have school syllabi, the situation being slightly better in the coastal counties than in the inland counties. Three out of four schools in Maryland County, Grand Gedeh County, and Nimba County did not have school syllabi. See Annex 31.

TABLE 60

A. NUMBER OF STUDENTS BY LEVEL TAUGHT AND BY MANAGEMENT (1978)

	Government[1]	Missions[2]	Others[3]	TOTAL
Kindergarten & Pre-Grade	39,402	11,744	11,263	62,409
Elementary School	85,475	25,194	19,107	129,776
Junior High School	16,232	7,542	4,065	27,839
Senior High School	9,074	5,224	3,531	17,829
GRAND TOTAL ALL LEVELS	150,183	49,704	37,966	237,853

B. NUMBER OF STUDENTS BY LEVEL TAUGHT - AND BY MANAGEMENT (%)

	Government	Missions	Others	TOTAL
Kindergarten & Pre-Grade	63.1	18.8	18.0	100.0
Elementary School	65.9	19.4	14.7	100.0
Junior High School	58.3	27.1	14.6	100.0
Senior High School	50.9	29.3	19.8	100.0
GRAND TOTAL ALL LEVELS	63.1	20.9	16.0	100.0

C. NUMBER OF STUDENTS BY MANAGEMENT - AND BY LEVEL TAUGHT (%)

	Government	Missions	Others	TOTAL
Kindergarten & Pre-Grade	26.2	23.6	29.7	26.2
Elementary School	56.9	50.7	50.3	54.6
Junior High School	10.8	15.2	10.7	11.7
Senior High School	6.0	10.5	9.3	7.5
GRAND TOTAL ALL LEVELS	100.0	100.0	100.0	100.0

Source:

- Annexes 27, 28 and 29.

Also the qualifications of the teachers are of great importance with respect to the level and quality of the instruction provided. Irrespective of the school management (public school, mission school, or other private school) over 70% of the teachers employed at these schools were not qualified, "Other Private Schools" showing the highest percentage of unqualified teachers. This unfortunate situation resulted directly from the failure of all Liberian Governments to introduce adequate teachers' training programmes. (See Table 61).
The low priority given to the establishment and the development of teachers' training institutions is also responsible for the insufficient number of teachers available. In its turn this explains the fact that one out of every ten instructors was non-Liberian. The Ghanaians formed the largest single group of expatriate teachers (224 or 3.1% of the total number of teachers), followed by North-Americans (135 or 1.9%) most of whom were Peace Corps Volunteers. Details are provided in Annex 33. This relative importance of expatriate teachers varies with the level taught. Whereas at the elementary school level 93.0% of the teachers had the Liberian nationality, at the Junior High School level this percentage had diminished to 80.8%, and at the Senior High School level only two out of every three teachers were Liberian (69%). The conclusion is that the higher the level of instruction the fewer Liberian teachers are available. The dominant group of expatriate teachers is at each level formed by the Ghanaians. At the elementary school level 3% of the teachers were Ghanaian, at the Junior High School level this percentage had risen to 7%, and at the Senior High School level it was 14% (73).

TABLE 61

TRAINED AND UNTRAINED TEACHERS BY MANAGEMENT OF SCHOOLS
(percentages)

	TRAINED	UNTRAINED	TOTAL
Government Schools	28.8	71.2	100.0
Missions Schools	29.4	70.6	100.0
Other	26.9	73.1	100.0
TOTAL ALL SCHOOLS	28.6	71.4	100.0

Source: Author's research based on Annex 32.

It seems likely that the relatively considerable number of non-specified expatriate teachers in Nimba County and in Bong County (see Annex 33) is related to the presence in these two counties of the country's two most important foreign investors, the LAMCO J.V. and the Bong Mining Company. However, exact figures are not available in this respect.
The performance of foreign investors with respect to education can be illustrated with the aid of Annex 34. This Annex shows the number of trained and untrained teachers in other than government and mission schools, and by county. Unfortunately, the 1978 Survey has not provided us with a specification of the category "Other Private Schools". The exact number of concession schools, their enrolment and their teaching staff are therefore not known. It may be assumed that all of these "Other Private Schools" are schools financed and run by foreign concessionaires. The total number of students in these schools is less than 40,000 (see Table 60-A) whereas a little over 200 schools are included in this category (see Annex 35). More than 45% of the teachers in these schools did not have any education beyond senior high school level, most of them even less, and only 25.9% could qualify as trained (Annex 34). This was (even) worse than the national average (see Table 61). It should, however, be repeated here that not all of these foreign investors had contractual obligations in this respect.

Physical Facilities and Equipment

The Survey showed that of the 941 public schools there were:

32	Kindergarten
12	Pre-Grade schools
748	Elemementary schools
108	Junior High Schools, and
41	Senior High Schools

Further, of the 293 mission schools there were:

28	Kindergarten
220	Pre-Grade schools
189	Elementary schools
62	Junior High Schools, and
41	Senior High Schools

Finally, of the 207 Other Private Schools there were:

9	Kindergarten
91	Pre-Grade schools
151	Elementary schools
34	Junior High Schools
13	Senior High Schools

All but one (Kindergarten) of the 48 Kindergarten and Pre-Grade schools operated by missions were in the same elementary school buildings. All Pre-Grade schools in the category "Other Private Schools" were likewise housed in the same elementary school buildings.

The 1978 Survey covered a total of 41 Kindergarten buildings, 12 Pre-Grade school buildings, 1,088 elementary school buildings, and 299 High School buildings. Table 62 shows that over 400 school buildings included in the Survey had been established during the 1970's, another 400 dated from the 1960's, and the others dated from before 1960.
Only 827 out of the 1,441 "school" buildings were initially intended to serve as such: 242 were originally churches (some were still used as churches), 156 were residential houses, 73 were town halls, and 143 were classified as other types of shelters which even included shops and restaurants. The fact that only 478 of the 941 public school "buildings" were actually owned by the Government (the rest being leased by the Government) is one other sign of the poor investment performance of the Government with respect to Education.
Facilities in these "school buildings" were usually lacking. E.g. out of the 1,441 schools only 348 (less than 25%) had electricity, and Montserrado County alone had 50% of these schools (174). Given the general availability of electricity in the rural areas of the country this is not surprising. One can do without electricity, sometimes, but much worse, was that basic facilities such as sanitary facilities were (i) absent, (ii) badly functioning, or (iii) - in the best case - unequally divided over the country. Thus, out of the 1,441 schools 458 schools had no toilet facilities and 521 schools even had no access to water from any type of source. Only 238 schools had some pump or tap water, 360 drew water from nearby rivers,

TABLE 62

THE CREATION OF EDUCATIONAL INSTITUTIONS COVERED BY THE 1978 SURVEY

PERIOD	NUMBER OF SCHOOLS ESTABLISHED
1883 - 1920	20
1921 - 1930	20
1931 - 1940	41
1941 - 1950	103
1951 - 1960	282
1961 - 1970	414
1971 - 1978	403
UNSPECIFIED	158
1883 - 1978 TOTAL	1,441

Source: Author's research based on the National Education Survey, 1978, Table XX (p.71-a).

322 from wells. Only 173 schools had flushed toilets - particularly in Monrovia - whereas 762 schools (over 50%) had pits and 48 schools had the pail system.
Especially in a school in a tropical country such as Liberia it is not a luxury to have some type of (safe) drinking water available. However, the decisions made with respect to Education, more specifically investments in the educational system of the country, were characterized by a lack of priority. Particularly during the second half of the 1970's the investment of public funds in prestige-projects overshadowed the nearly crying need for improvement of the educational and health systems which the majority of the Liberian people had at their disposal. The purchase of an over $ 14 million Boeing 737 - which should facilitate President Tolbert's travelling around the globe - shows better than anything the governing political elite's (real) interests (74). The costs of the plane even exceeded the Aggregate Budget for Elementary, Secondary, and Teacher Education (75) and was almost equal to Liberia's Health Budget for that Fiscal Year (1977/78) (76).
Basic health facilities of the country's schools being poor, the situation with respect to physical educational facilities and equipment proved to be as alarming and depressing.

Most schools and students, for example, had to do without school libraries. There were only 159 schools libraries (there were 299 junior and senior high schools) but even the former figure may give an unrealistic impression. The saddening reality is that though many schools claimed to have a library they indicated at the same time that they were seriously understocked with relevant and up-to-date books (77). Further, only one out of every five high schools (63 out of 299) was equipped with a science laboratory. Science, however, was a required subject in the schools' curriculum.
Virtually no laboratory had a supply of chemicals and/or other laboratory equipment; 16 of the laboratories had not been supplied with chemicals at all. In these circumstances it is still surprising that 35 laboratories were reported to be used daily, 23 once a week, and 5 twice a month. The low priority and vocational courses at high school level explains why only 38 schools (out of the 299) had workshops for technical and vocational courses. Workshops for industrial arts were even fewer than those for technical/vocational courses: only 23 schools, or less than 8%, had them (78).

Given the quality of education provided, the high rate of untrained teachers, the absence or inadequacy of much needed facilities, the impossibility for most students to acquire textbooks, and the fact that most students had to learn English

before they could appreciate the instruction received, the rates of repeating classes and the number of drop-outs are not surprising. The number of students repeating classes represented 12%, 11%, and 8% of the students enrolled in the pre-primary, elementary, and secondary schools. For the number of drop-outs these percentages were 7%, 7% and 6% respectively (79).

CONCLUSION

Despite the fact that in 1978, 172,463 students attended school, compared to 76,002 students in 1962, there was an important increase in the number of illiterate people in the same period. In 1962, one out of every sixteen Liberians was considered literate, or one out of every eleven persons older than 10 years. In 1974 this had improved to one out of every seven and one out of every five respectively. However, the number of illiterate people continued to increase from 653,346 in 1962 to 831,004 in 1974. See Annex 36.
The annual growth rate of the number of illiterates of 2.3% compares relatively favorably with the 3.3% growth rate of the Liberian population as a whole, both in the 1962 - 1974 period. In the light of the priorities which the Liberian Government attaches to the education of the people this must be considered a problem, and even more so, given the need to improve the quality of education.

CHAPTER 12

TRANSPORTATION AND COMMUNICATION: 1900 - 1979

I. TRANSPORTATION

The development of a physical infrastructure in Liberia (roads, railroads, sea and air ports) is impeded by natural obstacles. There is a dangerous surf along the coast of Liberia, and in the absence of a deep-water port all loading and unloading of cargo, as well as the embarking and disembarking of persons traditionally took place with the aid of surfboats. These boats, which were rowed by native people, bridged the distance between the larger vessels anchored a few hundred yards off-shore, and the mainland. The coastal mangrove swamps and the tropical rainforests further inland make road construction difficult. Moreover, the equatorial climate with its extremely heavy rainfall render the soils of Liberia - and of other West African countries - quite unsuitable for road building. These climatological and environmental obstacles, combined with the lack of capital and technical know-how characteristic of the settler population, explain why in the beginning of the present century there were no roads, railroads or sea ports in Liberia. It would not be fair to say that the Liberian Government had never attempted to change this situation. At the end of the nineteenth century, however, two attempts to have a railroad constructed by a U.S. concessionaire had failed (1889, 1894) (1). Further attempts also failed. In 1913 a German firm had obtained a concession for the construction of a railroad, but this concession never materialized either (2). The following year the Liberian Legislature authorized the Government to enter into negotiations with an American investor who had plans for the construction of a railroad to the Anglo-Liberian border through Montserrado County (3). As stated before, in 1914 the Government had given the Excelsior Mining Company the rights to construct a railway in Maryland County, a pier or wharves at Cape Palmas, and communication facilities (Chapter 6).

The U.S. Government had more than once shown interest in having a coaling station on this portion of the West African coast but nothing came of it (4). Hence there was no port suitable for larger vessels and all loading and unloading continued to take place with the aid of surfboats.
When in 1919 a large crate, mistakenly labelled "Liberia", was safely brought ashore and, to the surprise of all bystanders, proved to contain a Model T Ford - originally intended for an agent of a British trading firm in Nigeria - the mistake of a shipping clerk in the U.S.A., where the crate had come from, accidentally started Liberia's history of modern transportation. The representative of the receiving company in Liberia knew that the risks involved in sending the crate back through the breakers

were enormous and he was greatly relieved when the U.S. Receiver of Customs, appointed under the 1917 Loan, Harry A. McBride, bought the car, reportedly the first automobile ever seen in Liberia (5).
However, at that time the country had no roads. Not even a single street in Monrovia was paved. The only graded street consisted of a block around McBride's house. Its overall length did not exceed a few hundred yards. To make better use of his car McBride used trading goods from a German trading firm which he held in custody after Liberia had entered the war (1917) to finance a thirteen mile road, from Monrovia to Paynesville. It was Liberia's first real automobile road. Eventually, during the Administration of President King, it was extended to Careysburg, some 27 miles from the capital (6).

This was the situation when the Firestone Plantations Company entered Africa's first independent republic. The arrival of the U.S. rubber company proved to be another incentive for the start of Liberia's "automobile era". The United States Trading Company (U.S.T.C.), a Firestone subsidiary, sold cars, spare parts, and tools to the Government of President King for a substantial amount during the period June 30, 1925 - July 1, 1926, i.e. even before the signing of the Planting and Loan Agreements (7). With the assistance of Firestone the Monrovia - Careysburg road was further extended, to Kakata, near the site of the rubber plantation of the U.S. company (8). The country now had 44 miles of roads which could be used by cars. McBride had long been the proud possessor of the only car in the republic. Now, however, foreign owners and managers of foreign trading firms as well as Liberian Government officials and other leading members of the settler community started buying cars.

In the 1930's Firestone constructed, be it for its exclusive use, an "airport", which consisted of two runways crossing each other, one runway being 2200 ft long, 300 ft wide, and running approximately N.E.-S.W., the other approximately 2600 ft long, 300 ft wide, and running approximately N.N.W.-S.S.E. (9). The Second World War stimulated further activities in the air transportation sector. In 1942 the same Harry A. McBride referred to above negotiated with the Barclay Administration the Defense Area Agreement which gave the U.S.A. the right to construct an international airfield in Liberia which was to serve both military and economic purposes. As a military base it provided the U.S. Army with a site which formed an important link in the transport of military supplies to the battlefields in North Africa and in the Far East. At one time it even made it possible to transport planes, which had been assembled in Liberia, to these regions (10). This casts new light on Liberia's proclaimed neutrality - which not until 1944 was officially abondoned by the new Tubman Administration. The airport constructed by the U.S. Army was located some 35 miles from Monrovia but immediately adjacent to Firestone's Harbel rubber plantation.

It thus facilitated the immediate export of the produce of this plantation to the U.S. war industry, which worked at full capacity. During the construction of the airport, named Robertsfield, U.S. seaplanes landed at Lake Piso, near Robertsport in Grand Cape Mount County. This necessitated the construction of a road connecting Monrovia with Robertsport. Unfortunately for Liberia the construction of this road was discontinued before it was finished - immediately after the completion of Robertsfield.
When on January 4, 1944 William Tubman took over from Edwin Barclay there were no ports in the country, despite Firestone's commitment under the 1926 Plantation Agreement. Furthermore, in the early 1930's President Barclay had granted a concession to the Danish-Liberian Syndicate including agricultural development, road construction and the building of a pier at Monrovia (11). However, before handing over power to Tubman, President Barclay had obtained the promise of the U.S. Government that it would construct a modern port at Monrovia.
The country's only publicly owned road, which could be used by cars, was the Monrovia - Kakata road. In addition, there was a network of privately owned roads on Firestone's Harbel plantation, within the triangle Monrovia - Kakata - Harbel. Nevertheless, in 1944 travelling in Liberia in general was still done in the traditional way - as it was done in the centuries before the arrival of the settlers and the Firestone Plantations Company. Thus, the tribal population continued to use foot paths through the dense tropical forest and to cross "monkey bridges". They also continued to supply porters for itinerant Government officials and guests, and to carry them in hammocks, obligated by law, for travelling into the interior. The easiest way to travel along the coast was by means of canoes and surfboats which, besides, continued to play their role in Liberia's international trade - except for that portion which was now channeled through Robertsfield (12).

In the century after the arrival of the first settlers (1822 - 1919) no changes can be reported in the field of transportation. In the quarter of a century following the arrival of the first car in Liberia (1919 - 1944) there was little progress. The changes which took place in the following one third of a century (1944 - 1977) - modest though they were - might be termed revolutionary. However, as will be seen, it is doubtful whether they would have been brought about without foreign assistance. After 1944 the development of the much needed infrastructural facilities (notably transportation) made tremendous progress. Road construction was carried out at an accelerated and unprecedented pace. Very poor secondary roads existed between Kakata and Salala (24 miles) and, deep into the interior of the republic, between Ganta and Sanniquellie (25 miles). In March 1944 the U.S. Army started the construction of a road linking Salala with Ganta. This road would make it possible to travel from Monrovia to the border town of Sanniquellie since there already was an all weather road between Monrovia and Kakata.

However, when the war was over, and the U.S. Army no longer needed Robertsfield, the North American engineers went back home, after having built some 86 (out of 100) miles. The remaining 14 miles were completed with U.S. funds by the Liberia Construction Company, another Firestone subsidiary. In November 1947 the road was completed and for the first time in its history Liberia's capital was connected with the neighbouring country of French Guinea by means of a road which ran across the central part of the country (13). One century after the founding of the Republic an easy penetration of the interior of the country finally became possible. The economic and political impact of this 193 mile road was extremely important and even 30 years later the trunk road Monrovia - Sanniquellie was the basis of the country's entire road network.

One year later the construction of the $ 19.5 million breakwater port of Monrovia, financed by the U.S. Government, was completed. Three years later, in 1951, the nation's first railroad finally became a reality. This $ 10 million railroad connected the iron ore mine in Bomi Hills, exploited by L.M.C., with the Free Port of Monrovia, a distance of some 42 miles.
When in the same year President Tubman concluded his first term of office the considerable success in the area of transportation had boosted his prestige enormously. This no doubt ensured him of the support of his fellow-partisans of the True Whig Party, and this in turn resulted in his being re-elected President for another term of four years, though not without being challenged by tribal opponents to his regime (14).
The boom of the early 1950's together with the Korea crisis resulted in high rubber and iron ore prices. With the completion of the railroad in 1951 the production and export of iron ore had started. Accordingly, domestic revenues soared so that more funds became available for the infrastructural network and the recurrent costs entailed (see Chapter 10). Expenditure data before the 1960's, if existing at all, are difficult to find in Liberia, but available data concerning budgetary appropriations indicate that the Government was aware of the necessity to improve its transportation network as quickly as possible. In the early days of the Tubman Administration budgetary appropriations for the Department of Public Works and Utilities had amounted to a mere $ 13,000 (15). In 1951 they had increased to the still modest amount of $ 403,000. Five years later budgetary appropriations had sky-rocketed to $ 1.6 million (16). However, despite this trend towards increased budgetary appropriations the Government was not able to finance expenditures other than the current ones in the public works sector. This is explained by the way the Public Works Department was administered, together with the political priorities of the central Government. As a result, investments in the transportation sector were usually financed with foreign loans. This dependency on foreign aid was enhanced by the lack of trained personnel in the Department of Public Works and Utilities.
In the early 1960's e.g. the Liberian Government did not know

how many people were employed in its Public Works and Utilities Department. Official estimates varied between 1,000 and 1,700. The Department's administration was chaotic, which resulted in the mismanagement of public funds, facilitated embezzlement, and created a complete anarchy in the staffing and payment of personnel. In 1961, an Official Commission On Government Operations, "SCOGO", reported that salaries for the same type of work varied up to 500%, and it concluded that the Department was overstaffed by non-technical and non-professional personnel (17). The report of the commission further stated that it was impossible to determine from the Department's records how much equipment the Government owned, or how much it spent on its purchase and operation (18). In fact, hardly any administration existed within the Department. The chaotic situation within the Department was skillfully exploited by those who were responsible for its proper functioning. The commission accused them of having their private cars repaired by the Department's services while official vehicles stood idle for lack of service (19).

The Liberian transportation facilities fall into four categories with the following main characteristic(s):
(1) Road Transport - which is by far the most important form of transport for the Liberian people;
(2) Railroad Transport - which is virtually exclusively used by the "enclave" or concession sector;
(3) Water Transport - which is used extensively by the same "enclave" sector but to a lesser degree than "Railroad Transport"; and
(4) Air Transport - which is relatively unimportant though Liberia is served by a large number of international airlines. Most passengers, however, are in transit.

Road Transport

Liberia's roads can be classified as follows: (i) Primary roads, (ii) Secondary roads, and (iii) Feeder roads, also called farm-to-market roads, county roads, or rural roads.
Whereas there were only about 200 miles of public highway at the end of World War II, not a single mile being paved, in 1961 there were 1,163 miles of which:
- 129 miles paved road
- 741 miles surfaced, and
- 293 miles unimproved (20)

Seventeen years later, in 1978, Liberia had 4,644 miles of public roads of which:
- 253 miles paved road
- 949 miles laterite (all weather) primary road, and
- 3,442 miles of secondary and feeder roads of which 964 miles of laterite (all weather) roads and 2,478 miles of roads (feeder roads) only practicable during the dry season (21).

The 2,500 miles of feeder roads are nearly double the 1975 figure. In the same year (1978) the total mileage of privately owned and maintained roads in the country was reported to be 1,474 of which 93 miles were paved. These roads mainly served the needs of their owners, the foreign concessionaires. Virtually all privately owned roads were situated on the rubber plantations of these concessionaires. About half of them were on Firestone's plantations (712 miles of which 41 miles paved), some twenty per cent were reported to be on LAC's plantation in Grand Bassa County (280 miles), nearly ten per cent on B.F. Goodrich's plantation (125 miles), whereas smaller plantations such as those of The Liberia Company, the Salala Rubber Corporation, and the (Liberian-owned) Africa Fruit Company had constructed 70 miles, 50 miles and 65 miles, respectively, on their plantations (22). In 1978 the total road network of Liberia was over 6,000 miles (see Table 63-A). However, it should be mentioned that the geographical distribution of these roads was very uneven, reflecting political priorities as well as the importance of the various regions (counties) to Liberia's monetary economy.
Like all other publicly financed facilities, road facilities are concentrated in Montserrado County. This county occupies only 6.9 per cent of the country's total area but one out of every five miles of public road constructed in Liberia lies in this county. For secondary roads even one out of every four miles constructed lies in Montserrado County. Sinoe County, on the other hand, finds itself at the bottom of the list with less than four out of every hundred miles constructed. Table 63-B also shows that the distribution of primary roads between coastal and inland counties is more or less even, but that the coastal counties have a much more elaborated network of secondary roads than the inland counties. The inland counties, on the other hand, have more feeder roads but these are not all weather roads and can only be used during the dry season. The high proportion of feeder roads in Lofa county is the result of a U.S.A.I.D.-financed rural road construction programme as well as the Lofa County Integrated Rural Development Project.
Similar foreign-financed projects in Nimba and Grand Gedeh Counties have resulted in a relatively large number of feeder roads in these two counties. In Grand Gedeh County the foreign-owned logging companies have also constructed a fairly substantial number of miles of feeder roads. The importance of these roads for the Liberian economy can hardly be overestimated. As late as the mid-1970's e.g. the town of Butuo in Nimba County, and situated on the border of Liberia and Ivory Coast, had no road and in fact was so isolated from the rest of Liberia that its only contact was with Ivory Coast; hence the people of Butuo used Ivory Coast's currency for their transactions, the Franc CFA.

In 1978 feeder roads accounted for more than half of Liberia's road network (53.4%). One fifth of the road network consisted of secondary roads (20.8%) and one fourth of primary roads (25.8%). However, only 5.7% of all public roads in Liberia in that year were paved roads, the remaining 94.3% were laterite and/or earth roads. Generally speaking, one out of every four miles of road

TABLE 63-A

GEOGRAPHICAL DISTRIBUTION OF PUBLIC ROADS IN LIBERIA & ROAD DENSITY PER COUNTY (1978).

COUNTY	PRIMARY ROADS	SECONDARY ROADS	FEEDER ROADS	TOTAL ROAD MILEAGE	AREA IN SQ.MILES	ROAD DENSITY (SQ.MILES)
Montserrado County	263	248	455	966	2,614	0.370
Bassa County	53	187	84	324	5,113	0.063
Sinoe County	78	-	93	171	4,432	0.039
Grand Cape Mount County	84	44	156	284	2,298	0.124
Maryland County	108	122	82	312	1,764	0.177
SUB-TOTAL COASTAL COUNTIES	586	601	870	2,057	16,222	0.127
Bong County	96	154	194	444	3,628	0.122
Lofa County	162	30	576	768	6,836	0.112
Nimba County	184	114	445	743	4,624	0.161
Grand Gedeh County	174	65	393	632	6,434	0.098
SUB-TOTAL INLAND COUNTIES	616	363	1,608	2,587	21,523	0.120
TOTAL FOR ALL PUBLIC ROADS	1,202	964	2,478	4,644	37,745	0.123
Private Roads	-	-	-	1,474		
GRAND TOTAL	-	-	-	6,118	37,745	0.162

Source: Economic Survey of Liberia, 1979, p. 53.

TABLE 63-B

GEOGRAPHICAL DISTRIBUTION OF PUBLIC ROADS IN LIBERIA (IN PERCENTAGES) 1978.

COUNTY	PRIMARY ROADS	SECONDARY ROADS	FEEDER ROADS	TOTAL ROAD MILEAGE	AREA IN SQ.MILES
Montserrado County	21.9	25.7	18.4	20.8	6.9
Bassa County	4.4	19.4	3.4	7.0	13.5
Sinoe County	6.5	-	3.8	3.7	11.7
Grand Cape Mount County	7.0	4.6	6.3	6.1	6.1
Maryland County	9.0	12.7	3.3	6.7	4.7
SUB-TOTAL COASTAL COUNTIES	48.8	62.3	35.1	44.3	43.0
Bong County	8.0	16.0	7.8	9.6	9.6
Lofa County	13.5	3.1	23.2	16.5	18.1
Nimba County	15.3	11.8	18.0	16.0	12.3
Grand Gedeh County	14.5	6.7	15.9	13.6	17.0
SUB-TOTAL INLAND COUNTIES	51.2	37.7	64.9	55.7	57.0
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: Table 63-A.

in Liberia was owned, financed and maintained by private (foreign) investors.

With the growth of Liberian Road Mileage corresponds a growth of the country's Vehicle Fleet. Between 1949 and 1978 the number of registered motor vehicles rose from 650 to over 21,000, or a rise of more than 3,000 %. Total road mileage in the same period had risen nearly as much, from about 220 miles in 1949 to over 6,000 miles in 1978 (representing a 2700 % rise). Consequently, the ratio Vehicles/Mileage increased slightly, from 3.0 to 3.5 in 1949 and 1978 respectively. This, however, disguises a basic characteristic of the Liberian economy and society, i.e. the inequal distribution over geographical regions, administrative divisions, and social groups. It should be borne in mind too that the more than fifty per cent of Liberia's roads which are feeder roads are much less intensively utilized than the primary and secondary roads in the central part of the country and in the Monrovia area, since these areas are more densely populated than the regions with a high concentration of feeder roads (Lofa, Nimba and Grand Gedeh Counties). Table 65 shows the absolute and relative composition of Liberia's Vehicle Fleet in 1978. Nearly half of the Vehicle Fleet consisted of passenger cars (private cars) and taxi cabs, about 10,000 vehicles. Of all taxi cabs an estimated 90 per cent circulated in Monrovia, the rest in the other coastal towns (A.L.-settlements). About 25 per cent were pick-ups, trucks and other heavy vehicles which were used for the transportation of materials (about 5,000 vehicles of which about two fifths were trucks). Some 10 per cent of the vehicle fleet consisted of "business cars".
Altogether 35.9 per cent of the vehicle fleet were commercial cars and served the needs of the business community, 51.9 per cent were used for the transportation of people, whereas 11.5 per cent were used by administrative services (including Officials, Diplomatic Corps & Consuls, United Nations, the Legislature, and Government vehicles). Motor cycles accounted for less than 1 per cent of the vehicle fleet. Noteworthy is that government-owned vehicles constituted more than 5 per cent of the vehicle fleet.

From the composition of the 1978 Vehicle Fleet two important conclusions can be drawn. First, whereas in the early 1970's about one third of the country's vehicle fleet consisted of heavy vehicles (of which about two thirds were trucks) (23), in 1978 about one fourth of the vehicle fleet consisted of heavy vehicles - of which only some 40 per cent were trucks. This may illustrate the changing composition of Liberia's vehicle fleet which shows a shift from utility vehicles, used for the transportation of materials, to (privately owned) passenger cars. Whether this reflects the downward trend of the industrial activities in the country during the 1970's or an upward trend in the use of luxury cars is unknown but the significance this has for the level of investment activities in both cases is obvious.

TABLE 64

VEHICLE FLEET AND ROAD MILEAGE
1949 - 1978 (selected years)

YEAR	Number of Registered Motor Vehicles	Total Road Mileage	Ratio Vehicles/ Mileage
1949	650	220	3.0
1954	1,450	300	4.8
1961	7,900	900	8.8
1964	10,137	2,280	4.4
1966	11,732	2,207	5.3
1967	15,036	2,373	6.3
1968	19,701	2,632	7.5
1969	21,136	2,900	7.3
1970	23,210	4,150	5.6
1971	18,615	4,171	4.5
1972	22,173	4,098	5.4
1973	22,923	4,132	5.5
1974	n.a.	4,538	n.a.
1975	18,062	4,653	3.9
1976	21,625	4,816	4.5
1977	19,836	4,901	4.0
1978	21,201	6,118	3.5

Source: Economic Surveys of Liberia, 1967 - 1979.

TABLE 65

ABSOLUTE AND RELATIVE COMPOSITION OF LIBERIA'S VEHICLE FLEET (1978)

	VEHICLE CATEGORIES	NUMBER	PERCENTAGE
A.	Private pick-ups	2,354	11.1
	Private trucks	1,417	6.7
	Transport pick-ups	1,090	5.1
	Transport trucks	531	2.5
	Trailers	35	0.2
	Business Cars	2,177	10.3
	SUB-TOTAL	7,604	35.9
B.	Private cars	6,599	31.2
	Private buses	638	3.0
	Transport buses	411	1.9
	Taxi cabs	3,046	14.4
	Gratis Personnel	303	1.4
	SUB-TOTAL	10,977	51.9
C.	Officials	233	1.1
	Legislature	112	0.5
	Government Vehicles	849	4.0
	Diplomatic Corps	655	3.1
	Consuls	95	0.4
	U.N.	514	2.4
	SUB-TOTAL	2,458	11.5
D.	Motor cycles	142	0.7
	TOTAL	21,201	100.0

Source: Economic Survey of Liberia, 1979, p. 53.

Secondly, the relatively slight importance of trucks and other transportation vehicles reflects the relatively limited utilisation of roads for transportation of goods/products from any but the country's enclave/concession sector.

This brief section on Liberia's Road Transport would not be complete without mentioning and commenting on four interesting characteristics of this sector of the Liberian economy.
First, the road transport sector is exclusively reserved for Liberians. Despite President Tubman's attachment to his "Open Door Policy", in 1957 and 1958 he had foreigners barred by law from participation in the development of this sector. Liberia would not be true to its reputation if this legal structure had not been evaded. E.g. although all taxi cabs are (necessarily) Liberian-owned, the number of Liberian taxi cab drivers is surprisingly low, and nearly insignificant. Most taxi cab drivers are Guinean nationals who for economic and/or political reasons had left their country and were subsequently hired by Liberian owners of taxis (mostly "big shots"). Furthermore, large-scale abuse of the Common Carrier Law (which limited these transportation services to Liberian nationals) was officially reported. In 1972 the Ministry of Commerce, Industry and Transportation reported that the evasion of this law adopted many guises: aliens, for example, used Liberians as dummies and would thus secure their registration. An official estimate of the extent to which the common carrier business was controlled by aliens put the figure between 75 and 85 per cent (including the transport of bulk petroleum products) (24).
Secondly, although on May 9, 1972 Compulsory Liability Insurance (Compulsory Third Party Motor Insurance) contained in the "Vehicle and Traffic Law" was enacted by the National Legislature and approved by President Tolbert (following international pressure) (25), this law was never implemented. Consequently, most of the private and commercial vehicles that ply the streets of Monrovia and other towns, and use the nation's road network, are not insured. Obviously, the Government of President Tolbert cannot afford to enforce the compliance with this law, as the majority of those who can afford a car are the members of the country's ruling class. The same applies to vehicle registration, the purchase of duty-free gasoline, the payment of import duties on new cars, driver licensing and, even, traffic regulation enforcement. In Liberia there is a wide gap between the legal theory and everyday practice. In 1970 the Secretary of Commerce & Industry, Magnus A. Jones, reported that out of the total 5,067 vehicles engaged in commercial transportation only 46 had registered with the Department (26). In the mid-1970's nearly 50 per cent of the imported gasoline, gas oil and fuel oil were exempted from import duties because of the many exemptions granted to foreign concessionaires (27). In reality, in many cases in which duty free privileges were claimed by the consumer(s) no legal document existed to justify this claim. Nevertheless, more than 90 per cent of these products which were imported into Liberia entered the country duty free (see Annex 22). Generally speaking, the fraudulent importers and consumers

were politically well covered. No large-scale action was ever undertaken against them. In the light of the foregoing it is hardly surprising that in Liberia no reliable data exist on vehicle registration, number and value of imported vehicles, and on gasoline consumption.
Lastly, Liberia's road network was mainly financed by international loans. It is noteworthy that despite the important increase in Government Revenues - a considerable portion of which was the result of the "Open Door Policy" as we saw in Chapter 10 - the Government was not able to finance the expansion of its road network from the funds accruing to it from the foreign investors. Their financial contributions to the Treasury mainly served the financing of ever increasing amounts of recurrent expenditures. Among the main money lenders were the U.S.A., the I.B.R.D., and (later) the Federal Republic of Germany. Another considerable number of road construction projects was financed by supplier credits. Road construction and maintenance activities in the 1970's may well illustrate this. In 1973 a Five Year Road Maintenance and Development Programme started. Total costs of this Programme were initially estimated at $ 38 million, the greater part of which would be financed with loans and grants from financial institutions and donor countries (28).

Unfortunately, the "O.A.U. fever" affected Liberia's road construction programme, and the execution of the Five Year Road Maintenance and Development Programme in particular. The priority of the Tolbert Administration was shifted to O.A.U. related projects. The nation's capital city was given a "face lift": existing streets were improved, new ones were built, and more and more streets were provided with (new) lights. The Government could not obtain foreign funds for these activities and paid for it from its own sources - but to do so it had to resort to (commercial) borrowing (see also Chapter 10).
A two-lane (1,400 ft.) bridge across the Mesurado River in Monrovia was constructed, financed by the I.B.R.D. (costs: $ 6.7 million). The bridge which connected the administrative and commercial centre of Monrovia with the road leading to the O.A.U. village in Virginia was meant to ease the traffic situation in the capital by providing a second entrance to Bushrod Island. The road leading to the O.A.U. village was improved which cost the Liberian Treasury $ 5.8 million.
From Vaitown bridge - prior to the Johnston Street Bridge across the Mesurado River the only bridge leading from "down town Monrovia" to Bushrod Island - to the Free Port a six-lane drive was constructed, narrowing to a four-lane drive from the Free Port to the Caldwell Road (29). The stretch between the Caldwell Road and the Tubman Bridge crossing the St. Paul River consisted of a two-lane drive. Also a second bridge was constructed across the St. Paul River, next to the old Tubman Bridge . Further, a 24 miles road between the new bridge over the St. Paul River and the O.A.U. Conference Center was built, as well as a portion of the Monrovia - Bomi Hills road.
Although the last-mentioned road had an important economic

function it had never been paved by L.M.C. After this company had closed its gates, in January 1978 the paving of the 38 miles Monrovia - Bomi Hills road was started. Its costs were estimated at $ 12.5 million and were pre-financed with loans which the Government had obtained from the African Development Bank and the Saudi Fund for Development. The A.D.B. participated also in the Totota - Ganta Highway Improvement Project. This consisted of the paving of the 85 miles road between these two cities. The costs, jointly financed by the I.B.R.D. and the A.D.B., were estimated at some $ 16.3 million.

The road between Clay and Tienne, built during the first phase of the Five Year Road Maintenance and Development Programme played an important role in the establishment of a road link with Sierra Leone. In October 1973 Liberia and Sierra Leone had created the Mano River Union, a customs union. In February 1976 a bridge across the Mano River was completed. This 580 ft. bridge cost $ 1.6 million and was financed with an A.D.B. loan. It reduced the distance between Monrovia and Freetown, Sierra Leone's capital, from 700 miles to 390 miles. Before the completion of the bridge all traffic between Monrovia and Freetown necessarily had to pass through Lofa County, in the northwestern corner of Liberia, in order to reach the capital of Sierra Leone. In the light of intra-regional trading activities the bridge is of great importance.
Despite the large number of activities in the field of road building and related infrastructural improvements Liberia's overall road network is still modest and is still inadequate in view of the country's needs. The heavy concentration of road transportation facilities in and around the capital is indicative of the priorities of the country's leading class. The consequent neglect of the interior of the country is largely responsible for the lack of economic development in the greater part of the republic (30). The tribal population of the country, speaking a "pidgin-English" characteristic of Liberia, soon joked their misery temporarily away when referring to the O.A.U. as "I.O.U." - I Owe You. It is not to be denied that a number of projects in the long run will prove improvements of the country's network of transportation facilities but it is very questionable whether all projects executed deserved the priority they received from the Liberian Government.

Railroad Transport

By December 31, 1977 Liberia had four railroads but the Government of Liberia did not own any of them. (Under the 1978 Agreement with the Liberia Mining Company the Liberian Government acquired a specified number of assets of the North American mining company, among which was the Bomi Hills - Free Port railroad, including rolling stock and ancillary equipment - see Chapter 7). Each of the four iron ore concessionaires operating in the country had constructed and operated a

railroad which, with the exception of the Yekepa - Buchanan railway, were exclusively used for the transportation of the iron ore from the mining site to the nearest seaport. The LAMCO-owned Yekepa - Buchanan railway also transports agricultural products, logs and timber, as well as general merchandise. It is the only railway that provides passenger services - though on a very limited scale. It should be noted, however, that the mining concessionaires - with again the exception of LAMCO - have no provision in their concession agreements with the Liberian Government which obliges them to provide public railway services. Liberia's railroads have an overall length of 303 miles. Their individual length, costs, and the year of their completion are shown in Table 66. The Liberia Mining Company and the National Iron Ore Company (the latter's railroad is an extension of the L.M.C. line) constructed narrow-gauge railroads (42 inches). The railways of the Bong Mining Company and LAMCO are standard gauge (56½ inches). The importance of these (four) railroads in the Liberian economy is clearly demonstrated by the fact that iron ore constitutes about 90 per cent of all freight (by weight) which is transported in the entire country. Besides, more than 99 per cent of the traffic volume of these four railways consists of iron ore, on its way to one of the two Liberian ports which are used to ship the ore to the overseas markets (31).

TABLE 66

SIZE, COSTS AND AGE OF LIBERIA'S RAILROAD SYSTEM.

NAME OF THE COMPANY	LENGTH OF RAILWAY (MILES)	COSTS OF RAILWAY ($ M.)	YEAR OF COMPLETION
L.M.C.	42	10	1951
N.I.O.C.	49	10	1961
LAMCO	165	60 to 70 (est.)	1963
B.M.C.	47	18	1964

Source: Author's research based on Klemmer (1964; pp. 13-14) and Coale (1977; p. 86).

Water Transport

The construction of Liberia's four modern ports and the increasing tonnage handled by them clearly reflect the growth of the economy, notably the increase in the country's foreign trade. In the light of the predominance of foreign investments in the national economy it is not surprising that the ports were constructed and developed, together with the railroad transport sector, but before the expansion of another mode of transport in the country.

A characteristic common to all four ports is that they were financed by foreign sources. The Free Port of Monrovia was financed by Lend-Lease funds (1948), the Port of Harper by a loan from the U.S. Export-Import Bank (1958/59), the Port of Buchanan was constructed and financed by LAMCO (1963), and the Port of Greenville was started by the German-owned African Fruit Company and completed with funds provided by the Federal Republic of Germany (1964). The Port of Robertsport, in Grand Cape Mount County, has not yet been developed but if L.I.S.C.O. were to start its operations this might change.
The change which the Liberian water transport sector underwent during the past forty years is shown by Annex 37 and 38. Annex 37 shows the situation during the Second World War (1941, 1942 and 1943) and prior to the construction of the Monrovia Free Port. Liberia's major port was then Marshall, which owed this position to the operations of the Firestone Plantations Company. This company used Marshall as the closest outlet for the produce of its plantation. About 70 per cent of all port traffic in these years was handled through Marshall. Most traffic volume was handled by U.S. owned and registered ships which corresponds with the Firestone dominated international trade of these three years. Whereas in 1941, 84 out of 120 vessels which called on Liberian ports were U.S. vessels, the following year 51 out of 83 were U.S. vessels. In 1943 the number of ships calling on a Liberian port had dropped further to 63, of which 49 vessels were either U.S. owned or registered (32).

The post-war period witnessed the emergence of Monrovia as Liberia's most important port. During the 1950's this trend continued and at the end of that decade the Free Port of Monrovia handled all trade in iron ore and in petroleum products, and about 90 per cent of the general cargo. With the construction of the Port of Buchanan by LAMCO this situation changed. At the end of the 1960's Buchanan even handled a larger volume of iron ore than Monrovia (see Annex 38). The end of the 1960's also witnessed the growing importance of the port of Greenville notably as regards the export of logs. In 1967 hardly any logs were exported from this port but the following year more than 31,000 tons were reportedly exported. This had been made possible by the opening up of the interior through the completion of the road between Tchien and Greenville (33).
At the end of the 1970's the Ports of Monrovia and of Buchanan were used by the four iron ore mining concessionaires and handled all iron ore exported from Liberia. Each port handled about 50 per cent of these exports whereas the Port of Buchanan was only used by LAMCO. Both ports are deep-water ports and are used by ocean-going vessels, unlike the ports of Greenville and Harper which are mostly used by coastal vessels. Only Greenville is occasionally used by - small - ocean freighters. As can be seen in Annex 38 most of Liberia's international trade is handled in the Ports of Monrovia and of Buchanan. It is worth mentioning that the latter is almost exclusively used to satisfy the needs of LAMCO and its expatriate employees. In the early 1970's it was reported that the commercial cargo for consignees other than

the concession sector (LAMCO) represented only about 1 per cent of the annual tonnage handled at the Port of Buchanan (34).

Initially all of Liberia's ports were managed by foreign firms under management contracts concluded with the Liberian Government. In April 1967, however, the National Port Authority (N.P.A.) was created by an Act of the Legislature. This decision put an end to an undesirable situation. Since the completion of the Free Port of Monrovia it had been managed by a majority foreign owned and foreign based company, the Monrovia Port Management Company (M.P.M.C.). This company was owned by the Liberian Government (12½%) and by the users of the Port (L.M.C., The Liberia Company, Firestone e.g.) who, consequently, paid fees for the utilisation of the port facilities which they had established themselves. It goes without saying that they were greatly in favour of a low level of these harbour fees (35). Twenty years after the opening of the Free Port, the Headquarters of the company which managed the Port were transferred from New York to Monrovia. The following year, by Executive Order No. 11, all rights, duties, obligations, etc. which the M.P.M.C. had under the management contract concluded with the Liberian Government on July 26, 1948 were transferred and assigned to the National Port Authority (36).

In the early 1970's the ports of Greenville and Harper were taken over by the N.P.A. too. The Port of Greenville had been managed by a German technical assistance team since its opening in 1964. The Port of Harper had been managed by Frei & Zusli, and later by the shipping company of UMARCO, before it was taken over by the N.P.A. The Port of Buchanan was constructed by LAMCO which company also managed the entire port until 1975, including a commercial quay. In 1975 LAMCO turned over the management of the Port of Buchanan to the National Port Authority.
The port constitutes a major link in the transport of the Mt. Nimba iron ore to the European and U.S. steel works. Rail transport as well as port handling of the ore are highly mechanized. The train which every day leaves Yekepa is controlled by a radio-operated traffic control system from the train's master panel in the mining city. After the 165 mile long journey the ore is in the port of Buchanan transported through an automated ore loading pier into the waiting vessels. The Port is very well equipped and ship-to-shore radio contact allows communication with vessels about a thousand sea-miles away from the Port (37).

At the conclusion of this section on the water transport sector attention must be drawn to the fact that at the end of the 1970's the world's maritime nation nr. 1, Liberia, only had one completely Liberian-owned shipping company. In 1974 DENCO had been created. This company, majority-owned by Hilary A. Dennis, provides shipping and related services along the West African coast. As of November 1978 it owned seven ships (38). Two other shipping companies are joint ventures of the Liberian Government

and private investors. The "Lone Star Transport Lines Inc." is a joint venture corporation of the publicly owned Lone Star Shipping Lines and the Firestone Plantations Company (39). The "Providence Shipping Company" is a 50 - 50 joint venture between the Liberian Government and the Swedish Granges Co. (40).

Air Transport

Liberia's history of civil aviation goes back only to the 1940's when the "Liberian National Airways" (L.N.A.) was founded. The company was jointly owned by the Liberian Government and private persons, viz., two U.S. pilots, Captain Fred Syphert and Captain Kenneth W. Wagner. The L.N.A. was entirely run by the two Americans without any reference to the Liberian Government. Growing dissatisfaction over the lack of training of Liberian pilots and technicians and the continuous hiring of expensive expatriate personnel made the Liberian Government decide to change the management of the company.
Thus, in January 1965 the "Liberian National Airlines" was established by an Act of the Legislature. The management of the company was transferred to the French airline U.T.A. Under the management contract it had with the Government it was to provide training of Liberians to take over the management and operations of the company.
The Liberian Government was the major shareholder of the Liberian National Airlines (50% of the capital stock), the other 50% being available to foreigners (25%) and to Liberians (25%). However, in December 1967 the management contract with U.T.A. was terminated for reasons which have not been disclosed (41). A little over two years later the Minister of Commerce, Industry and Transportation reported that the Management and Operational Sections of the L.N.A. had been Liberianized: the ex-patriate personnel had been sent home (42).

In 1974, "Air Liberia" was formed by the merger of the L.N.A. and "Ducor Air Transport" and became a wholly owned public corporation. The management of the new company was again entrusted to a foreign company, Hughes Airwest. However, dissatisfaction with the services rendered soon led to a break with this U.S. company (43).
Since March 1976 Air Liberia is managed by the British Caledonian Airways under a four-year contract with the Liberian Government.

Air Liberia, a public corporation, provides domestic air transport. By December 1977 there were reported to be some 75 usuable airfields and airstrips all over the country. Major domestic airports included Greenville, Harper, Yekepa (built by LAMCO), and Zwedru, the last two being the best equipped (44). In 1978 Air Liberia made about 60 internal flights a week to a dozen different airports and airstrips in the country. In the same year its fleet comprised two 16 seater three-engined Norman Trislanders, three 8 seater twin-engined Norman Islanders, two

5 seater twin-engined Cessna 337, one 5 seater twin-engined Executive Cessna 402, one Hawker Siddley 748 twin engine turbo prop aircraft with a capacity of 44 passenger seats, and one Boeing 737-200C jet aircraft with a capacity of 115 passenger seats. The purchase of the prestigious $ 14 million Boeing 737 was commented on before. Officially the plane was part of Air Liberia's fleet though it was not available to the general public. It was exclusively used to facilitate President Tolbert's travelling around the globe and to transport his suite and/or official guests. It goes without saying that the (expensive) plane was extensively used shortly before and during the 1979 O.A.U. summit meeting.
This composition of Air Liberia's fleet is very impressive when compared with the two old DC-3's which ten years earlier constituted the entire fleet of the Liberian National Airlines (45).
Liberia has two international airports. One is the Robertsfield International Airport which by I.C.A.O. standard is a Class A International Airport. In preparation for the O.A.U. summit meeting of 1979 the Government gave Robertsfield International Airport (R.I.A.) a face-lift too. In 1978 a $ 4.1 million new terminal was completed. The following year improvements of the 11,000 by 250 ft. runway were completed as a result of which R.I.A. can now accomodate DC-10's and Boeing 747 jet aircrafts. R.I.A. links Liberia with North and South America, Europe, and a number of African countries. The airport is served by more than ten international airlines (46).
The country's second international airport, Spriggs Payne Airport, is located on the outskirts of the capital. This airport, much smaller than R.I.A., mainly links Liberia with other West African countries (Mali, Guinea, Sierra Leone).
For the management of Robertsfield International Airport the Government still uses the services of Pan American Airways. This U.S. company has continued to manage and operate this airport since it was granted a management contract after the end of the Second World War (see Chapter 4). But as PanAm is one of the international airlines which use the international airport the comment on the ownership of the Monrovia Port Management Company and the utilization of the Free Port facilities also applies to PanAm and Robertsfield. The Liberian Government, however, never proposed any changes in the management of Robertsfield. It should be noted that also the management of Spriggs Payne Airfield was in the hands of PanAm, under a ten-year management contract signed in 1968.
International air traffic has increased enormously after the end of the Second World War (when Robertsfield was opened to the general public). The greatest increase took place after 1958. In that year the number of international air traffic passengers in Liberia was 4,729 but this number had increased tenfold eleven years later. In 1969 a number of 47,683 international air traffic passengers was reported (see Annex 39). The growth in the number of international air traffic passengers continued but at a lower rate. At the end of the 1970's the number of arrivals and departures reported exceeded the 100,000 mark and in 1979

they numbered 126,452. But an important characteristic of Liberia's international air traffic is that most passengers are transit passengers. Thus, in 1979 86.5% of total international air passengers consisted of transit passengers. (47). Unfortunately, reliable data on the (growth of the) number of domestic air traffic passengers are not available. There seem to be indications that the number of domestic air traffic passengers dropped during the 1960's, partly as a result of the opening up of the interior of the country by new roads, partly owing to the reduced activities of the national airline company, which in 1970 owned only one plane, a 20 year old DC-3. In the late 1970's the number of domestic air traffic passengers reported increased significantly (48).

CONCLUSION

It may be concluded that the Liberian Transport Sector is characterized by three features which at the same time act as major constraints for future economic development. First, the neglect of the "Hinterland". This hinders or slows down the transition from a subsistence-economy to a modern, monetary, economy. As a consequence the tribal population is prevented from (full) participation in "Twentieth Century Liberia". The Unification Policy, introduced by the late President Tubman, if at all sincere and real in political sense, decidedly does not exist from an economic point of view. The second feature is the export-oriented character of the network of transportation facilities. This characteristic is closely connected with the first one. As a consequence, the transportation facilities mainly serve the interests of the foreign investors who use them to export the produce of their operations. The investments of these companies are the backbone of the monetary economy. They are supply-oriented rather than market-oriented. This explains why the railroad and seaport sectors were financed by foreign investors and the Governments of their countries of origin respectively. Processing industries do virtually not exist in Liberia. There are only two companies in the country which use locally produced raw materials: Liramco (created in 1976) and the Liberian Matches Corporation (created in 1959). Their output, employment, forward and/or backward linking effect, and foreign exchange earning capacity are, however, insignificant in the context of the national economy. As will be shown below the output of the major investors (rubber, iron ore, diamonds, forestry products) are exported as raw materials.
Last, but not least, the Liberian transport sector is, in general, characterized by a lack or shortage of trained and qualified manpower for management and operational positions. Consequently, and despite the existence of legal texts to the contrary, foreigners (also) dominate this sector of the economy. This predominance is based either on concession agreements and management contracts concluded with the Liberian Government or on the tacit approval of Liberia's ruling class.

Besides, this segment of the Liberian population constitutes the only group of people in the country who fully enjoys the advantages of modern transport.

II. COMMUNICATION

The distribution and utilization of modern communication facilities is very uneven in nearly every developing country. However, the Liberian case provides an extreme example of how communication works and how installations, which were financed by public funds, are monopolized by a small number of privileged people. We will abstain here from the historical development of this important sector of the national economy (49).

Liberia's internal public telephone network is (i) severely underdeveloped, with less than 8,000 lines and not even 6,000 subscribers in the entire country, and (ii) heavily concentrated in the Monrovia area. In fact, in 1979, more than 93 per cent of the country's total number of subscribers were found in the capital. The rest of Montserrado County has about the same number of subscribers as do the other four coastal counties together (about 150). The inland counties are virtually excluded. The number of subscribers in the four inland counties practically equal those in the natal village of President Tolbert, Bentol, which town in itself accounts for half of the total number of subscribers in Montserrado County outside the capital (see Table 67).

This is in sharp contrast with the facilities created to communicate with the rest of the world. In 1976 a $ 3 million earth satellite station was opened in Sinkor, Monrovia, which linked Liberia with 70 other countries in the world. The telecommunication relay station was equipped with 24 telephone channels, but besides providing telephone services, it also provided telegraph and telex services to an equal number of countries. In 1978 it was announced that in preparation for the O.A.U. conference the capacity was to be increased from 24 to 48 channels (50). Other preparations for the summit meeting of the Pan-African organization included the equipment of the Conference Centre in Virginia with a 500 line telephone system and of 40 telex machines (51). Obviously, President Tolbert found Liberia's image abroad more important than the country's domestic needs and priorities.

Also in 1976 the Omega Navigation Station, constructed by the U.S. Government, was officially inaugurated. The $ 7.4 million Omega Navigational Station, located in Paynesville, is the tallest manmade structure in Africa (1,440 ft high) and serves both military and civil purposes. It permits the co-ordination of U.S. military activities, makes (military) espionage possible, and serves (commercial) ships and aircraft. It should be noted that both the telecommunication relay station and the Omega Navigation Station are of extreme importance for the U.S.A.

TABLE 67

COMMUNICATIONS - TELEPHONE LINES & NUMBER OF SUBSCRIBERS - BY COUNTY & BY TOWN 1977 - 1979.

	1977		1978		1979	
	Number of Lines	Number of Subscribers	Number of Lines	Number of Subscribers	Number of Lines	Number of Subscribers
Montserrado County	4,190	3,079	7,410	3,509	7,510	5,649
Monrovia	4,000	3,000	7,000	3,350	7,000	5,490
Robertsfield	30	11	200	54	200	54
Bentol	100	59	150	76	150	76
Kakata	60	9	60	29	60	29
Careysburg	-	-	-	-	100	-
Grand Cape Mount County	20	20	90	55	90	55
Robertsport	20	20	90	55	90	55
Grand Bassa County	60	75	200	83	200	83
Buchanan	60	75	200	83	200	83
Sinoe County	20	9	90	11	90	11
Greenville	20	9	90	11	90	11
Maryland County	-	-	-	-	-	-
Harper						
TOTAL COASTAL COUNTIES	4,290	3,183	7,790	3,658	7,890	5,798
Lofa County	20	10	90	10	120	13
Zorzor	-	-	-	-	30	-
Voinjama	20	10	90	10	90	13
Bong County	90	7	90	11	120	11
Salala	-	-	-	-	30	-
Gbarnga	90	7	90	11	90	11
Nimba County	20	13	90	18	220	18
Sanniquellie	20	13	90	18	90	18
Ganta	-	-	-	-	100	-
Tappita	-	-	-	-	30	-
Grand Gedeh County	60	39	90	43	90	43
Zwedru	60	39	90	43	90	43
TOTAL INLAND COUNTIES	190	69	360	82	550	85
TOTAL ALL COUNTIES	4,480	3,252	8,150	3,740	8,440	5,883
MONROVIA %	89.3	92.3	85.9	89.6	82.9	93.3
ALL COASTAL COUNTIES %	95.6	97.9	95.6	97.8	93.5	98.6
ALL INLAND COUNTIES %	4.4	2.1	4.4	2.2	6.5	1.4

Source:

Adapted from
- Economic Survey of Liberia, 1979, p. 57.

The telecommunication relay station transmits the diplomatic traffic between Washington and almost all U.S. embassies in sub-Saharan Africa and vice versa, whereas the U.S. embassy in Monrovia is known to be one of the most important C.I.A. stations in Africa and the Middle East (after the political changes of 1979 in Iran). In the mid-1970's there were reportedly some 500 people assigned to the U.S. embassy in Monrovia (52).

The country's radio and television are also facilities enjoyed only by a limited group, the urban people, and notably the economic well-to-do as far as television is concerned. The Government in the late 1950's set up a radio broadcasting service, the Extended Liberian Broadcasting Company (E.L.B.C.), and a television broadcasting corporation in 1964 (E.L.T.V.). In the late 1970's, however, E.L.T.V. did not reach beyond Kakata and television was completely an affair for Monrovians only. Both radio and television provide programmes for and by the Americo-Liberian elite. At the end of the 1970's the ministry responsible for radio and television, the Ministry of Information, Cultural Affairs and Tourism, was headed by one of the most important politicians in the country, E. Reginald Townsend. After being nominated National Chairman of the country's only political party, the True Whig Party, he was succeeded as Minister by one of President Tolbert's numerous relatives, his cousin Johnny A. McClain (53). Consequently, both radio and television serve important political goals: to transmit a positive image of the country's ruling party in general and of President Tolbert in particular. Thus, criticism does not generally rise above the surface.

Liberia is the base of two radio stations which can be heard beyond the borders of the republic. In 1954 E.L.W.A. radio was established ("Eternal Love Winning Africa") by a religious organisation, the Sudanese Mission, originating in the U.S.A. There are daily broadcasts in a large number of African languages which can be heard in most West African countries. Most programmes broadcast by radio station E.L.W.A. concern the preaching of the Gospel. A second U.S. radio station is the Voice of America (V.O.A.). The V.O.A. transmitter, located in Careysburg, is powerful enough to cover the entire African continent, the Middle East and the southwestern Soviet Union (54). The programmes broadcast serve the (political) interests of its owner, the U.S. Government. It should be noted that the ground on which the V.O.A. transmitter was constructed in Careysburg is leased by the Government of the U.S.A. for an extremely low rental which was used to compensate the people who had to be evacuated because of the construction of the buildings etc (55).

CHAPTER 13

THE CHANGE FROM A SUBSISTENCE ECONOMY INTO A DEVELOPING ECONOMY 1900 - 1979

THE INCREASE IN INTERNATIONAL TRADE

In the preceding chapter the developments were discussed which took place in the transportation and communication sectors. The major object all of these infrastructural facilities aimed at was the export of the country's produce which was largely made up of agricultural and mineral products. This explains their development concurrently with the growth of international trade.

The Early 20th Century

In the beginning of the present century there were hardly any facilities furthering international trade: hence, export as well as import activities were strictly limited. At that time most of the inland produce was raised by the tribal people and formed part of their subsistence economy. In the coastal areas, and notably in and around the Americo-Liberian settlements, production for the market took place - on a very limited scale.

The main characteristic of Liberia's monetary economy then was its being virtually limited to export oriented agricultural activities. At the turn of the century it was at its lowest point. The two main export commodities, sugar cane and coffee, were no longer cultivated. The most important causes for this decline were (1) the economic recession of the late 1890's which reduced the demand for these products, (2) the increased competition of new producers, and (3) Liberia's internal labour problem. The fall in exports in turn reduced the intake of customs revenues of the Liberian Treasury and aggravated its already precarious financial situation.

The early part of the 1910's, however, brought some improvements. In 1905 total exports had amounted to a mere $ 567,000 but by the end of the decade they had already risen to $ 1.1 million (1). Unfortunately, this favourable tendency was halted by international developments. At the outbreak of the First World War the Liberian Government had officially adopted a neutral policy since it did not want to get involved in this inter-European conflict: one of the belligerent nations, Germany, was its main trading partner. This Liberian position caused the British Government to impose a blockade of Liberia which made all trade with Germany impossible. Consequently, the export of coffee which in 1913 had reached the same level as before the economic crisis of the late 1890's (2) suffered a more than 50 percent drop and in 1917 amounted to only 760,000 pounds (see Annex 40).

The English blockade of Liberia virtually eliminated all trade

with Germany and hence affected the Liberian economy and Public Finance significantly. Exports fell from $ 1.3 million to $ 0.6 million between 1913 and 1917. Particularly the exports of palm kernels, palm oil, piassava, coffee and calabar beans fell. The intake from customs revenues in the same period fell from $ 0.5 million to $ 0.1 million (3).
After the war Liberia gradually recovered from its effects. International trade increased as did customs receipts. In 1925 exports had risen to $ 1.9 million, the highest level in the 1922 - 1932 period (4), and total internal revenues had almost reached the $ 1 million mark (see chapter 3). The following year the Government signed the Planting and Loan Agreements with Firestone.

The Firestone Era

The arrival of Firestone changed the volume, value, composition, and direction of Liberia's international trade. Imports, which since 1922 had exceeded the value of exports, continued to increase at an even higher rate and reached a maximum in 1928, with a recorded value of over $ 4 million (5). Firestone's investments and the imports by local trading houses which anticipated the expected increase in purchasing power of the labour force employed by the rubber company were the main causes of this increase. But before the Firestone Plantation could go into production Liberia was again hit by a crisis which was also caused by economic conditions abroad. The Depression of the early 1930's reduced both international trade and government revenues (see chapter 10). Exports, which before the World Economic Crisis had amounted to $ 1.5 million, in 1934 were at their lowest level: as low as $ 0.5 million. But the following year exports had gone up by 35.8 percent to $ 0.7 million, whereas imports had increased from $ 0.9 million to $ 1.3 million, or a 51.3 percent increase. The major reason for this was that in 1934 Firestone had started the tapping of its rubber trees, which after about seven years were now maturing. On the other hand, the increased activities on the rubber plantation were also the major factor in the increase of imports of machinery, vehicles, gasoline, kerosine etc.
The impact of Firestone on Liberia's foreign trade is further demonstrated by the fact that in 1935, for the first time in Liberia's history, rubber exports ranked first. Rubber exports had risen from an insignificant $ 31,300 in 1934 to a relatively impressive $ 223,183 in 1935, while coffee exports had fallen from $242,043 (1934) to $141,655 (1935) and cocoa from $ 27,492 (1934) to $ 16,325 (1935). Also, the U.S.A. had become Liberia's main trading partner in that year (1935), a position it was to occupy for nearly forty years. Germany, however, remained the major buyer of Liberian products and Great Britain retained first place as a source of imports (6).

The increase in the economic and trading activities made an increase of financial means imperative. Since the local money supply was insufficient to finance the growing number of financial transactions, the Firestone Rubber Plantation resorted to the importation of money to pay its labourers. Given the country of

origin of the rubber company the choice of the U.S. dollar was only logical. In 1931 President Barclay made the U.S. dollar legal tender in Liberia. Thus, the Liberian monetary system began to look like a mosaic with English pound sterling, American dollar and Liberian coins circulating freely and legally. At the end of his Administration Edwin Barclay ended this confusing situation (see chapter 10).

Banking facilities hardly existed during these days. After the Liberian declaration of war on Germany in 1917, a German bank which had been operating in the country had withdrawn from Liberia. The only bank which was open to the general public then left was the British owned Bank of British West Africa. The U.S.T.C. Banking Department, a Firestone subsidiary, was not available to the general public. In 1930, however, the Bank of British West Africa withdrew from Liberia. As official reason the bank's managers stated that the health situation in the country did not guarantee the safety of its employees. Shortly before two expatriate employees of the bank had died of yellow fever. However, the real motivation of the bank's owners to stop operations in Liberia was a dispute over the compensation to be paid to the British owned Liberian Rubber Company. This company had abandoned the Mount Barclay rubber plantation in Liberia which was subsequently taken over by Firestone (7).
In July 1935 the Bank of Monrovia Inc. officially started its operations in Liberia. The Bank of Monrovia Inc. was a fully-owned Firestone subsidiary. For nearly 20 years it was to provide the only banking services for the general public in the country. In 1938 there also existed "The Bank of Liberia Ltd." of which the Honourable Arthur Barclay was the Chairman of the Board. This bank is reported to have been connected with the exploration activities of the Holland Syndicate in the Western Province (see chapter 6). Unfortunately, the relevant files in the National Archives were found in a state of decay which made reading of the few documents impossible (8).

During the Second World War Liberia's exports, mostly rubber from the Firestone plantations, increased from $ 1.9 million (1939) to $ 9.0 million (1945). To satisfy the needs of U.S. industries, the rubber trees on Firestone's plantations in Liberia were even doubly tapped. As a result the volume of rubber exports rose from 4,800 tons in 1939 to nearly 20,000 tons in 1945 (9). In this period virtually all of Liberia's external trade took place with the U.S.A.

The early 1950's saw the start of iron ore exports, produced by L.M.C. in Bomi Hills. Rubber, however, remained Liberia's export product number one. In 1953 rubber still represented over 50 percent of the country's exports - Firestone being the only exporter of rubber. Only eight years later, for the first time since 1935, rubber ceased to be Liberia's most important export product. In 1961 iron ore represented 47.1 percent of all exports, with rubber a close second with 41.5 percent of all exports. Thus, only two products accounted for nearly 90 percent of Liberia's exports.

The 1960 - 1979 Period

For an insight into the developments which took place in Liberia's international trade a number of relevant Tables have been included as Annexes 41 through 46. They show (i) the country's external trade during the years 1922 through 1979 (Annex 41), (ii) its main export products during the years 1968 through 1979 (Annex 42), (iii) its major trading partners in the 1964-1975 period (Annex 43), (iv) the major buyers of its most important export product, iron ore at the end of the 1970's (Annex 44), and (v) the value and structure of imports by economic end-use during the 1970's (Annexes 45 and 46). A summary of the most important conclusions which can be drawn after studying and analysing these Annexes shows the following:

(1) Liberia's total international trade which in 1960 was valued at a little over $ 150 million reached the $ 1 billion mark in 1979. Preliminary figures for that year show a balance-of-trade surplus of $ 30 million. Compared to 1960, exports had increased more than six-fold in 1979 whereas imports had increased more than seven-fold in the same period.

(2) In particular during the 1970's the growth rate of the exports was surpassed by the yearly increases of the imports. This was caused mainly by (i) the international inflation, accelerated by the various increases in the price of oil and oil products, (ii) the (monetary) instability of the U.S. dollar, legal tender in Liberia, and (iii) the economic recession of the late 1970's which resulted in falling iron ore exports, Liberia's main export product. As a result, the balance of trade, which still had been positive in 1976, turned into a negative $ 16 million in 1977. The last time the Liberian economy had experienced a balance-of-trade deficit was in 1964, thirteen years earlier.

(3) Throughout the past two decades iron ore was Liberia's major export product. In 1975 even three fourths of its total export earnings were derived from the sales of iron ore. In that year the price of iron ore was at its zenith: $ 16.22 per long ton and even though the volume of iron ore exports was 30 percent less than the preceding year (1974) total iron ore exports valued nearly 12 percent more in 1975 than in 1974. It should be borne in mind, however, that the inter-company sales of Liberia's iron ore concessionaires tend to understate the real value of the iron ore sales and exports (see chapters 7 and 8).

(4) Until 1975 only three products accounted for about 90 percent of all exports. They were iron ore, rubber, and diamonds. Given the fact that reported values of these raw materials are understatements, the real importance of these products in Liberia's international trade is much higher even than may appear from the Table "Structure of Liberia's Exports 1968 - 1979, in percentages". (Annex 42)

(5) The vulnerability which is the result of a too heavy concentration on few products in a country's exports became apparent in the second half of the 1970's. The economic recession of these years had an adverse effect on the balance-of-trade (see above) but also on the growth of the Gross Domestic Product (see the next section).

(6) When excluding "Re-exports", at least 97 percent of Liberia's exports consisted of raw materials during the 1960 - 1979 period here considered. In 1978 and 1979 "Sawn Timber" and "Other Domestic Exports" represented 2.8 and 2.9 percent, respectively, of all exports. In other years this figure was even lower. It should be noted, however, that "Other Domestic Exports" also include a number of unspecified raw materials.

(7) In 1976 the Federal Republic of Germany took the place of the U.S.A. as the major market for Liberian products. Thus, the F.R.G. regained the position it had lost in 1935 (see above). The U.S.A., however, remained Liberia's single major trading partner although their share in Liberia's international trade dropped from about 40 percent (1960) to 20 percent (1979). As early as 1965 the E.E.C. constituted a more important export market than the U.S.A. although in that year the U.S.A. was still a more important trading partner than the E.E.C. By 1970, however, this had changed. The E.E.C. absorbed more than 58 percent of the Liberian exports (the U.S.A. "only" 31 percent) in that year. The main reason for this phenomenon was the increased iron ore export to the European market, partly as a result of the increasing production and export by the Bong Mining Company, and partly owing to an (overall) increase in the price of iron ore. Also in 1970, the E.E.C. had taken the place of the U.S.A. as Liberia's main trading partner. Almost half of Liberia's trade took place with the European Common Market, and trade with the U.S.A. represented nearly one fourth of total trade. This tendency became even more marked and firm during the 1970's. On the average more than 60 percent of Liberia's exports were sold in E.E.C.-member countries whereas one third of Liberia's imports originated from the same countries. This explains the interest Liberia had in joining the Convention of Lomé, the agreement concluded between the E.E.C. and the so-called A.C.P. countries. This latter group embraces countries in Africa, the Caribbean, and in the Pacific. In general they have in common: (i) a history of being colonised by a European country, and (ii) strong commercial relations with the E.E.C., and in particular with the former colonising power.

(9) In 1975 Liberia together with other West African countries established the Economic Community of West African States (ECOWAS). As can be seen from Annex 43, trade with other ECOWAS members is of little importance to the Liberian economy, representing only about 2 percent of its total trade. The same applies to Sierra Leone which in 1973 with Liberia formed the Mano River Union, a customs union. Trade

with Sierra Leone is less than 0.5 percent of the total trade - the value of imports being more than double the value of exports.

(10) The dominating position of the Federal German Republic with respect to Liberia's exports is once again shown in Annex 44. This Annex shows that one third of all iron ore exported from Liberia finds its way to Germany. Another E.E.C. member, Italy, comes second. Together they buy over 50 percent of the Liberian iron ore. As has been explained both Italy and the Federal German Republic have invested large amounts in Liberia, notably in the Bong Mining Company. It is surprising to see that one of Liberia's largest investors, Sweden/LAMCO, hardly buys any iron ore from its own company (excluding here the U.S. participation in LAMCO J.V.). In practice, the LAMCO produced iron ore is sold to Belgian and German steel works (see Chapter 8). Iron ore represents between 80 and 90 percent of the German imports from Liberia. Among the remaining imported commodities, logs and lumber are the most important ones.

(11) About 20 percent of the U.S. imports from Liberia consist of iron ore - mainly explained by Bethlehem Steel's participation in the LAMCO J.V. The U.S. company shares pro rata in the iron ore output of the mine in Nimba County (25%) in conformity with its financial participation in the mining venture. Rubber is a much more interesting import commodity for the U.S.A. Not surprisingly so, as four out of five foreign owned rubber plantations operating in Liberia are owned by U.S. companies: Firestone, B.F. Goodrich, The Liberia Company, and the Liberian Agricultural Company.

(12) Liberia's imports rose from an estimated average of $ 1 million before the Second World War to $ 69.2 million in 1960, whereas another twenty years later they valued over half a billion dollars (see Annex 41).

(13) In the 1970's imports increased from $ 114.7 million (1969) to $ 506.5 million (1979). Consumption goods were the most important import commodities (averaging one fourth of all imports), immediately followed by Investment goods (some 25 percent of imports). The import of crude oil quadrupled its relative share between 1972 and 1979, and in 1979, valued almost as much as all investment goods together. It should be noted that about one fourth of the imported investment goods consisted of (spare) parts and are consequently to be considered as replacement investments. Actual (net) investments thus valued between $ 59 million in 1975 and $ 83.6 million in 1979. In 1977 they were at their highest level for which fact the importation of transport equipment for logging operations may well account. (After that year exports of logs increased steeply.)

(14) Expenditures on imports of consumption goods increased

much faster, in general, than expenditures on the importation of (net) investment goods. Between 1975 and 1979 the importation of consumption goods rose by nearly 80 percent whereas that of investment goods (gross investments) by only about 40 percent. The sharpest increase in imports of consumption goods occurred in 1977 (a 47.8 percent rise with respect to the preceding year).

(15) The imports of food products constitute nearly 50 percent of all imported consumption goods. Generally, their share in total imports is rising. The most important food product which is imported into Liberia is rice. The increase in rice imports illustrates one of the most dramatic trends in the post-war development of the Liberian economy. Rice imports rose from 2,273,883 pounds in 1942 to 163,167,000 pounds in 1979 (see Annex 50).

(16) In the light of the rising import bill of Liberia it is of extreme importance to have a close look at the Liberian Government's policy of granting duty free privileges to foreign investors, to the diplomatic corps, and to religious groups, although the first mentioned form by far the largest group with duty free privileges. Even with the generally low level of import duties in Liberia, the Treasury , during the years 1975 through 1979, lost an amount of nearly $ 300 million as a result of this policy of granting duty free import privileges. This means that yearly an amount averaging almost $ 60 million of potential revenues was never collected which represents about 40 percent of the yearly average Domestic Revenue of the Liberian Government.

CONCLUSION

The weak structure of the Liberian monetary economy, which is the result of too heavy a dependence on few commodities, endangers its functioning in international trade. Liberia's international trade was characterised between 1965 and 1975 by rising surpluses, but the monetary instability of the U.S. dollar which was followed by a reduced output of the country's iron ore mines - which produce the country's most important export item - in the late 1970's are liable to result in deficits which throw a particular light on the country's development efforts. The continuously rising imports of the country are caused by an increase in real consumption demand rather than by an increase in real demand for investment (capital) goods. As Liberia hardly produces consumption goods, the increased demand for these goods was met by increased imports. The failure to increase the nation's productive capacity contributed to a slow growth in the National Product (see the following section). In combination with the Foreign Factor Payments this may have resulted in a deficit on the current account. Increased borrowing abroad may temporarily offset this but it seems unavoidable that a growing portion of these loans will be on commercial terms. Given Liberia's level of indebtedness at the end of the 1970's which is already

alarming (see Chapter 10), this may create further financial problems for the country unless a re-scheduling of the public debt can be agreed upon. The temporary relief which such a re-scheduling would give, however, will not alter the structural causes of the problem.

As a result of the Open Door Policy, the Liberian economy is an open economy in which the U.S. dollar circulates freely as legal tender, supplemented by Liberian coins which, since 1974, have been issued by the National Bank of Liberia, the year in which the central bank was created. Although the Liberian authorities have been publishing Balance-Of-Payments statements since 1947, an accurate account of the flow of money into and out of the country is virtually impossible in the complete absence of any exchange restrictions. Therefore, the data available are merely estimates whose reliability depends on the political nature of the item involved and on the professional competence of the statistician responsable for their compilation. In general, however, information on capital transactions is insufficient for a meaningful presentation of a Balance-Of-Payments compilation.
In spite of this limitation it is still possible to make some general remarks on Liberia's capital transactions with the rest of the world. As stated above, the trade performance, in combination with the level of indebtedness and the substantial outflow of money from the enclave (or concession) sector of the national economy may lead to the assumption of a negative Balance-of-Payments. The cost of the use of foreign manpower and capital, the Foreign Factor Payments, are extremely high in Liberia, amounting to between $ 100 and $ 150 million per year (10).
In the past the use of the U.S. dollar has prevented (and will continue to do so in the future) any pressure on Liberia's currency regardless of any bad Balance-Of-Payments performance. If Liberia had had an independent currency of its own, the continuous and increasing outflow of money and the subsequent (gradual) depletion of monetary reserves would, undoubtedly, have already resulted in a series of devaluations. The continued use of the U.S. dollar, however, has saved Liberia from taking these measures. As the causes of the problem have remained unchanged the situation is in fact deteriorating. The country's banking sector is extremely weak. The National Bank of Liberia's reserves are very limited whereas the country's five privately owned commercial banks (all but one foreign owned) are of little importance: the dominating foreign companies in the country do not need them as they are virtually self financing, either through a system of retained earnings or, in some cases, through a labyrinth of inter-company loans.

THE GROWTH OF THE DOMESTIC PRODUCT

The Liberian National Accounts: Estimates and Guesstimates

One of the indicators of economic growth is the change in Gross Domestic Product, and it would be particularly interesting to see in the case of Liberia how the value of goods and services produced in the country has developed. However, there are many complicating factors which must be realised and dealt with before any conclusion can be drawn.

First, given the fact that the Liberian economy (and society) is characterised by a traditional and a modern sector, a distinction must be introduced between goods and services produced within the monetary sector of the economy and those produced by the subsistence sector. However, it was not until 1975 that, for the first time in the history of National Accounting in Liberia, relatively detailed information was made available on the activities of the subsistence sector (11).

Secondly, prior to 1964, there were hardly any reliable estimates made of the Gross Domestic Product in the monetary sector. In 1966, for the first time in the country's history, detailed and relatively reliable information on the value and the composition of G.D.P. was made available by the Harvard Advisory Group (12). In the early 1960's the Northwestern University Team had made an analysis of the estimated components of national income from 1950 to 1960 but it emphasised explicitly that lack of reliable information concerning various components (had) made the data underlying these estimates very poor, especially for the years 1950 - 1954 (13). The Harvard Advisory Group, therefore, subsequently adjusted and revised some of the estimates of the Northwestern University Team.

Thirdly, both the Northwestern University Team and the Harvard Advisory Group had used the "income-approach" to estimate G.D.P. Initially this method was also used by the Department of Planning and Economic Affairs. In 1969 the Department of Planning and Economic Affairs for its estimates of G.D.P. changed over to the "production-approach" although it continued to estimate at current prices. Unfortunately, the change of method as well as the haphazard character of the Department's estimates resulted in considerable inconsistencies. Also, the data presented were characterised by their deficiencies and hence by their lack of reliability. Furthermore, after 1969, no consistent or usable time series are available as an I.B.R.D. Economic Mission concluded in 1973 (14). The mission, therefore, prepared its own series of G.D.P. estimates for the years 1964 through 1972.

Fourthly, it was not until 1975 that attempts were made to calculate G.D.P. at constant prices. However, the reliability of the data presented by the Ministry of Planning and Economic Affairs is severely tested by the (continued) lack of consistency. This perpetuates the lack of a usable time series needed to analyse the

structural changes and the development of the Liberian economy. The information presented in a 1975 publication of the Ministry of Planning and Economic Affairs, for example, is in no way reconcilable with the information presented four years later by the same Ministry (15). Consequently, reliable information concerning the development of Liberia's G.D.P. during the 1970's, in 1971 constant prices, is limited to the 1973 - 1978 period. The same applies to a time series showing G.D.P. at current prices. The foregoing clearly illustrates the (in)competence of the actual Liberian planning structures. It goes without saying, therefore, that it is highly necessary to reinforce these institutions and to improve the collection, analysis and presentation of basic date which make an in-depth analysis of the National Accounts a serious undertaking.

Fifthly, it should be remembered that (official) data lack accuracy because of manipulations by foreign investors: (i) Firestone's pricing system affects the reported value of almost the entire Liberian rubber output, (ii) the illegal mining of precious metals and minerals (gold and diamonds) and the smuggling of diamonds result in useless official production figures, (iii) the inter company sales of iron ore by the iron ore concessionaires negatively affect the (reported) value of their sales/exports, and (iv) the corrupt and illegal practices within the logging and timber sector result in an underestimation of the value of the production in this sector.

The Liberian economy roughly comprises three categories: (a) the traditional, subsistence, sector which embraces between 70 and 75 percent of the total population, or some 1.2 million people; (b) the export-oriented enclave (concession) sector, notably the mining companies, the rubber plantations, and, to a lesser extent, the logging companies; (c) the domestic-oriented sector in which the Liberian Government is by far the most important employer. The following section will focus on the Gross Domestic Product (at factor cost) of the monetary economy. It primarily serves the purpose of illustrating the foregoing. Thus, the presentation of total value of G.D.P. and its sectoral origin during the years 1973 - 1979 is neither intended nor likely to show an accurate calculation of the composition of the the G.D.P. or its aggregate value.

G.D.P. at factor cost (current prices) rose from $ 375.2 million in 1973 to $ 750 million in 1979 (preliminary figure for 1979). Although G.D.P. at current prices doubled in this seven year period, G.D.P. at constant 1971 prices hardly changed. Between 1973 and 1979 there was only a 12 percent increase from $343.4 million to $ 386.0 million respectively. This results in an average yearly growth rate of a little over 1 percent during these years. The value of the production at current prices has been corrected by the price index of the particular item involved in order to arrive at the production volume at constant 1971 prices. Whereas the figures thus obtained do give some insight into the development of the production volume they fail to explain the changes

which occurred in the real value of G.D.P. Unfortunately, due to the absence of reliable indices showing the development in the cost of living, the second phenomenon is not known.
As can be observed from Annex 49, in some years the value of G.D.P. at factor cost (constant 1971 prices) even diminished. This was notably the case in 1975 and in 1977. The explanation lies in the declining activities in the export-oriented sector which since 1974 had continued to decline in real terms. In some years this declining output of the enclave or concession sector had been offset by the growth of the domestic-oriented sector. This can be observed in the years 1976, 1978 and 1979. However, figures for 1979 should be handled carefully since their reliability appears doubtful: how can it be explained that the total value of the output in the domestic sector is presented whereas the output of two of its four components is not known? This clearly confirms the "guesstimate" character of the calculation of G.D.P. referred to above.

The Monetary Economy At The End Of The 1970's

The decline of the export-oriented sector is linked to falling iron ore prices and the slump in the international steel market. In fact, the iron ore mining companies are facing a difficult future. In 1977 the oldest iron ore mine, L.M.C., pulled out after having produced iron ore since 1951. One of the three remaining companies in operation, the National Iron Ore Company, was in that year on the brink of bankruptcy as it had reached the point where it could no longer honour its debts. The Government, which holds 50 percent of the shares of this company, had to come to its rescue by granting overdraft facilities. In an attempt to solve its problems, the World Bank, at the end of the 1970's, considered assisting this majority Liberian owned mining company. In 1977 the N.I.O.C. could report a profit of almost $ 1.5 million but accumulated losses over the preceding five years amounted to nearly $ 5 million.
The financial results of the two major iron ore mining companies (the LAMCO J.V. and the Bong Mining Company) cause even more concern as they are of much greater importance to the national economy. The former company reported a loss of about $ 16 million over 1978 whereas B.M.C. suffered a $ 20 million loss in that year. As the Government participates in both companies and as its income from these companies is based on profit sharing, the repercussions for the Liberian Treasury are obvious. Income from the iron ore mining companies still had contributed $ 28 million and $ 20 million to total Government Revenue in 1976 and 1977, respectively. With these losses reported for 1978, the Government's income from the iron ore sector in 1978 may not exceed about $ 10 million of which approximately $ 7 million will consist of royalty payments by the companies. Government's revenues in the coming years look grim as the companies will carry forward these losses of 1978 whereas the end of the international recession is not yet in sight.

Thus, the share of the iron ore mining companies in G.D.P. fell

from roughly one third in 1973 to one fourth in 1979. The performance in the Agricultural Sector within the export-oriented sector was better though this could not prevent the export-oriented sector of the monetary economy from falling from over 50 percent of G.D.P. to some 40 percent. Notably the importance of the Forestry sector increased, which is in line with the increase in logging activities discussed in Chapter 9.
The prospects for the rubber and logging sectors look good. After the renegotiation of its concession agreement, the Firestone Plantations Company continued its replanting programme which had started after the rise of the rubber price following the oil price increase of the early 1970's. The country's second largest rubber plantation, owned by B.F. Goodrich, was to be extended in the late 1970's, for which purpose the U.S. company had entered into discussions with the Liberian Government to amend the 1954 concession agreement. However, these replanting and extension activities will only be reflected in an increase of the (rubber) output after a lapse of time which is in this case approximately seven years, the time required for the rubber trees to mature.

At the end of the 1970's a Swedish company, the Liberian Forest Corporation, was also in discussion with the Government to establish a 350,000 acre pine plantation in the center of the country (Bong County). In addition, investors from Finland were seriously considering investing in Liberia by creating a pulpwood industry which, if it is to materialise, may require an investment of more than $ 300 million.
Liberia's dependence on international trade is further illustrated by Table 68. During the years 1973 - 1979 exports averaged as much as 77 percent of G.D.P. This extremely high percentage reaffirms the two basic characteristics of the Liberian economy: (1) the extreme dependence on foreign investments whereas (2) foreign investments are concentrated on the export-oriented production of raw materials (iron ore, diamonds, rubber, and logs). It is very significant, therefore, that, on the average, 65 percent of G.D.P. was spent on imported goods during these years under review. The Liberian Government has neither realised, nor seriously attempted, the establishment of industries aimed at import substitution.

As can be observed from Annexes 47 and 49, Liberia represents an enclave economy with very little industrialisation. The fact that the industrial sector of the national economy so far has received little attention in this study should not lead to the conclusion that foreign investments are non-existent in this sector or that this is an omission. In the past, the Government concluded various concession agreements with foreign investors for the establishment of industries in the country but at the end of the 1970's only a few of them are worth mentioning.

In general, industrial activities are very few, which is also shown by the employment provided by this sector and which numbered 6,200 people both in 1977 and in 1979. This represents 1.4 percent of the total of all employed people and some 3.5% of the permanently employed people in the monetary sector in 1979 (16).

TABLE 68

EXPORTS AND IMPORTS AS A
PERCENTAGE OF G.D.P. 1973 - 1979
(in millions of U.S. dollars)

Year	Exports	Imports	G.D.P.[1]	Exports as a % of G.D.P.	Imports as a % of G.D.P.
1973	324.0	193.5	375.2	86	52
1974	400.0	288.4	459.7	87	63
1975	394.4	331.2	559.1	71	59
1976	457.1	399.2	568.6	80	70
1977	447.4	463.5	633.2	71	73
1978	486.4	480.8	670.0	73	72
1979	536.6	506.5	750.0	72	67

Note:
(1) G.D.P. at factor costs (current prices)

Source:
- Author's research based on Annexes 41 and 47.

The 1977 Employers Directory published by the National Social Security and Welfare Corporation, a public institution, gave as the total of employed people in the manufacturing sector less than half of them: 3,007 people. Of these, 2,973 worked in 71 establishments employing 5 or more persons and 34 in establishments of 4 employees or less (17). Understandably, the reliability of the latter document leaves much to be desired since the nature of the Corporation's investigation laying at the base of the publication was to prepare an accurate and up-to-date listing of employers who were eligible for coverage under the proposed Social Security Scheme, i.e. employers employing a minimum of five employees (18). Unfortunately, no other detailed information with respect to the employment in the manufacturing industry was available.
There existed a heavy concentration of manufacturing activities in Montserrado County. In this county 2,834 people worked in 75 establishments in this sector of the monetary economy of which only 9 companies already provided work for nearly 60% of the employees, i.e. 1,675 people (19). These companies were:

- C.F. Wilhelm Jentzen: Manufacture and import of furniture; 114 employees; operating without a concession agreement.
- Edward Nassar Company: Manufacture of biscuits; 166 employees; operating without a concession agreement.
- Liberia Cement Company: Producing cement; 116 employees; operating under a concession agreement dating from 1966; owned

by Fouad Khalifa, a Lebanese, who is also the majority owner of one of the major Lebanese commercial houses, Younis Bros. & Company, Inc.
- Liberia Refining Company: producing refined oil; 291 employees; operating under a concession agreement dating from 1961 although actual operation began only in 1969. An explosion in 1976 caused a shutdown of operations at the refinery and in 1978 the Liberian Government bought the company from its U.S. owners, Sun Oil International (67%) and Dynalectron Corporation (18%). Liberian private citizens already held 15 percent of the capital stock of the company.
- LIDCO Distilleries: producing spirits; 125 employees; operating without a concession agreement.
- the Mesurado Group of Companies: producing a large variety of different products; 464 employees; operating without a concession agreement.
- Monrovia Breweries Inc.; brewing of beer and related beverages; 294 employees; operating under a concession agreement dating from 1956.
- Pioneer Biscuit Factory: manufacture of biscuits; 105 employees; operating without a concession agreement.

Another foreign owned industrial establishment worth mentioning here is the West African Explosives and Chemicals, Ltd. (EXCHEM), operating in Charlesville, Marshall Territory and in 1977 employing 98 people (20). The company is majority owned by Canadian Industries Limited of Montreal, Canada (CIL). The latter assumed majority ownership in 1970 when it bought the shares of the founder of EXCHEM, Joseph Baird of New York. The concession agreement dates from 1962 and production started in 1964.

Overall, industrial activities never accounted for more than 8 percent of G.D.P. during the 1970's and were reported to be valued at $ 53.7 million in 1978 (see Annex 47). These figures should be handled carefully since one does not know how they have been calculated and given the absence of a proper and reliable reporting system in the country.

Given the size and importance of the domestic market, and the level of training and education of the labour force it is not surprising that foreign investors have shown little interest in investing in industrial activities in the country. The low purchasing power of most Liberians has resulted in a very small domestic market for industrial products whereas the low professional level of the Liberian labour force has created the problem of qualified labour. The educational system which put more emphasis on the education of future preachers and politicians (see Chapter 10) than on vocational and technical training has resulted in an abundance of unqualified labour which makes investments in extractive and plantation activities even more attractive than they already were. Liberia's potential, given the country's availability of raw materials, already drew the attention of foreing investors and the availability of a low paid unqualified labour force only made any investment in extractive or plantation activities more attractive.

In the domestic oriented sector the two most important and fastest growing sectors were the Public Sector and the Construction Sector. The latter grew, in current prices, from $ 15 million in 1973 to $ 63 million in 1979. Its relative importance doubled in the same period. The large number of construction activities which were taking place in preparation for the O.A.U. undoubtedly was the main course for this growth.
The Public Sector, though increasing at a slower pace, represents more than 10 percent of G.D.P. which is higher than the Construction Sector. In current prices the monetary value of this sector even tripled between 1973 and 1979.

Two opposite trends characterize the Public Sector: (1) a continuous growth of ministries, government agencies, and public corporations (both in number and in size), and (2) a continuous deteriorating performance of the public corporation sector in particular. The latter is due to a combination of factors among which dominate (i) lack of financial means, (ii) lack of qualified management, and (iii) the absence of clearly defined policies (21).

During the first half of the present century there were only a handful of ministries (22). Not a single public corporation existed. Consequently, the number of civil servants was not high. In 1949 there were 559 civil servants reported. Thirty years later the number of ministries had increased to nearly twenty and there were about a dozen government agencies and 26 public corporations. Not surprisingly, therefore, the number of Government employees had increased. In 1979 the number of Government employees reached almost 38,000, or roughly speaking nearly one fourth of all permanent employees in the wage sector. This growth of the civil service is not without financial consequences and political significance. Traditionally, the Liberian Government had used its potential of providing employment opportunities to reward those who had politically supported its coming to power, to "buy" the support of those who enabled it to stay in power, and which in many cases resulted in nepotism. During the Tubman Administration this caused one author to qualify the running of the country as a "family-affair" (23). This did not change during the Tolbert Administration, but it goes beyond the main theme of this book to elaborate on this very interesting aspect of the Americo-Liberian rule of the country.
The financial situation of the public corporations, most of which were created during the Tolbert Administration, is alarming. With the exception of three, these government-owned corporations experienced losses which made it necessary for the Government to transfer increasing sums of money. The positive exceptions were the National Port Authority, the Liberian Produce Marketing Corporation, and the Liberian Petroleum Refining Company. The latter corporation, created in 1978 (see above) had in 1979 only been operating for one year.

The Government indebted itself heavily to absorb the financial losses of the public corporations and to provide the badly needed capital for its functioning and for its investments programmes. The $ 30 million Euro-currency loan which the Government contracted at the end of 1976 only served the financial needs of the public corporations (see Chapter 10). Between 1977 and 1978 about $ 22 million was transferred to them from budgetary sources of which $ 19.6 million represented increases in equity capital and $ 2.4 million served to absorb operational losses. During the following year (FY 1978/79) another $ 54 million was transferred. Most of this amount had been obtained from loans from foreign governments and institutions, $ 41.8 million, and $ 12.2 million was contributed through local budgetary appropriation (24).

The Liberian monetary economy has been under the control of foreign companies since the arrival of Firestone in 1926. Hence, it is not surprising to note that the setting up of government institutions kept pace, more or less, with the growth in the number of foreign owned companies operating in the country, the increase of their activities, and, in general, the growth of the national economy which was closely related to it.
At the time of arrival of Firestone in the country there existed only six ministries, in those days called Departments. They were the Departments of State, Treasury and War, all three created in 1847. The Department of the Interior had been officially created in 1869 following Anderson's trip to Musardu (see Chapter 2) though it was not until 1892 that this department was (somewhat) organised. The Department of Justice, headed by the Attorney-General, was created in 1883. In the present century, in 1912, the Department of Public Instruction was created (see Chapter 11). Around 1930 less then 300 civil servants were employed by the Government (see Chapter 3).

A large number of government institutions, even ministries, was created in response to the need for them which in turn was caused by the presence and operations of foreign investors and the growing awareness by Liberians of the necessity to supervise - to say the least - their activities. In many cases though, there was a considerable time lag between the start of full-scale activities of foreign owned concessions and the Government's reaction to it. Although the appropriate functioning of many of these institutions leave much to be desired, it can be concluded that this institution building constitutes one of the most important effects of the Open Door Policy.

The examples to be mentioned in this context are numerous, and among the most important are:
- In 1912, the Bureau of Labour, within the Department of the Interior, was created. It was revived after the arrival of Firestone in 1926 which was necessitated by the need to organise and administer the recruitment of labourers for the rubber plantation which the Liberian Government had under-

taken in the Planting Agreement of the same year. This Bureau later developed into what is now called the Ministry of Labour, Youth and Sports.

- The creation of the Bureau of Public Works, in 1928, also after the arrival of Firestone, followed the signing of the 1927 Loan Agreement with the Finance Corporation of America, a Firestone subsidiary. This institution later became the Ministry of Public Works.
- The creation of a Department of Agriculture and Commerce in 1948 was partly the result of the enactment of the Liberian Corporation Law in the same year.
- The creation of the Bureau of Maritime Affairs followed the setting up of Liberia's Maritime Programme in 1947/1948. This Bureau actually occupies an entire floor in the 9-story Ministry of Finance building in Monrovia.
- Following the unexpected high Government Revenues in 1951/1952, as a result of the introduction of tax payments by Firestone combined with high rubber prices, the Bureau of the Budget was created in 1953.
- The creation of an autonomous Bureau of Natural Resources and Surveys in 1958 followed the increased mining operations (diamonds, gold, iron ore) of the 1950's. Until 1958 the Bureau of Mines and Geology, as it was called before, was part of the Department of the Treasury. It was not until 1971 that this institution was raised to the level of a ministry (Ministry of Lands and Mines).
- The creation of the Bureau of Economic Research in 1959 was a response to the overall increase in economic activities. After having been reorganised and renamed several times in the early 1960's it resulted in the creation of the Department of Planning and Economic Affairs in 1965/1966.
- The expansion of the Treasury Department, notably with the creation in 1967 of the Bureau of Research and Revenue Analysis (to supervise the concessions) which Bureau in 1974 was transformed into the Concession Secretariat. In 1979 the Concession Secretariat merged with the Liberian Development Corporation (a public corporation) into the National Investment Commission, which institution became an autonomous government agency.
- The creation of an autonomous Forestry Development Agency (1974), which agency took over the responsibilities which the Concession Secretariat had in this respect.

The Remuneration of Foreign Capital and Manpower

The development of the Liberian national economy is not properly reflected by the growth of its Gross Domestic Product as the G.D.P. includes the income accruing to the foreign owners of capital employed in the production and to the foreign manpower involved in the production proces.
Exact figures do not exist because of the free export of capital - one of the basic privileges granted to the foreign investors under the Open Door Policy. Estimates indicate that

a very large part of G.D.P. is transferred abroad. Clower et al. even mention an amount equivalent to about 50 percent of the Domestic Product (25). This refers to the 1950's mainly. But in 1967 the Liberian Government reported through its Department of Planning and Economic Affairs that in 1960 Foreign Factor Payments had amounted to $ 47.8 million whereas they increased to $ 78.8 million in 1964, $ 81.3 million in 1965 and $ 88.3 million in 1966. Thus, payments to foreign factors of production represented "only" 34.5 percent of Liberia's national income in 1960 but in the mid-1960's the remuneration of foreign capital and labour was over 50 percent of Liberia's national income. Between 1960 and 1964 Foreign Factor Payments had increased by $ 39 million whereas National Income rose by only $ 15.3 million (26). The explanation for this steep increase of the share of foreigners in G.D.P. is the coming into production of LAMCO and Bong Mining Company (then called Delimco), two companies which were still in the planning stage and under construction in 1960.

At the end of the 1960's the Department of Planning and Economic Affairs still had to report that G.D.P. continued to grow faster than G.N.P. (27). In that particular year (1969) Net Domestic Product at factor cost was reported to be $ 329.2 million, whereas National Income only valued $ 211.4 million (28). Thus, Foreign Factor Payments amounted to $ 117.8 million and represented a weekly average of over $ 2 million. Although during the 1970's the growth rate of the National Income exceeded that of G.D.P. the level of Foreign Factor Payments remained high. During the first six years of the 1970's they averaged annually over $ 100 million whereas in 1975 they amounted to over $ 150 million. This represented more than 27 percent of G.D.P. at current factor cost and exceeded the estimated value of the output of the traditional economy ($ 117.3 million) (29). The favourable international economic conditions and notably the high iron ore prices are the main explanation for this exceptionally high level (see Table 69). As from 1975 the Ministry of Planning and Economic Affairs discontinued the publication of the amounts of Foreign Factor Payments. Reasons for this decision were not disclosed.

The total amount transferred abroad during the 1944 - 1979 period has been estimated at between $ 1.5 billion and $ 2 billion (30). As a consistent time table showing G.D.P. during the same period is not available - for reasons given above - the aggregate G.D.P. for this period has also been estimated. This estimate gives an amount of approximately $ 8 billion (31). It can thus be concluded that on the average in the 1944 - 1979 period between 18.7 percent and 25 percent of Liberia's Gross Domestic Product went abroad in the form of Foreign Factor Payments, or, an amount equal to from one fourth to one third of the National Income (monetary sector only).

There is a very unequal division of income between expatriates

TABLE 69

FOREIGN FACTOR PAYMENTS 1971 - 1976

(in millions of U.S. dollars)

Year	Interest Public Debt	Private Sector: Profits And Interests	Private Sector: Workers Remittances	Grand Total
1971	5.5	55.4	19.2	80.1
1972	4.6	63.6	20.0	88.2
1973	3.9	56.0	20.0	79.9
1974	4.3	85.4	22.0	111.7
1975	4.9	122.9	24.5	152.3
1976	4.6	80.3	25.0	109.9

Source:

- Ministry of Planning and Economic Affairs, Monrovia.

and Liberians, both employed in the monetary sector. In 1978, e.g. an expatriate (non-African) working in the iron ore sector earned nine times as much as his colleague, Liberian or other African (32). Unfortunately, there is no information available concerning the remuneration of expatriate and African personnel at the same level of responsibility, education and experience.

The Distribution of National Income and the Incidence of Taxes

There are also considerable differences between the per capita income in the traditional (subsistence) sector and the monetary sector comprising only Liberians. Whereas approximately 0.5 million people had an average per capita income of about $ 978 per year in 1978 the large majority of the Liberian population, about 70 percent, or some 1.2 million people, had an average per capita income of only $ 142 in the same year (33). Thus, the National Income, including both the traditional and modern sectors of the economy, is very unequally divided: nearly 75 percent of it went to about 30 percent of the population whereas 70 percent of the population shared the remaining 25 percent of the National Income.
There are no other recent figures available which afford a further insight into the distribution of the National Income. It goes without saying that not everybody who is employed in the monetary sector, an estimated 150,000 people in 1978 (34), received the same remuneration. The distribution of income in this sector is closely related, in the first place, to training and education, type of work, and level of responsibility. But in Liberia, the distribution of income is also related

to the distribution of power, which is almost as unequal.

On July 1, 1977 a new Revenue and Finance Law went into effect. It abolished the Austerity Tax which had taxed income below the statutory exemption (of Income Tax) of $ 1,500 per year. This thus favoured the lower incomes. Simultaneously the legislation with respect to the Hut Tax changed. Prior to July 1, 1977 this tax obligated each male tribal person of 18 years or more to pay $ 10 a year, regardless of economic status or income. After that date this was changed into a $ 10 Development and Progress Tax and a $ 5 Hut Tax which all adults became liable to pay whether they lived in multiple-occupant huts or not.

Both the old and new tax structures can qualify as progressive with respect to incomes of $ 1,500 and more per year but both tax structures are regressive from the income level of $ 1,500 per year downward when total personal taxes are considered. These taxes are comprised of Income Tax, Hut Tax and Development and Progress Tax. The new Revenue and Finance Law is even more regressive than the one it replaced as far as incomes of $ 1,500 or less per year are concerned. The new tax structure imposes twice the tax burden existing under the old structure, mainly affecting the poor rural people. It has been assumed here that two adults occupy a hut. Hence, it can be concluded that the new tax structure fails to effect any income redistribution towards the rural sector and conflicts with national objectives as formulated in the 1976 - 1980 Socio-Economic Development Plan (35). A comparative study of the old and new personal tax structures presented as a general conclusion that, with the new Revenue and Finance Law, (i) the lowest income group is taxed more than before, (ii) the urban poor enjoy some relief and (iii) the higher income groups pay slightly higher rates. It further recommended that since a sizeable portion of the National Income originates as non-wage income, heavier taxation of property income and the institution of inheritance tax will contribute significantly to a redistribution of the National Income (36).

It was shown in Chapter 10 that tax enactment and tax enforcement are far from synonymous in Liberia. Tax evasion is a national characteristic but those who are better placed generally succeed better in evading their obligations as tax payers. Not everyone, however, benefits from the political protection which family relations, social status and descent, and membership of the same club or Masonic Lodge provide. In 1978 e.g. the tribal people in Gibi Territory were forced to pay the $10 Development and Progress Tax twice. Whereas, in accordance with the law, the employer withheld ten dollars from their salaries which amount he transferred to local tax authorities, local tax collectors harrassed the same tribal people and forced them to contribute the $ 10 Development and Progress Tax a second time (37).

FORCED RECRUITMENT OF LABOUR

Two enclaves exist in Liberia. One is an economic enclave in which the foreign investors dominate. The second enclave is social, cultural, and political in character and is dominated by a small number of families of Americo-Liberian descent. Both enclaves depend on each other for their survival and the maintenance of their privileged positions. Both enclaves are separated by a big gap from the majority of the remaining population.
The political system excluded the local tribal population of the region from any real participation in the administration and governing of the country. A contempt for the tribal people and their society was the basis of the system of "apartheid" which was created and permitted the exploitation of the labour force made up of tribal people.
The way in which the Americo-Liberian population treated the tribal population is significantly illustrated by the Government's official labour policy. This topic has therefore been chosen to be included in this chapter although the history of Liberia provides many more examples which confirm the general remarks made above.

Slave Trade and the Export of Labour 1830 - 1930

As the colonial Dutch and British had been doing, the Liberian Government also engaged in the export of labour in the 19th century. The main goal served by this "labour policy" was to provide a Treasury, desperately in need of additional revenues, with money.
In 1852, during the Administration of Liberia's first President, Joseph J. Roberts, the British Government secured Liberian labourers for its colonies in the West Indies through the intermediary of the English firm of Hyde, Hedge and Company (38).
In 1887 Krus and Vais were recruited by the German trading company of Woermann and by a Frenchman, Xavier Pené, who in the same year shipped more than 1,000 tribal Liberians to Panama to work on the construction of the Panama canal. The Liberian Government received two dollars for each worker shipped (39). As the mortality rate was high among these immigrant workers, nearly 400 of them had died before the end of the year (40). This took place during the Administration of the first Liberian President who was born on African soil, Hilary R.W. Johnson.

In 1928 the defeated Presidential candidate of an opposition party, Thomas J.R. Faulkner, accused the President-elect, Charles D.B. King - who had won the elections with a landslide victory - of allowing slavery to exist in the Republic, and - worse - that certain highly placed government officials were engaged in the forced shipping of labourers to the Spanish Island of Fernando Poo and that they had made use of the Liberian Frontier Force to achieve this (41). (see Chapter 2)
It was not the first time since the arrival of the American black colonists that accusations of participation in slave trade were

heard. As early as 1830, but also in 1838, the Board of Managers of the American Colonization Society dealt with the cases of residents of the colony who had been accused of buying and selling slaves and assisting slave traders (42). This time, however, the country's highest political leaders were accused: the Standard-Bearer of the country's ruling political party and President of the Republic, the Secretary-General of the True Whig Party and Postmaster General, and the country's Vice-President (43).

About 1900 the recruitment of Liberian labourers to work on the cocoa plantations of Spanish colonists on the island of Fernando Poo had started. The inhuman working and living conditions on the island soon became known in Liberia and resulted in a suspension of this export of labourers for Fernando Poo in 1914 (44). However, during the second decade of the present century it recommenced but as conditions had not substantially improved, the shipment of Liberian contract labourers was outlawed in 1921.
The precarious financial situation which resulted for the Spanish planters motivated the Government of Spain to revive the contract labour for Fernando Poo at the end of the 1920's. (It should be mentioned that the contract labour, which in reality was a forced shipment of labour, was never completely banned as labourers - tribal people, mainly Kru - were smuggled out of Liberia. Reportedly, prominent Liberians were involved in these activities (45).)
Thus, a contract was concluded with a recruiting agency in Liberia. This agency promised to furnish 1,500 labourers annually, and it would receive a bonus of £ 5 for each labourer shipped.

After the accusations made by Faulkner a wave of international reactions followed resulting in the creation of a three member commission of investigation. One member represented the League of Nations, another represented the Government of the U.S.A. and the third represented Liberia (also see Chapter 2 for its composition). In the second half of 1930 the commission published its findings, presented in the "Christy Report", named after the commission's chairman. History books used in Liberian schools only mention the first conclusion of the Report:

> *"Slavery as defined by the Anti-Slavery Convention, in fact, does not exist in this Republic."* (46)

but deliberately omit the Commission's conclusion that the Liberians who were recruited to work on the Fernando Poo island were treated like slaves:

> *"Shipment to Fernando Poo and Gabon is associated with slavery because the method of recruiting carries compulsion with it."* (47)

The use of the services of the Liberian Frontier Force was denounced to by the Commission:

> *"The Liberian Government has not expressly at any time given sanction or approval to the recruiting of labour with the aid of the Liberian Frontier Force."*

But most embarrassing was the commission's conclusion that

> *"Persons holding official positions have illegally misused their office in recruiting with the aid of the Force."* (48)

Following the publication of the Christy Report the Liberian House of Representatives started the procedure to impeach President King. The latter hastily resigned. He thus escaped a public trial as Article I, Section 7 of the Liberian Constitution reads:

> *"No person shall be held to answer for a capital or infamous crime, except in cases of impeachment."*

Vice-President Yancy made the same decision, defended and advised by his cousin, the lawyer William V.S. Tubman. Both resigned in early 1930 and the then Secretary of State, Edwin Barclay, became the country's new President. Thus the Liberian Constitution was violated as it stipulates that the Speaker of the House of Representatives is to succeed to the Presidency in such a case.

Liberia had signed the Anti-Slavery Convention of 1926. Article V of this Agreement provides that

> *"It is agreed that subject to the transitional provisions laid down in paragraph (2) below, compulsory or forced labour may only be exacted for public purposes."*

In reality, however, compulsory labour for private purposes of Liberian officials was common throughout the republic, and only tribal people were made to suffer.

But not only Americo-Liberians benefited from the fruits of forced labour. A large foreign private enterprise installed in Liberia since 1926 was also involved, as the Christy Report stated:

> *"Labour for private purposes is forcibly impressed by the Government, and used in the Firestone Plantations".* (49)

It was pointed out by a former Vice-President of Liberia (1944 - 1951) that since the U.S. Government had supported Firestone's plans and ambitions from the beginning of its operations, it too was to be criticised in this respect (50).

Since its arrival Firestone had used forced labour - recruited for it by the host Government - which (eventually) contributed greatly to its huge profits. Therefore, a further look into "Firestone's Labour Recruitment Policy 1926 - 1962" is more than justified.

Firestone's Labour Recruitment Policy 1926 - 1962

At first it is puzzeling as to why a large scale and labour-intensive economic venture which was rubber production was introduced into West Africa in a region which is relatively sparse in population, i.e. in Liberia. As explained in Chapter 3, climatic conditions in the area, a soil suitable for the production of rubber, the belief that labour was sufficiently available, and the cooperation of certain Government officials mainly accounted for the start of large scale commercial rubber production in Liberia.

In the 1920's, however, no reliable data with respect to the country's population and its labour potential were available. The Liberian Government had never carried out the constitutional obligation to take a Population Census at least every ten years. It

was wrongly thought in those days that the total population numbered between 1,500,000 and 2,000,000.
This partly explains why Harvey Firestone secured concession rights in an area of 1 million acres. He considered the country's labour potential as "practically inexhaustible" too and foresaw no problem in employing a labour force of between 300,000 and 350,000 people, the number which a 1 million acre rubber plantation would require. The Liberian Government should have known better. The shortage of labour had already, during the 1890's, greatly contributed to the collapse of the coffee plantations. But even when accepting the population figure of more than 1.5 million this still would have meant that almost the entire adult male population of the country would have been employed on the Firestone plantations. This may explain why Harvey Firestone inserted a clause in the Planting Agreement obliging the Liberian Government to assist the Firestone Company in securing an adequate labour supply since the same Agreement forbade the importation of unskilled labour.

With respect to the employment of Liberians, Harvey Firestone wrote to President King on December 2, 1926:

> *"(...) Such labour so employed shall be free to bargain for its terms and conditions of employment with the Company and shall be free to sever its employment with the Company at its own will and convenience. We desire to point out to the Government again that the success of our development in Liberia is largely dependent upon the organization of a permanent and contented labour force. This can be done through free and unrestricted employment and upon terms and conditions which are agreeable to the laborers themselves".* (51)

Prior to Firestone's arrival in Liberia the employment in the monetary sector of the economy was practically limited to the civil service and a small number of trading companies. Firestone needed thousands of labourers for the clearing of the lands on which the plantation was to be developed and tens of thousands of rubber tappers once the rubber trees would mature. The company envisaged initially to plant 80,000 acres each year with rubber trees, until one million acres would be used. As these large numbers of labourers needed would never be attracted voluntarily from the subsistence sector of the national economy, a recruitment system was introduced through which the North American rubber company was supplied with sufficient labour. To realise this, Firestone had secured the contractual support of the host Government.

Shortly after Firestone had been granted the 1 million acre concession, political developments in Liberia led to the events compromising the political top of the country. Twelve days after the resignation of President King, the recruitment of labourers for shipment overseas (!) was outlawed. The Act which prohibited recruitment practices for shipment overseas implicitly recognised Firestone's growing need for large numbers of labourers where it

stated that

"(...) and whereas in the interest of the national economy it is urgently requisite that such recruiting be prohibited (...)" (52).

The country's economic and employment situation of those days was nearly self explanatory. A few hundred people were employed by the Government, virtually all recruited from the ranks of the Americo-Liberians. Further, there was some employment provided by some foreign trading firms operating in the country. But the only employer of significance in the country was Firestone. This company employed more than 10,000 labourers on its plantations in 1930. As early as 1928, however, more than 8,500 had not come to work for Firestone voluntarily (53). The forcible character of the recruitment was also mentioned by an old Liberian man who was interviewed by the present author. According to his own words, he was

"a small boy when Firestone came to Liberia."

During the interview he stated that during the King Administration soldiers of the Liberian Frontier Force would come to the villages and compel people to leave for the Firestone plantations to work there (54).

In general, the recruiting system worked as follows: each Chiefdom of the Hinterland had to supply a fixed number of men for work on the Firestone Plantations. This quota system was established by the Secretary of the Interior and the Firestone management. The men were actually recruited, however, by the Department of the Interior through the tribal chiefs who received a commission for their cooperation. If fewer workers than the prescribed quota were sent to the Firestone plantations, these chiefs would get nothing.

Once the recruited men had left their tribal villages, on their way to their new work site and employer, the chiefs' responsibility for supplying labour ended. The numberous cases of desertion - workers who refused to accept this involuntary employment at the Firestone plantations and who subsequently left the plantations after some time - could not release Firestone from its obligation to pay these chiefs their commission fees. Liberian law, however, prohibited tribal people from residing without authorisation in an area belonging to tribal people other than their own clan. Thus these "drop outs" had no legal alternative but to return to the ancestral villages from where they came. Then they could be accused of disobeying orders from their Clan Chief which is considered a serious offense in a traditional society.

In the late 1920's Firestone paid these tribal chiefs one cent a day for each worker and the same to the Interior Department/the Liberian Treasury. The U.S. rubber company paid its workers one shilling (equal to 24 cents) a day, supplementing the wages with a supply of food (rice, fish and oil). A noticeable characteristic was, further, that if on a very rainy day the abundant precipitation would prevent any work, the labourers would not get any pay since they were hired on a daily basis (55).

The principles of this recruiting system remained unchanged until

1962. In the 1950's the tribal chiefs received commissions varying from 10 cents a month during the rainy season, to 15 cents a month during the dry season, for each man sent to the Firestone plantations. To provide additional incentives, the Firestone management then gave these chiefs a bonus each month of two cartons of cigarettes and two bottles of whiskey (56). In 1956, the number of workers recruited through this system amounted to 15,100 whereas Firestone's total labour force was more than 20,000 workers and employees. In 1961, more than 16,000 tappers were reported to have been thus forcibly recruited. They represented more than 50 percent of the total number of rubber tappers (57). Firestone Plantations Company was not the only company that resorted to these dubious recruiting methods. Other foreign owned rubber plantations, e.g. B.F. Goodrich, as well as Liberian rubber growers, resorted to the same practices. Apparently, nobody seemed to realise that when intermediaries are paid for the recruitment of forced labour, there is only a thin line separating this practice from slave trading (58).

In August 1961 the Government of Portugal filed a complaint with the International Labour Organisation (I.L.O.) concerning the observance by the Liberian Government of the Forced Labour Convention of 1950. Before the commission which had been appointed by the I.L.O. to investigate this complaint published its findings in 1963, the Liberian Legislature hastily enacted a law regulating the recruitment of labour in Liberia (1962) thereby outlawing the recruiting system described above.

The Interests of the Liberian Rubber Producers

Firestone's employment policy cannot be explained without any reference to a group of independent Liberian rubber farmers who used the same recruitment system to secure workers to tap their rubber trees. This group mainly involved and still involves the so-called "absentee farmers". These are Liberians, usually of Americo-Liberian origin, whose main occupation was in Monrovia or in one of the other coastal settler cities. They would pay their workers even less, generally, than Firestone and sometimes would not even pay them regularly.

The start of commercial rubber growing by Liberian farmers dates back to the early 1930's when several Americo-Liberians followed the example set by Firestone. As early as 1928 the latter had started to distribute more than 30,000 rubber tree stumps and 100,000 rubber seeds free of charge to Liberian farmers (59). In this period the first Liberians thus started to develop rubber plantations. Leading personalities of the Americo-Liberian community included among these pioneers were former Presidents Charles King and Edwin Barclay, former Secretary of the Treasury, James F. Cooper, former Vice-President (1944 - 1951), Clarence L. Simpson, former Secretary of the Treasury (1940's), William E. Dennis, and Richard S.S. Bright. Also included was Mrs. Maude A. Morris, the mother of Harry L. Morris, one of Liberia's largest plantation owners in the 1960's and 1970's. In 1946 there were

about 140 Liberian rubber farmers. In 1962 their number had risen to nearly 3,000 (60). By the end of 1966 they numbered well over 4,000 (61).

Not all of these rubber growers were of the same economic importance. Firestone provided these farmers, the nucleus of which was formed by prominent government officials or former government employees, with necessary advice, materials and equipment. The produce of these farms was subsequently sold to Firestone. As Firestone was the only foreign rubber producer until about 1960, the interests of the Firestone Plantations Company and those of the Liberian rubber producers thus became closely linked.
An investigation made for the period of the early 1950's, revealed that the Firestone assistance was exclusively performed for plantations owned by Americo-Liberians: all 92 Liberian rubber plantations visited by the company's Farm Advisor in 1952/1953 were owned by Americo-Liberians. During the same period field inspections of 16 farms were made. These were exclusively owned by Americo-Liberians. The mapping and retasking of 10 Liberian rubber farms also benefited solely Americo-Liberian owners such as C.D.B. King, J.T. Phillips, W.R. Tolbert, R.S.S. Bright, J. Emery Knight and others. Nothing was charged by Firestone for performing these services (62). In this reporting period, Firestone also freely distributed rubber stumps in accordance with the size of the rubber farms: the larger the farm the more stumps would be provided. Thus, McKinley A. DeShield, the Secretary-General of the True Whig Party and Postmaster-General, was given 10,000 stumps in 1953 (63).

As most of these beneficiaries occupied important positions in the Government, their dependence on Firestone with respect to technical and material support as well as for the sales of their produce, was skilfully exploited by the North American rubber company. In case of a strike, Firestone's immediate reaction has always been to suspend the purchase of rubber from Liberian farmers until the dispute had been settled (64). It should be remembered that the U.S. rubber company had no obligation to buy rubber from Liberian producers. These strikes, which were invariably caused by the company's wage level and the working and living conditions on the plantations, were subsequently ruthlessly dealt with by the Administration.

This dependence is clearly illustrated by the purchases of rubber on the part of Firestone. In 1952, 72.9 percent of Firestone's rubber purchases at Harbel were supplied by only 45 Liberian rubber growers, most of whom were absentee-farmers, i.e. Government officials. The overall number of Liberian planters in that year was 792 (65). This characteristic feature of the ownership structure of the Liberian rubber plantations has hardly changed. A quarter of a century later, in 1977, among the ten largest Liberian rubber producers in the Harbel area were Harry L. Morris, W.V.S. Tubman, R.S.S. Bright, Charles D. Sherman and W.R. Tolbert, Jr. In Maryland County, about 25 percent of all rubber sales to Firestone-Cavalla came from one single plantation, the W.V.S.

Tubman Estate (66). Interestingly, according to an expatriate Rubber Advisor, only one of the 25 largest vendors in Maryland County paid his corporate income taxes (67).

The same foreign Rubber Advisor showed the present author the file of one of these 25 largest Liberian owned rubber farms in the Cavalla area. The wage bill in it showed that nobody received the legal minimum daily salary of $ 1.50. Most of the tappers included earned between 75 cents and one dollar a day. During the conversation which followed, he stated that he also knew that many tappers in Maryland County did not get paid more than 50 cents a day. The tappers employed by Firestone were better paid. In the same year, 1978, Firestone paid a basic daily salary of $ 1.55. At the end of the interview he told the following history which clearly illustrates the distribution of privileges in Liberia. When one of the labourers on the Firestone plantation had an accident during the performance of his duty and consequently lost his left arm, Firestone paid him $ 1,800 in damages, equivalent to 30 months' salary. Our British Rubber Advisor, with long experience in the Far East, was of the opinion that Firestone should pay the worker substantially more. Thus, when he met the Liberian Minister of Labour some time later, he did not hesitate to mention this. The minister's only reaction was:

> *"What do you think my colleagues will tell me since they all have rubber farms too?"* (68)

It is against this background that the low wage level and the absence of trade unions for agricultural workers in Liberia should be considered. Thus, Firestone's most important contribution to the Liberian economy, the development of a Liberian owned rubber sector, strengthened the position of the politically powerful people and increased their economic wealth and power. This was achieved by the supression of one of the constitutional rights of the Liberian people: the right to organise. Consequently, this prevented an improvement of the working and living conditions on the Firestone plantations as well as on those owned by others. The future of the Liberian rubber industry is further clouded by a seemingly inevitable labour shortage since the children of rubber tappers who have been so fortunate as to find a place in school, will not readily agree to do the same poorly paid work as their fathers had accepted.

CHAPTER 14

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

One of the major conclusions of the present study is that in spite of a long history of foreign investments, Liberians today, in general, still lack the basic skill and experience to satisfactorily perform the management and technical duties which expatriate managers, mining engineers and other technicians, administrators and bookkeepers hold in foreign companies operating in the country. The multinational corporations could have contributed more substantially to the growth and development of the Liberian economy than they actually did.

The disappointing results of the transfer of technology teach us that guest companies will collaborate with the host country for the establishment of vocational training centres. They will also finance fellowships abroad or other activities which are in the interest of the company involved since these may eventually reduce local costs, but these companies are reluctant to collaborate in cases where their immediate interests are at stake. In general, their investments are supply oriented. The nature of these investments makes some control over the nation's natural resources imperative.
In protecting their commercial and financial interests, the foreign investors found important allies within the governing elite in the country. Both groups feared the majority of the Liberian people which could reduce or even eliminate the privileges they both enjoyed in the event that they would have come in control of the political system. Still, at least a potential controversy exists between the foreign investors and the ruling minority of Liberia since the former also rejected the idea of being controlled by Americo-Liberians while exploiting the country's natural resources. The latter had no choice but to accept the economic domination of foreign capital and manpower if they wanted to survive politically in a country where the tribal population outnumbered them more than fifty times.

As this study has made clear, the Americo-Liberian preference for foreigners over tribal Liberians to build up a modern economy dates from the beginning of the present century, if not earlier. The tribal people were merely used by the politically elite if they were needed. Thus, tribal people were granted citizenship in a period when the Liberian Government needed to justify its claim and consequent defense of the Hinterland (1907). The granting of suffrage and other political rights had a very limited meaning given the country's de facto one party structure and the power of the ruling True Whig Party. When an increasing number of foreign companies entered the country and when in surrounding areas the colonial powers withdrew, the Liberian Government introduced a major administrative and political reform, granting the tribal people of the Hinterland representation in the

National Legislature. This decision, however, was accompanied by a move in which the coastal counties, where the Americo-Liberian population dominated the tribal people politically, were expanded to the detriment of the Hinterland area (1964). When, in the following decade, the official Liberian policy with respect to the use of Liberian manpower by foreign investors became one of "Liberianization" this mainly referred to the employment of highly qualified people who almost by definition were Americo-Liberians. Since the number of Americo-Liberians with a good education, often obtained abroad, was increasing and since the already overpopulated ministries could no longer absorb those who had returned from abroad after successfully completing their studies, there was a need to find well paid jobs for these relatives and friends of those in power. This, in fact, formed the basis of the "Liberianization" policy which in 1973 was introduced by President William Tolbert.

The wealthy and politically powerful Liberians continued to prefer the employment of foreigners, even at managerial level, in enterprises of their own despite the lip-service publicly paid to "Liberianization". Without any difficulty, some twenty "exceptions" to the official Liberianization policy can be shown. It is concerned here with private enterprises, owned by Liberians as well as public corporations and partially Government owned companies. The most notable example is the multi-million dollar business empire of the Tolbert family, the Mesurado Group of Companies, with investments in Liberia, Nigeria, Sierra Leone, England and The Bahamas. A group of Englishmen had been hired in the 1970's which was responsible for the daily operations of the various companies. There were also other examples of expatriate management of Liberian owned enterprises. President Tolbert's rice, rubber and palm oil farm in Belafanai, Bong County, was run by an expatriate from the Phillipines; the W.V.S. Tubman Estate in Maryland County which produced rubber, was being managed by a Chinese; Charles D. Sherman's palm oil plantation in Grand Cape Mount County was headed by an expatriate from Belgium and Libtraco, another fully owned Liberian Company, employed foreigners in managerial positions (Germans).

Publicly owned enterprises and ventures such as Air Liberia, Robertsfield International Airport, Robertsfield Hotel, Ducor Hotel, Africa Hotel, the entire O.A.U. Conference Center as well as the Liberian Produce Marketing Corporation (L.P.M.C.), the Liberian Rubber Processing Corporation (L.R.P.C.), the Liberian Rubber Articles Manufacturing Company (LIRAMCO), Agrimeco, and the Liberian Petroleum Refining Company (L.P.R.C.) were managed by expatriates or by foreign companies holding management contracts. The same applied to partially Government owned companies such as the National Iron Ore Company (N.I.O.C.), the Liberian Bank for Industrial Development (L.B.I.D.), the Central Printing Press Inc., and the Liberia Timber and Plywood Corporation (formerly called Vanply of Liberia) which is 51% owned by the True Whig Party.

If one adds to the employment of expatriates in fully owned Liberian enterprises, the investment activities of wealthy Liberians in countries other than their own, serious questions can be raised not only as to the sincerity but also to the feasibility of the long term objective of Liberianization of labour and of capital. Although there is an unknown flow of capital out of Liberia which the country greatly needs for development projects, the case of the Mesurado Group of Companies may be cited as one example. There are also the examples of a rich businessman from Marshall Territory, a Senator from Cape Mount County as well as a Senator from Maryland County, the former Chairman of the True Whig Party, and the President of the Bank of Liberia. It should be born in mind that the use of foreign capital, know-how and labour should be a temporary affair aimed at filling the gap which prohibits the national population from participating in the exploitation of the country's natural resources.

Another major conclusion of the present study is that a reform of the concession sector is long overdue. Such a reform should eradicate the errors and anomalies of the past by improving the administration of natural resources. It would result in an increase of the Government's income from the foreign owned sector of the national economy and contribute to the development of a more balanced economy with a diversified production structure. It will also raise the standard of living of those Liberians who have contributed to the concession sector without sharing adequately in its material success.

The third major conclusion is that the functioning of the Government depends to a very large extent upon foreign investments and foreign funds. We have seen that during the last decades, direct income from the concession sector formed nearly one third of total Domestic Revenues whereas the total flow of foreign funds to Liberia even exceeded the total direct income from the concession sector. If the Government wants to maintain the same level of public expenditures it must continue its reliance upon foreign investors and their Governments. Besides, the produce of the concession sector, which is completely exported, partially permitted the import of certain goods which are not produced in the country. Furthermore, the concession sector employs some 50,000 people or nearly 30% of the total employed labour force in the monetary economy. This leads us to the fourth major conclusion.

The continued exploitation of the country's natural resources by foreign private investors appears indispensable at this stage of the country's economic development if the Government wants to avoid the immediate collapse of the modern economy. The fact that Liberians have not prepared themselves to take over from the foreign investors only adds another argument to this conclusion. This does not necessarily exclude, in the not too distant future, active participation of Liberians or of the Liberian Government in the exploitation of the country's natural resources though, notably, the latter's role should be handled extremely carefully.

The creation of state owned companies, as such, will not provide a solution to Liberia's problems. Any decision in this respect taken by the Government of Liberia must include provisions to reduce the large number of malperforming public corporations in order to stop the unwise spending of public funds. Funds will thus be freed to invest in any new company and manpower made available to operate and administer such a company. In any case such a reorganisation of the public sector is highly recommended. Above all, what is needed is sound management of companies which have clearly defined objectives and which protect the interests of the Liberian people.

Policy Recommendations

To improve the future impact of foreign investments on the development of the Liberian economy and society four basic changes in the handling of concession affairs by the Government of Liberia are required:

(1) the setting up of an efficient administration with proper files;
(2) the training of staff personnel dealing with the concession sector and all aspects related to it;
(3) a clear formulation of Government's principles and objectives as well as the methods to be used to realise them;
(4) the eradication of corruption through the legal prosecution of those involved in corruption regardless of class, tribal background, family status, race or nationality.

Moreover, it should be realised that above all it is the political will which determines the effectiveness of the policy towards foreign investors.

The four prerequisites for any improvement, mentioned above, are highly interrelated. To implement the first one, the second should be realised also. Furthermore, both parties involved, Government officials/employees and the foreign business community, can only work efficiently when Government policies are clearly formulated, making it impossible to interpret them in more than one way and when they cannot be tampered with, neither by Government officials nor by investors,
This will also require less power of the President who actually may change or adjust the concession policy at will, while simultaneously reinforcing the legislative branch of government, the National Legislature. In this body, conflicts of interest should no longer be allowed to exist. Thus, legislators should not be allowed to represent any foreign company or provide legal advice or assistance to such company.

The formulation of the basic principles of the general Government policy with respect to the concession sector, of the objectives to be achieved and of the methods to be used, should be laid down in a "Plan of Action".

An example of a basic principle underlying the policy towards foreign investments is the respect of the existing rights of the people of Liberia. These rights had been violated too often, particularly during the Tubman Administration. Therefore, acceptance of this principle should be accompanied immediately by measures to restore the past infringement upon these rights if such is possible.

One of the objectives which has high priority and which should be included in the Plan of Action is the acquisition by Liberians of more skill and experience in the administration and exploitation of the country's natural resources and, more generally, the efficient use of its economic potential. Indeed, the realisation of this goal represents a situation which is long overdue. After more than fifty years of large scale commercial rubber cultivation in their country, Liberians, in general, still have a modest level of experience in this respect. Research to improve the quality of the rubber produced, to test new varieties or to introduce new production techniques is an exclusive affair of the foreign investors. Related to this, productivity on rubber farms and plantations owned by Liberians is substantially lower than that on the plantations of the foreign concessionaires. Processing of rubber by Liberians, one can say, is virtually non-existent. The Liberian Rubber Processing Corporation (L.R.P.C.) and LIRAMCO form the only examples of rubber processing industries which are owned by Liberians (the Government). The former was only created in 1975 whereas the latter succeeded the West African Shoe and Rubber Industries Ltd., which had not proved successful, in 1976.
In the area of iron ore mining the picture is not very different. Although the first foreign mining engineers and managers of Liberia's first iron ore mining company entered the country more than a generation ago, Liberians, today, in general still cannot be considered to have reached a level which permits them to operate and manage a large scale iron ore mining venture. Concerning the local processing of the raw material, the Economic Commission for Africa of the United Nations Organisation recommended, as early as 1964, that a steel plant be established in Buchanan which would serve the whole of the West African region. In spite of its efforts, the Liberian Government has never been able to find investors who were interested in financing this project.
Without a consistently applied long-term policy which aims at the development of a timber processing industry, the forestry sector may share this fate. The economic consequences are the more important since, of these two products, iron ore is a non-renewable product whereas the renewal of tropical timber, though possible, will take as many as 40 years.

In the presentation of the following recommendations and suggestions all of which are based on the present study, the author has intentionally avoided going into detail by referring to individual concession agreements unless the general policy with

respect to foreign concessionaires is involved. The respective chapters dealing with the major concessionaires have already dealt extensively with principal weaknesses, dificiencies and omissions of the various concession agreements, both with respect to their formulation and their implementation.

Three categories of concession agreements have been distinguished.

(1) The so-called "sleeping agreements": concessions which, one year after the signing of the concession agreement, still have not become operational. These agreements should immediately and without reservation, be officially revoked by the Government. The present practices have resulted in a situation which cannot be allowed to continue since the Liberian Government has granted territories to foreign concessionaires which exceed the total area of the country. This situation inevitably occurred since no records were maintained as to the number of concessions granted much less the total cumulative acreage involved.
Another consequence of the above described practices is that legal holders of concessions who fail to make their concession operational, prevent more serious investors from making use of the available investment opportunities and further hinder the development of the country.

(2) The second group of concession agreements embrace all agreements which have been signed for less than one year and which still have not become operational. These concessionaires should be given a deadline on which production activities must have begun. This period should in no case exceed twelve months. Failure to comply with this official request would automatically result in the definite cancellation of the agreement. Since the Plan of Action to be adopted would include the provision in all new, as well as old, concession agreements that production must begin within a well defined time period, this second category would only exist temporarily.

(3) The third group of concession agreements includes all foreign owned concessions which are operational as well as all future concession agreements.

A "Plan of Action" is proposed which should be executed in two phases. During Phase I, all agreements of the second and third categories (see above) should be immediately subjected to discussion and, if necessary, revision. The suggestions mentioned below to improve the concession sector and the study presented in the preceeding chapters will provide valuable elements to consider when discussing these agreements.
After all agreements will have been satisfactorily discussed and possibly revised ("Phase I"), a general policy of renegotiating

concession agreements will be introduced ("Phase II"). During this phase each five to seven years every concession agreement will be reviewed in conformity with the then prevailing government policy and in the light of new economic realities. To facilitate this work, during Phase I there should be included in every concession agreement a provision which obliges the concessionaire to submit reports regularly to the Liberian Government on general or specific affairs as well as a provision which will guarantee the company's collaboration with the Government in any case that the latter deems useful. Failure to comply with these obligations might eventually result in losing the concession.
The institution which seems to be the most appropriate to execute this task is the National Investment Commission, created in 1979 after the merger of the Concession Secretariat of the Finance Ministry, with the Liberian Development Corporation, a public corporation.

Recommendations to Improve the Concession Policy

I. A uniform policy should be adopted for identical operations, based on Model Concession Agreements

This, in fact, is not a completely new view since during the early 1970's a Model Mining Concession Agreement and in the second hald of the 1970's a Model Timber Concession Agreement had been formulated. Moreover, the Firestone Concession Agreement of 1976 was to serve as a Model Concession Agreement which was meant to be applied to the entire sector (rubber plantations). However, the Model Concession Agreements with respect to the iron ore mining and the timber sectors were not always respected when negotiating with individual potential investors. The resulting idea of favouritism is difficult to explain or remove. In some cases, it even arouses the suspicion of bribery and corruption.

The 1976 Firestone Concession Agreement never served as a Model Agreement for the other foreign rubber producers as a result of the opposition of the other major rubber concessionaires. This, though, has created an ambiguous situation which is difficult to explain from the point of view of the origin of all foreign investments in Liberia: The Open Door Policy. This policy stands for equal opportunities for all foreign investors and traders. Actually, the Firestone Plantations Company is discriminated against with respect to the other foreign rubber growers. To enjoy the same advantages which its concession agreement permits as well as the agreements held by the other owners of rubber plantations, Firestone must pay a higher price than the other foreign owned rubber plantation companies. If Liberia wants to maintain its Open Door Policy, it must respect the "most favoured company" principle. According to this principle, the most advantageous conditions offered to one foreign investor also apply to all other foreign investors with a valid concession agreement.

II. The Government of Liberia should assume total control over the nation's natural resources

The foreign investors should operate within a framework which the Government of Liberia defines or indicates and which is based on the principle of national souvereignty. Actually, this right over the country's natural resources has been given away to foreigners as in the case of the LAMCO J.V. and the Bong Mining Company. In other cases the Government tacitly allows the illegal infringement upon this souvereign right by foreign capitalists.
In the first case, involving the LAMCO J.V. and B.M.C., the Liberian Government's participation of 50% has become a token affair since the power to decide has been ceded to management companies which are exclusively controlled by foreign (Swedish and German respectively) inverests. In the second case, foreign owned gold and diamond mining companies as well as logging firms loot the interior of the Republic.

III. The Treasury's intake from the concession sector should be increased

In spite of the some time 50 - 50 ownership structure, one cannot speak of equal sharing between the concessionaires and the Government of the benefits of the enterprises undertaken. For various reasons, the Liberian Treasury does not receive 50% of the net proceeds of the venture in those cases where it should.

The following example may illustrate this conclusion: Since the start of the very profitable iron ore mining operations in the Nimba Mountains in 1963, LAMCO has never paid one cent in corporate income taxes. Gross profits in the 1963 - 1977 period amounted to $ 237.8 million of which the Government of Liberia, the owner of 50% of the capital stock of this company, only received $ 53.8 million. Another $21.0 million was received as royalties, most of which was after the 1974 revision of the concession agreement. Thus, Government income from LAMCO totaled $ 74.8 million. The share of the foreign partners holding the other 50% of the capital stock amounted to $ 163.0 million in the same period.
The U.S. partner in the Joint Venture, Libeth, also earned more from the mining operations than the Government of Liberia. It reported $ 102.1 million as gross profits in this period, $ 36.5 million of which was paid to the Liberian Treasury as corporate income taxes, the remaining $ 65.5 million (rounded figures) being the share of the Bethlehem Steel Company, the parent company of Libeth. Besides, the U.S. steel manufacturer is interested, above all, in a guaranteed supply of iron ore for its steel plants in the U.S.A.
For these reasons, it is first recommended that all double counting in tax deductable items, even if approved by the National Legislature or the President of the country, should be immediately revoked. Secondly, that long term income tax exemptions as well as duty free privileges should be eliminated. Thirdly, that all concession agreements should include a pricing arrangement since the fixing of the selling price forms the basis of profit

calculations and consequently of the Treasury's income. The pricing arrangements to be included should protect the financial interests of both Liberia and of the foreign investors. Fourthly, that all regular payments of concession holders to the Liberian Treasury such as rental payments, stumpage fees, e.g. should be tied to an index only after these payments have been standardised in conformity with Recommendation I mentioned above. This index can be based on the rate of inflation, the terms of trade, the monetary fluctuations of the U.S. dollar (legal tender in Liberia) or on the value of the Special Drawing Rights of the International Monetary Fund.

The Liberian Government should realise that in many cases the desire to make profits is not the only or main motivation of foreign capitalists for investing in Liberia. They are, above all, interested in a guaranteed supply of certain raw materials. One may cite as examples in this instance, the U.S. owners of rubber plantations, the U.S. as well as German steel producers behind the iron ore companies and numerous logging companies. Liberia should carefully but skillfully exploit this need of foreign companies.

Finally, one is reffered to Annex 18 which clearly establishes that the Government's income from the concession sector can be considerably increased.

IV. <u>The services of legal experts should be employed in order to modernise the concession agreements and to correct omissions</u>

The services of legal experts should be solicited to examine whether the Liberian laws are up-to-date and appropriate for the purposes of protecting the economic interests of the country. The following examples may serve as illustrations. The Liberian Revenue Law is silent on the treatment of shut-down expenses. This gap must necessarily be filled. The omission was only realised in the late 1970's with the closing down of L.M.C. Another issue which was not covered by the L.M.C. Concession Agreement was the payment of severance pay by the concessionaire when it ended its mining operations in Bomi Hills and laid off some 2,000 people. The long fight (1977 - 1980) between the Government of Liberia and the mining company over the severance payment was partially won by the Liberian Government. All concession agreements have this omission, therefore they should all have a provision added which obliges its owners to pay a well defined severance pay in case of permanent or prolonged shut down of operations. This is the more important in view of the expected depletion of LAMCO's main ore body in the Nimba Mountains in 1986.

V. <u>Concession agreements should never include provisions which are not enforced or which are redundant</u>

Provisions in existing concession agreements which application has never been realised should either be enforced or cancelled.

Most notable among these clauses are the provisions with respect to health care for the company's employees and the education of their children. The Liberian Government should address itself as to whether the inclusion and enforcement of such obligations of the employer are justified or whether it considers these activities as the exclusive responsibility of the National Government. If the latter would be the case, the foreign investors' role would be limited to the payment of a fair amount of taxes and/or royalties and to contribute to the development of a balanced economy in conformity with the economic policy of the Government of Liberia.

VI. Natural resources should be exploited economically

In the iron ore mining sector another gap must be filled. Reference has already been made as to the necessity of the Liberian Government effectively controlling the natural resources of its country. Iron ore mining agreements should include a clause which guarantees more than a "balanced exploitation". It should be required that both high grade ore (hematite, 68 percent ferrous content) and low grade ore (itabirite, 35 to 45 percent ferrous content) be extracted. Of course, such a requirement should not conflict with a rational exploitation of the natural resources or with the outcome of a feasibility study. As shown in chapter 8, this principle directly applies to the operations of the LAMCO J.V.

Abuses also exist in the timber sector which should be stopped without delay. The so-called "creaming of the forests" is an example of such an abuse (see chapter 9). Further, by definition, illegal harvesting of timber is unacceptable but in case it is done by companies which hold legal concession agreements, these foreign investors should be exemplarily dealt with to make clear the Government's determination to "clean" this sector of the national economy.

This also applies to illegal mining operations, notably those involving gold and diamonds. Each year Government is deprived of considerable revenue when these valuable commodities leave the country uncontrolled.

VII. Local lumber processing obligations and reforestation regulations should be enforced

Another way to improve the performance of the forestry sector concerns the strict enforcement of the alread existing obligation of the logging companies to process the produce of their activities in Liberia. In addition to this, the companies should be obliged to contribute to the reforestation of areas which they have harvested and with species prescribed by the Liberian Government or its representative in conformity with a national reforestation policy and programme. The Forest Development Authority could assume the role of executing agency in this respect. It is incumbent upon the government to define such a national reforestation policy and programme.

VIII. Guidelines for future concession agreements

For future concession agreements some principles should be observed:
First, no concession agreement should be granted by the Government if the necessary investment funds have not yet been committed. It should be observed that this condition does not set in motion, or maintain, a vicious circle making project financing and Government's approval of the venture dependent upon each other.
Secondly, concession areas should be granted which are in realistic proportion to the manifested intentions of the prospective investor, his contractual obligations and the proven availability of funds (for investments, working capital and contractual obligations such as reforestation, severance pay etc.). By all means, the overlapping of concession areas granted to different investors should be avoided by improving the Government's administrative structure supervising the concession sector.
Thirdly, when negotiations are being held with potential investors from a particular country the services of legal and fiscal experts from the same country should be sollicited in order to exploit to the maximum the possible legal and fiscal constructions from which Liberia may benefit.

ADDENDUM

On April 12, 1980, a military coup d'état brought Master Sergeant Samuel K. Doe and the People's Redemption Council to power. The first Liberian President of tribal descent is a member of the Krahn tribe from the eastern part of Liberia.

In the second half of the 1970's, the Tolbert Government had officially launched a campaign against the importation of rice with the slogan "It's no joke, no more imported rice after 1980." On May 30, 1978, Deputy Minister of Agriculture Jenkins Baker said in The Liberian Age that the concessions were responsible for one third of the rice imported into the country and most of the people working there were formerly producers but are now consumers. Most of the rice now imported into the country is consumed largely by coastal dwellers and that the Hinterland is self-sufficient in rice production. The campaign was accompanied by ministerial suggestions to increase the price of imported rice from $ 22 to $ 30 a bag of 100 lbs., the price of a 100 lbs bag of local milled rice was to be increased from $ 22 to $ 25.

The urban population was outraged about these proposed price rises and the increased costs of living which would result. In 1977 about 75,000 people of working age in Monrovia were unemployed, which represented about 55% of the potential labour force in that city. They were also concerned about the status of the Tolbert family. The President himself was the largest rice producer in the country and one of his cousins was the country's largest rice-importer. The Liberian people feared a further influence by the Tolbert family. One of Tolbert's daughters, a Deputy Minister of Education for Instruction, had the monopoly on the sales of school books in the country. The Mesurado Group of Companies also owned several monopolies with respect to the production or importation of products. Besides, everywhere in high positions there were members of the Tolbert family. The mayor of Monrovia was a cousin of the President, the President Pro-Tempore of the Senate was Tolbert's brother and had sworn him in as President in 1976. The Minister of Defense was his son-in-law. The Minister of Information was another cousin, the mayoress of Bentol was a niece, the Superintendent of Montserrado County was a cousin, the Chief Justice another relative. Therefore tribal Monrovia rebelled.

During the forbidden demonstration of April 14, 1979 against the proposed increase in the price of rice the Monrovian Police Force shot at the demonstrators. Officially 70 people were reported dead and 400 wounded but onofficial figures are much higher and even mention a number of 400 killed and nearly 1,000 wounded during the demonstration and the looting which followed. It was during these events that demonstrators asked other people to identify themselves by speaking a tribal language. Apparently the Liberian people no longer tolerated the domination of those who considered themselves superior to

Liberians of tribal descent. A Liberian lady of tribal origin explained the background of the "Rice Riot" to me in Monrovia, in April 1979. She was obviously referring to the Americo-Liberians and "Congo-people" when she said: *"First they took our land, then they took our money, and now they want to take our rice ... No way!"*

One year later, almost on the precise day, it was announced on the Liberian radio: *"God is tired. After 133 years the enlisted men of the Liberian Army led by Master Sergeant Samuel Doe have toppled the Government because of rampant corruption and continuous failure of the Liberian Government to effectively handle the affairs of the Liberian people. No plane is allowed to come in. No plane is allowed to go out."*

The Tolbert Administration had come to an abrupt end. President William Tolbert himself was assassinated on the night of the military take-over. Twelve days later thirteen Americo-Liberian Government officials were publicly executed. During the days following the coup d'état I saw and heard people singing and dancing in the streets of Monrovia, *"Finally we are independent!"*

The land of Privileges and Poverty had turned into a Land of Hope and Glory. Whether this hope is justified, only future developments will tell.

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