

TRANSNATIONAL COMPANIES IN LIBERIA

The Role of Transnational Companies in the
Economic Development of Liberia

Research Report No. 37

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the Economic Development of Liberia

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<u>CONTENTS</u>	PAGE
INTRODUCTION	1
THE PERFORMANCE OF THE LIBERIAN ECONOMY DURING THE PERIOD 1950-1970	5
THE PATTERN OF FOREIGN DIRECT INVESTMENTS	11
THE CONCESSION COMPANIES IMPACT ON THE LIBERIAN ECONOMY	15
THE DEVELOPMENT STRATEGY AND PLANNING IN LIBERIA	30
SUMMARY	32
NOTES	35
BIBLIOGRAPHY	38
APPENDIX	40

INTRODUCTION.

This is a Preliminary Report based on research conducted in Liberia during the autumn 1975. The author is presently working on a dissertation about industrialisation processes in Liberia and Ghana, at the Institute of Economic History, University of Gothenburg.

The aim of this study is to analyze the relationship between the direct-investing foreign companies and the Government of Liberia (GOL). This relationship has many aspects, in this Report emphasis is put on three of them;

1. The direct income-generating effects of the companies.
Excluded is here payments of salaries and wages.
2. The GOL's policy towards these companies and their part in a development strategy.
3. The distribution of purchases of goods and services.

The Report is structured in the following parts:

Firstly, a background is given to the present economic situation and the establishment of transnational companies in the country. Secondly, a description is made of the performance of the Liberian economy from 1950 up to the 1970's. Then the pattern of foreign investment is described. Fourthly their impact on the Liberian economy is discussed, from the income-generating point of view. The history of development planning and the strategy behind it is then analyzed. Finally, some summarizing comments on the role of direct-investing companies in the economic growth of Liberia.

Some Geographical and Political Facts about Liberia.

The Republic of Liberia is located on the west coast of Africa, in an area formerly called the Pepper Coast. Neighbouring countries are Sierra Leone in the west, Guinea in the north and Ivory Coast in the east.

It has a land area of 111,370 km², which is 1/4 that of Sweden. In 1969 the population was estimated at 1.3 million. This gives

2.

a population density around 10 persons/km², compared with Sweden's 17 persons/km². The capital, Monrovia, is located on the coast and has 170,000 inhabitants. Other important urban centres are Buchanan, Harper, Robertsport and Greenville.

The republic was formally established on 26 July 1847, with its own constitution and flag.

The country had up till then been governed by a Governor, appointed by the American Colonization Society. The immigrating negroes from USA had created small communities along the coast. In 1836 they were organized under a common unit, the Liberian Commonwealth. In 1847 the political development had progressed so far that it was declared an independent country.

The Constitution of the country is based on the American model. The President and his Vice-president are elected for eight-year periods. In theory the country has a multiparty system, in practice a one-party system. The dominating party is the True Whig Party, which has been in power since 1878.

Liberias monetary unit is the Liberian dollar, with a par value equal to that of the US-dollar. The country has no central bank system. The Bank of Monrovia is a whollyowned subsidiary of the First National City Bank of New York.

A BACKGROUND TO THE PRESENT SITUATION.

Liberias economic history up till 1950 can be structured into 4 rather distinct periods.

1. The period of political consolidation, (1822-1847).

During these 25 years the economic life in the settlements consisted of plain subsistence farming, mostly of garden crops. Trade with agricultural products was insignificant. The political problems prohibited a well-regulated economic life.

2. The period of temporary economic consolidation, (1847-1871).

In the middle of the nineteenth century trade developed to include not only export of native products, but also typical plantation products like sugar-cane, cotton, coffee, camwood, ginger. But the largest profits came from the export of palm-kernels and palm-oil.

In 1850 Liberia introduced palm-kernels to the European and American market.

Industry was neglected, except for the shipbuilding industry. The shipyards around Monrovia built coastal carriers as well as ocean-going vessels.

England was from 1840 the main trading partner. The reasons for this were both the distance and the British interests in Sierra Leone, and Liverpool's growing demand for palm-oil. British traders in Sierra Leone participated in the lucrative trade and they were regular visitors at the Liberian coast.

The profitable palm-kernel and palm-oil trade soon turned out to be the destroyer of the Liberian trading economy. The trade and its profits attracted the English and the Germans who opened up regular steamship routes to Liberia. The Europeans' superior capital supplies and shipbuilding resources competed easily with the Liberian tradesmen and their small ships. Adding to the difficulties of the Liberians, prices on coffee, palm-kernels and palm-oil fell and made it virtually impossible for the Liberians to compete with the Europeans.

The economy could not accomplish a change to the new market conditions, so the country got into great financial difficulties. The economic system the settlers had established had many similarities with the system in the South States which they once had left, a plantation economy with the export of a few agricultural products as the most important activity. The development of industry was neglected and the production of agricultural products was performed by tribal labour.

4.

3. The period of permanent economic crisis, (1871-1927).

This period was characterized by a very instable economy, international involvement in the country's internal problems and a continuous borrowing of money.

Because of the crisis in the economy, the country had difficulties in meeting even the day-today expenses of the administration. The more or less permanent budget crises were met by foreign loans, usually at a very high interest rate. This soon led to, as it seemed, never ending problems with repayments.

Politically the country had been under hard pressure from England and France. The colonial powers claimed rights to parts of the Liberian territory in the west, north and east. The Liberian authorities, unable to control their hinterland, lost significant parts of the country to present Guinea, Sierra Leone, and Ivory Coast.

The political and economical crisis was eased when Firestone Plantations Company and GOL concluded a concession agreement about rubber cultivation in Liberia. ¹⁾

4. The rubber period, (1927-1950).

A Firestone loan replaced the earlier European loans, usually taken in England. At the same time the U.S. took a more active part in the well-being of Liberia. The U.S. entrance on the scene "solved" the disputes with England and France. To make sure that their loans would be repaid, Firestone Plantations Company (FPC) in close co-operation with the U.S. forced Liberia to give them the right to strictly control Liberia's finances.

The 1930's and 40's were characterized by a strict budget-austerity policy.

The beginning of rubber cultivation did not lead to an immediate upswing for the economy. The effects of the depression in 1929 together with the following price-drop on rubber was not over-

come until the beginning of the Second World War. But it was first with the Korea-boom that the rubber industry started to accelerate and thereby also the Liberian economy. A decisive cause in this development was the Open Door Policy, initiated in 1944 by the late President William V. S. Tubman. The Policy, which will be dealt with in more detail later on, aimed at inviting foreign firms to invest in Liberia under generous conditions.

THE PERFORMANCE OF THE LIBERIAN ECONOMY DURING THE PERIOD 1950-1970.

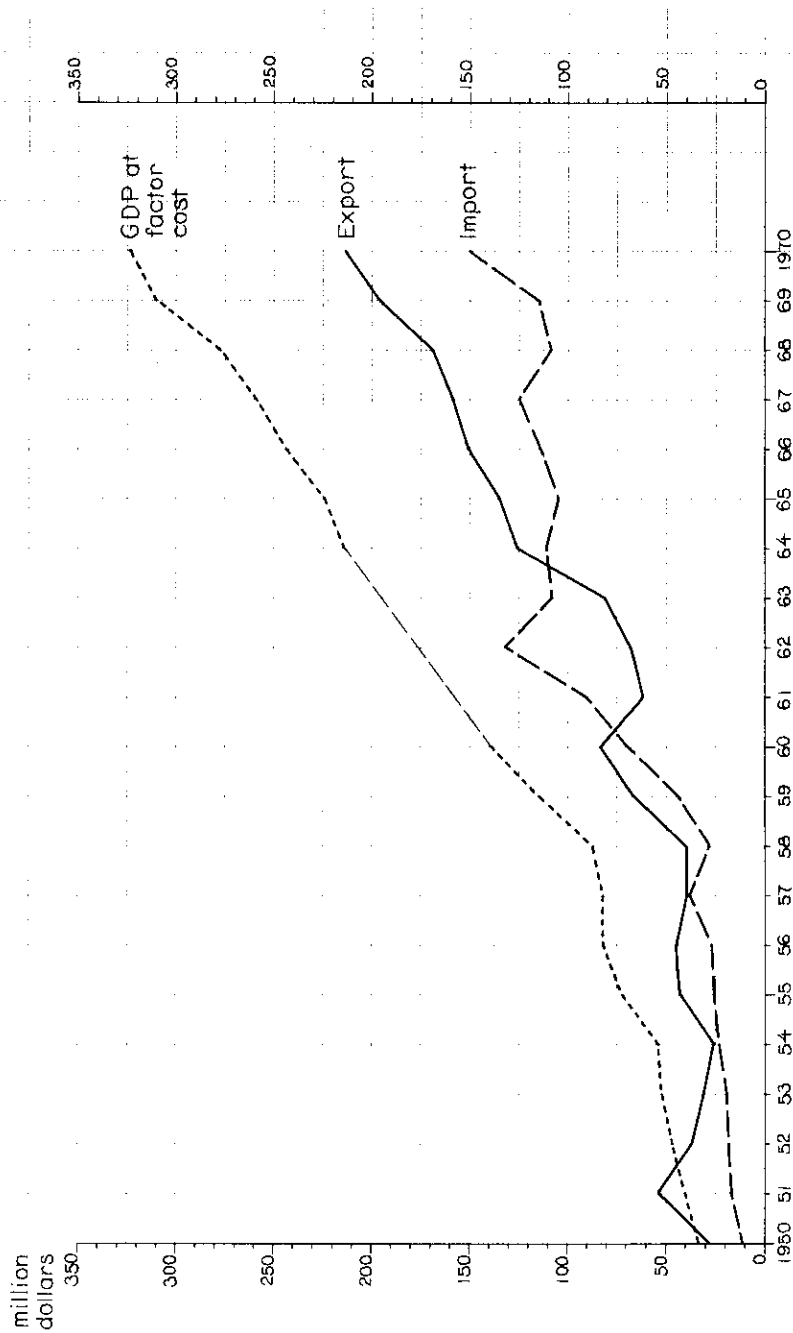
The chapter, covering the last twenty years, is based primarily on an analysis of the economic development of the country, socio-political aspects are more or less neglected.

The Period 1950-1960.

The recovery after 1950, if we look at it from the income side, was primarily caused by a substantial rise in rubber prices. In one stroke the country's income trebled. Another important cause was the beginning of Firestone's taxpayments.²⁾ Beginning in 1953 the first iron ore mine, Liberia Mining Company, started to yield some returns. On the whole, tax incomes showed a rising trend. (See Table 1:A.) The customs duties that had been dominating earlier grew absolutely but they lost their relative share. From 1955 onwards the Liberian flag of convenience contributed with 7 % of the total income.

To summarize, it was during the first 5 years of the period that the incomes sources began to be more diversified and made the country less dependent on rubber price fluctuations. Because of lack of statistical material it is not possible to study the development of the expenditures prior to 1960.³⁾ GOL's foreign borrowing accelerated in 1955 and increased from \$8.7 million in 1955 to \$46.2 million in 1960. The average maturity on these loans was 8 years. Expenses for interest and amortiza-

Diagram 1. The Development of the GDP at factor cost, Exports and Imports. (million dollars)



tion cost the country \$13 million/year up until 1967. Around 28 % of the borrowed money went to cover shortterm budget deficits.

From 1944 when President Tubman initiated the Open Door Policy the capital inflow increased drastically. During the years 1940-1963 foreign direct investments amounted to \$420 million. Aid, grants primarily from the USA, amounted to \$116 million during the same period. Adding the different capital sources, we arrive at a yearly inflow of \$27 million 1940-1963.

Between 1954 and 1963 incomes and export trade showed the same growth rate. Incomes had the same cyclical pattern as export, but with a delay of one year. GDP increased at the same rate as the other two, but with less accentuated fluctuations. The import did not fluctuate at the same rate as exports.

Pre-1950 the import level was solely determined by the export level. Post-1950 the capital formation demanded a change in the import structure. The demand for machinery, transport equipment, etc. are more independent of current incomes, than the demand for consumer goods. (See Table 4:A.)

Table 3:A shows the dominant position of iron ore and rubber, around 80-90 % of total export value.

Rubber lost its pole position to iron ore in 1961. Production value per pound fell from 37 cents/lb to 28 cents/lb 1960-1961. The causes for this fall were, firstly, the expansion of synthetic rubber. Secondly, a recession from 1958, which was felt up until the middle of 1960. ⁴⁾

The heavy fluctuations of the other export commodities, primarily agricultural products, confirms their small scale farming character.

Parallel with growing foreign investment in raw material-based industries, export trade become more and more important to the country.

8.

During 1950-1960 the export value's share of GDP was around 60 % (see Table 1). This makes the country heavily dependent on international price developments, primarily rubber and iron ore.

The composition and development of imports highlights the fact that the country's growth process did not lead to a higher degree of self-sufficiency. Neither has the increased capital formation caused any creation of import-substituting industries. The ability of foreign trade to control the amount of money in circulation gives certain effects in a country where trade plays a dominant role in the total economic activity, where the import tendency is high and where the foreign trade is controlled by foreign firms.

The importance of the relationship between balance of trade and capital supply in this kind of economy is evident. When both export- and import prices are established outside the country it means that a change in the balance of trade and in the capital balance will first affect the country's incomes and, secondly, the price level in the country.

At the beginning of the 1960's the pressure on the budget increased and culminated in the 1963-1964 crisis.

The most important causes to this situation were:

1. Both rubber and iron ore prices fell with 30 % to 40 % without any compensating production rise during the years 1960-1963.
2. The establishment of foreign companies demanded new investments by GOL in, for example, the infrastructure. Besides, the inflow of foreign labour pushed the domestic wage level upwards. As GOL is the largest employer in the country, it immediately affected the budget.
3. The debt, \$86 million between 1959-1962, would be repaid. Interest and amortizations threatened to take more than 50 % of the budget. After negotiations with IMF the repayments were re-scheduled. 5)

Table 1. The Export dependence of the Liberian Economy,
Export value/ GDP (%), 1955-1972.

Year	%	Year	%
1955	69	1964	76
1956	63	1965	79
1957	54	1966	78
1958	50	1967	76
1959	66	1968	74
1960	58	1969	76
1961	n.a.	1970	83
1962	n.a.	1971	78
1963	n.a.	1972	73

Source: Growth without Development Evanston 1966. Estimates of Domestic Product at Current and Constant 1971 prices, 1964-1973. MPEA 1975. FT Reports 101, 102 and 201, 202, 1953-1964. Dept. of Agriculture and Commerce. External Trade of Liberia, 1965-1970. MPEA.

The allocation of the expenditures is seen in Table 2:A. During the period 1950-1960 between 45-55 % of the expenditures had gone to administration, interest and amortizations on the national debt.

The inflow of loan and grants to the country during, for example, 1966 and 1967, was \$ 30.1 million and \$ 29.5 million respectively. It was primarily allocated to the infrastructure. 82 % and 86 %, of the inflow went to different investments in education, transport and health. ⁶⁾

These investments are non-productive in the short run and strengthen the worrying expenditure pattern. Only in the long run can these investment yield any returns. In the meantime they are a burden on the countrys limited resources. Other examples of this allocation pattern can easily be given. In 1964/65, 1/3 of GOL's total wage and salary sum and 50 % of it's material purchases went to the category "General Administration".

In agriculture and education only 25 % of the expenditures went

10.

to non-wage expenditures. 7)

The years 1961-1963 were the only during the period with a trade deficit. The causes were falling export prices on rubber and iron ore and a growing machine and capital goods import. The \$19 million increase in machinery imports was caused by the mine investments and the Mount Coffee Hydroelectric Project. Traditionally the U.S. have been Liberia's biggest trading partner. But from 1964 the EG countries have gradually taken over this role.

Table 2. USA:s and EG:s share of Liberia's Total Import value, selected years, (%).

	1951	1957	1958	1965	1967
USA	92.4	78.0	65.6	36.9	29.8
EG	6.0	13.9	23.3	51.5	56.2

Source: DPEA, Annual Report 1968/69, p. 51.

Iron ore took over as the leading export commodity in 1961. But together, iron ore and rubber, were still responsible for 88 % of the total export value.

The proportions between the other export commodities did not change. No diversification of export trade occurred. Among the import categories, capital goods and machine and transport equipment accounted for over 50 % of the total import value. The insignificant import of raw materials and intermediate products reflects the smallness of the manufacturing sector.

The greater part of the remaining import consisted of consumption goods. Their value averaged 1965-1967, \$47 million/year. This was equivalent to a 21 % share of GNP. An increase of 6-7 % from that of the 1960's.

The import of foodstuffs has doubled since 1960 to now over \$20 million a year. The largest item is rice, accounting for 40-50 % of total foodstuff value.

THE PATTERN OF FOREIGN DIRECT INVESTMENTS.

In the Liberian Code of Laws a concession is defined as follows: "Concession or franchise shall mean a grant of exclusive or non-exclusive privileges, rights, powers, interests, and/or options by the Government of the Republic of Liberia." Translated into a more usable language a concession should be regarded as those firms "that have been granted special rights and enjoy special advantages (given to induce substantial capital outlays and to pioneer those areas of economic activity which Liberians have not developed themselves).

These rights are of two types:

- a) rights to develop land for agricultural, timbering, mining and other such purposes.
- b) tax and duty exemptions and other benefits which render investment more attractive.

These privileges and attendant obligations are specified in contractual agreements approved by the President and ratified by the Legislature".

Concessions have primarily been given to mining, rubber, timber and diamond companies. These sectors constitute by far the most important contributors to the country's income, export and employment. The following descriptive tables will try to show some of the more important facts about these companies.

Table 3. Descriptive Statistics over the Iron Ore Mining Companies.

	Liberia Mining Company	LAMCO Joint Venture	DELI-MCO - Bong Mining Company	National Iron Ore Company
Date of original agreement	1946. Collateral Agreement 1952.	1953. Joint Venture Agreement 1960.	1958	1958
Tenure (years)	-	70	70	80
Estimated investment and source of capital	\$ 37 mill. USA	\$ 250-300 mill. USA, Sweden, Germany	\$ 100-150 mill. Germany	\$ 30 mill. 1.5 mill. LMC, 3.5 mill. I.I.B. Enterprises, 5 mill. GOI, 20 mill. loans
Management	American	Swedish	German	American
Est. employment				
1961	2,500 Africans 165 Expatriates	3,200 Africans 230 Expatriates	250 Africans 35 Exp.	1,300 Africans 100 Expatriates
- " - 1970	2,450 Africans 133 Expatriates	3,884 Africans 558 Expatriates	1,923 Africans 337 Exp.	1,841 Africans 118 Expatriates
Major tax provisions 1)	35 % of net profits payable to COL 1960-1969. Thereafter 50 %	Bethlehem 50 % of net income. LAMCO 50c/ton royalty 1963-1964. Thereafter dividends on 50 % of stock	50 % of net profit payable to GOL	Dividends on 50 % of stock

Source: Growth without Development, p. 125. With some modifications by the author.

Table 4. Descriptive Statistics over Rubber Concessions.

	Firestone Plan- tations Comp.	B.F. Goodrich Corporation	1954	Liberian Agri- cultural Comp.	1959	Salala Rubber Corporation	1959	Liberia Company	1947, revised 1949. Amen- ded 1951	1952	African Fruit Company
Date of original agreement	1925, many supplements		1954	1959	1959	1959					
Tenure (years)	99	80		70	70	70	40	80			
Principal source of capital	USA	USA		Italy		Netherl. 75 % Germany 25 %	USA	Germany			
Management	American	American		Dutch		Dutch	American/German	German			
Est. employment 1961	21,000 Afr. 180 Exp.	730 Afr. 9 Exp.		1,000 Afr. 18 Exp.		950 Afr. 7 Exp.	1,100 Afr. 10 Exp.	1,000 Afr. 16 Exp.			
- " - 1966	21,000 Afr.	2,900 Afr.		2,800 Afr.		1,200 Afr.	2,100 Afr.	1,500 Afr.			
Major provisions 2)	Income tax 35 % up to 1973	16.5 year income tax exemption 25% or less of net profit for next 10 years		15 year income tax exemption 25% or less of net profit for next 10 years		14 year income tax exemption 25%	12 year exemption expired 25% net profit to GOL. 10 % Liberia Foundation	Tax exemption expired 1959. Subject to income tax of general application			

Source: Growth without Development, p. 126-127.

Table 5. Descriptive Statistics over the Timber Concessions.

	1959	1957	1960	1959	1957
Date of original agreement					
Tenure (years)	60, may be renegotiated after 15	20	45 + option to additional 25	45 + option to additional 25	60
Source of capital & management	Swiss/English	Spanish	German	American	Not yet financed
Major tax provisions	Duty free privileges (no time limit), 5 year income tax exemption. 8c/acre rent.	Duty free privileges. 5 year income tax exemption. 8c/acre rent.	10 year income tax and duty exemption. 10c/acre rent.	10 year income tax and duty exemption. 10c/acre rent.	Duty free privileges. 5 year income tax exemption. 6c/acre rent first 100,000 acres
	SIGA Lumber Company	Liberia Industrial Forestry Corp.	Maryland Logging Company	Liberia Timber Industries Corp.	Morro River Lumber Company

Source: Growth without Development, p. 129.

- Comments:
- 1) All 4 companies have duty-free import privileges for all supplies, equipment, spare parts etc. needed for construction, operation and maintenance.
 - 2) All of these concessions have duty-free import privileges on all materials, supplies, equipment etc. required for operation of the enterprise. Note that, with the exception of Firestone, these concessions paid only relatively small amounts for land rental and other minor taxes.
 - 3) The concessions are required to pay a royalty in the form of stumpage fees, around \$ 5 per thousand board feet.

THE CONCESSION COMPANIES IMPACT ON THE LIBERIAN ECONOMY.

A concession is an agreement between the GOL and a firm, where the firm is given exclusive rights in a defined economic and geographical area. The agreement specifies rights and obligations for both parties. A public authority, the Board of Concessions, was formed to control the implementation of the agreements.

The task was difficult since the concessionaires did not have any obligations to distribute their financial statements to GOL until the beginning of the 1970's. All material concerning the concessionaires was not kept in a single archive, some of it was not traceable at all. ⁸⁾

The earliest agreements were characterized by a lack of common policy and a surprising shortsightedness. During the expansive period in the end of the 1950's, when the bulk of the agreements were signed, the GOL made no feasibility studies on each project. Nor did they develop any investment criteria based on socio-economic considerations to guide in the evaluation of each project. The result was large differences in, for example, tax exemptions between companies in the same branch. ⁹⁾

Only in the case of miniconcessions was there a consistent policy. This policy had 3 main features:

1. GOL should be partowner in the capital stock.
2. GOL should own 50 % of the shares.
3. Dividends to shareholders would be GOL's sole income.

Let us take a closer look at the agreements between the GOL and the 5 largest concession companies, 4 iron ore mines and 1 rubber plantation.

The National Iron Ore Company (NIOC).

GOL contributed with not only the mineral resources but also with 50 % of the total capital, that is \$ 5 million out of \$ 10 million. This gave GOL 50 % of the shares and 50 % of the dividends. The profits of the company are not subject to income tax. With an estimated initial investment of \$ 30 million, mainly financed by loans (see Table 3), interest payments determines in a significant way the GOL's incomes from NIOC. During the years 1962-1970 10 % of total income went to cover interest payments. This is a common characteristic for the whole mining industry, with the exception of LMC, the same average for the whole industry 1962-1970 was 14 %. Their low ratio of own capital to foreign or borrowed capital means large deductions before arriving at the net profit.

Liberian American-Swedish Minerals Company (LAMCO).

GOL is a part owner with 50 % of the shares in LAMCO and receives 50 % of LAMCO's net profit. As GOL owns 50 % of the shares in LAMCO it also has the right to appoint 5 of the 11 directors on the LAMCO board.

Bethlehem Steel receives 25 % of LAMCO J. V.'s profit, this share is taxable. Altogether, GOL receives around 50 % of the distributed profits of LAMCO J. V.: 37,5 % as dividends from stock ownership and 12,5 % as a tax on Bethlehem's share of profits. LAMCO do not pay any royalties, export- or import duties. In the initial investment, \$ 180 million, foreign capital dominated. The ratio between own and borrowed capital was 1:4.2. In a more practical sense the share of own capital can be considered as higher since \$ 45.5 million of the foreign share was in the form of debentures. Any interest on these debentures would not be paid until the GOL's dividends on their shares was at least 50 cents/ton.¹⁰⁾

During the period 1963-1970 interest payments averaged \$ 9.3 million/year, or to put it another way, 26 % of total income was tied to loanservicing. One of the partowners in LAMCO J. V., LIBETH, also makes large deductions in their calculations of net profit for interest payments. 28 % was deducted before arriving at the net profit 1963-1969. In 1969 the revaluation of the German D-mark changed the relationship between the US-dollar and the D-mark to the disadvantage of the former. The changed exchange rate cost LAMCO \$ 4.6 million. ¹¹⁾

As a large part of their loans are obtained in Germany and when their sales are made in dollar, the company becomes very vulnerable to changes in the relationship between the D-mark and the dollar.

The same thing happened again in 1971. The US-dollar lost ground in relation to most of the important currencies. Altogether it cost LAMCO \$ 6,023,000. An initial payment of \$ 1,870,000 was made in 1971. This reduced the profit from \$ 11,463,000 to \$ 9,593,000. ¹²⁾

The advantages of a part ownership was perhaps shown in the discussions over new depreciation rates in 1969. LAMCO wanted to raise the rates, with the motivation that new investigations had shown smaller ore-reserves than expected. Whinney-Murray, GOL's auditors, was of the opinion that the resources in for example Tokadeh was good enough and should be reckoned with. The situation in 1969 was not worse than in 1964 when the present depreciation-rates were estimated. ¹³⁾

The management's interest in new rates can perhaps be explained by the need for \$ 75 million to new investments at the beginning of 1980. An interest-free capital stock could in this way be created.

The Minister of Finance expressed his views in a memo to the President:

"I am emphatically opposed to the Management's and their auditor's desire to ignore the substantial ore bodies other than those now being worked..." ¹⁴⁾

18.

The Minister was aware of LAMCO's problems, but according to his opinion creation of necessary capital reserves should be shown in the company's books. So the reserves can be put to the shareholders disposal when the economic situation allows it.

To create such reserves by an excessive depreciation would mean that hidden reserves were built up, known to the management but unknown to the shareholders.

After discussions between GOL and LAMCO it was agreed upon that:

1. The basis for an estimation of the mines life would be the ore areas west of the Nimba-range plus the already worked areas.
2. The economic life of the mine would be 35 years instead of 20 years suggested by Price Waterhouse & Co.

The increase of the depreciated value would hereby be limited to \$1.8 million for 1969. Instead of the \$3.4 million suggested by Price Waterhouse. The difference, \$1.6 million, would be put aside as reserves each year and also be subject to dividend to the shareholders later on.

If LAMCO was allowed to use a too conservative depreciation-policy, it would be difficult to stop Bethlehem doing the same and in this case it would immediately affect GOL's income. (Which in this case is based on taxation of the profit.) The income reduction from Bethlehem at the original suggestion would, for 1969, be \$300,000. The new agreement limited this reduction to \$150,000. ¹⁵⁾

It should be mentioned that after 1970 liquidity problems have had a restrictive effect on dividends. The "cash money" have been used for current reinvestments. It has sometimes been necessary to use short-term loans to cover the dividends. ¹⁶⁾

Bong Mining Company.

BMC is a partnership between GOL and German interests. GOL owns 50 % of the shares and can thereby appoint 5 of the board's 11

directors. GOL gets 50 % of the net profit as a tax and not as a dividend. The company does not pay any royalties, export- or importduties.

The initial investment was to a large extent financed by foreign capital, which is reflected in the company's interest payments. 22 % of the total income were needed for this purpose.

Firestone Plantations Company (FPC).

The original agreement for this company was a good example on how a concession agreement should not be constructed. FPC would from the beginning pay royalties on their sales. Before 1950-1951 FPC paid GOL 1 % of the gross sales value. Under these terms it was not uncommon that when the net profit sometimes reached 50 % of the gross sales value, the effective tax rate was limited to 2 % on the net profit. 17)

In the agreement nothing was said about changes in the tax rate after a certain period. GOL did not give itself the right to re-negotiate the terms in the agreement.

The company voluntarily agreed to discuss new forms for taxation. From 1959 FPC would be subject to a 35 % tax rate on net income exceeding \$ 100,000. If FPC still would have paid 1 % on its gross sales value, in accordance with the original agreement, GOL's income would have been less than \$ 500,000 instead of the \$ 8 million actually paid. 18)

In spite of this new tax rate the profitability still reached impressive levels. For 1961 FPC estimated the profit at over \$ 13 million, which was a gross return of around 50 % on the invested capital. During the period 1956-1960 FPC declared net profits (before taxes) totalling \$ 95 million. After tax this gives \$ 66 million. The impressive profit record is of course due to a favourable tax system, but also to low labour costs, efficient production and for this period, high international rubber prices. 19)

Liberia Mining Company (LMC).

Both LMC and FPC differ from the other three companies in that they do not pay dividends. GOL is not a part-owner as shareholder, instead it receives tax payments on the companies net profits.

As in the case of FPC, LMC was from the beginning subject to a royalty on the gross sales value. In a revised agreement from 1952 it was said that LMC would pay the following rates on the net profit:

1954-1959	25 %
1960-1969	35 %
1969-	50 %

As the LMC-agreement was one of the earliest, certain parts of it was very vaguely formulated and left room for very personal interpretations of essential clauses.

To investigate the accounting practices of LMC, the GOL appointed the independent auditor's Main Lafrentz & Co, New York, to look closer into the matter. Their report revealed great differences between LMC and themselves in interpreting the Agreement.

According to the Agreement the company is allowed to make deductions for reserves, to be used for expansion of facilities. This has also been done, but deductions for reserves for the expansion of operations have not been adjusted when the investments, as usually, were depreciated. That is, the same investment costs have been deducted twice, first as an appropriation to reserves, second as a depreciation.

The procedure can be illustrated by the following example: During a certain year, when the tax rate is 50 %, LMC transfers \$ 600,000 to an expansion reserve. In this way \$ 300,000 is deducted from the taxable profit. Machinery and other equipment is bought for \$ 600,000 and depreciated during a 10-year period. At the end of the 10-year period GOL have been debited \$ 600,000. (The \$ 300,000 that were transferred to a reserve fund plus 50 % of the depreciated \$ 600,000.) The full cost for the new investments had in fact been paid by GOL.

During the period 1955-1968, according to the independent auditors Main Lafrentz, LMC in this way transferred totally \$ 4,520,475, as "reasonable reserves". \$ 529,382 have been returned, \$ 590,000 had been put aside for purposes other than expansion of facilities. This leaves \$ 3,401,093, which have not been restored and which have consequently been deducted twice.

LMC explains this practice by saying that clause 4 in the Collateral Agreement explicitly stipulates that these two deductions can be made in determining the net profit. " ... with a proper interpretation of the Collateral Agreement the two charges, that is deductions for expansion and development of facilities and for depreciation on assets purchased out of funds made available by the creation of reserves, are distinctly separate and properly made under the terms and intent of the Collateral Agreement". 20)

LMC also says that the Agreement does not provide for any other investment credit, depletion allowance or other encouragement for plant expansions except the allowance in question. The Government, by agreeing to this provision, voluntarily lowered its return in the short run for a considerable increase in profits later on. 21) While it is true that the Agreement mention both "reasonable reserves" and "provision for depreciation", Main Lafrentz questions whether the Agreement does permit a) the deduction of reserves to acquire facilities and b) provision for depreciation on the same facilities without restoration of the related reserves. In their opinion no accounting rules or generally accepted accounting principles supports such treatment. 22)

They also objects to the view held by LMC that the company's expansion possibilities depended upon these deduction rights. Total payment to shareholders during 1955-1968 was \$ 107,649,849.25, 24 times greater than the \$ 4,520,475.09 total of reserves withheld from the GOL's participation.

A more restrictive dividend policy could perhaps have had generated the necessary funds for expansion. 23)

22.

Main Lafrentz also questions whether it is correct of LMC to use the tax rate in force at the time when the transfer to reserves was effected, 35 %, instead of the tax rate prevailing at the time of the adjustment, 50 %. If Main Lafrentz is correct this would add another \$ 150,000 to the amount withheld. 24)

But, to summarize, according to Main Lafrentz "there is no indication that LMC abused its rights under the Collateral Agreement when it deducted the various reserves; however we believe that all such reserves subsequently recovered should be restored to net profits". 25)

In their report Main Lafrentz discusses another point where different interpretations were made. During 1969 LMC was paid \$ 384,009 from NIOC for various consultant services. The sum were deducted from the gross profit. LMC argued that the know-how had been paid for by the company via wage payments to its employees.

Main Lafrentz on the other hand said that the cost of developing such know-how had been charged to expense on the books of LMC in prior years.

LMC also referred to article 12 (g) of the NIOC Mining Concession Agreement:

"The Concessionaire (NIOC) may appoint one or more agents to carry out the operations which it is authorized or required to perform under this Concession. If any such agent should be a share company, such company and its shareholders shall be entitled to all tax exemptions and privileges stipulated in article 7 with respect to the Concessionaire." For the years 1965-1968 \$ 987,733 have been deducted in this way.

In a reply to the content of article 12 (g) Main Lafrentz argues that tax exemptions applies to agents which NIOC may appoint to carry out the operations which it is authorized to perform. The question as to whether the deduction is legal or not, depends upon a legal determination of whether LMC has been appointed as an agent by NIOC. Main Lafrentz means that the agreement between

LMC and NIOC specifies that LMC's undertaking is limited to perform consultant services on operating matters. It does not give LMC any authority to act as an agent of NIOC. ²⁶⁾ There are several other matters to which Main Lafrentz have given attention, I shall briefly relate them here.

The U.S.-firm Republic Steel owns 50 % of the shares in LMC. The auditors wonders why the firm V. H. Müller & Co is paid an agent provision on iron-oresales to Republic Steel? LMC started in 1966 to write-off surplusparts and inventories. They were called obsolete. \$ 3,552,619 was deducted in this way during the years 1966-31/7 1973. The auditors mean that the sum is too high, most of the obsolete inventories can either be sold or re-used in another way. They suggest that 50 % of the sum, \$ 1,761,309, should be debited on the income side. Which would give GOL additional \$ 880,654. LMC also delayed this write-off until the time when GOL's tax rate would increase to 50 %. The practical effect was a return to the old rate, 35 %. Write-off's for the year of change to a higher rate amounted to \$ 960,000, the rate increase would have meant an income increase of \$ 900,000 for GOL. This procedure from LMC's side immediately reduced the effect of the taxrise.

LMC also has a trading company, Tropical Trading Co. This firm has had good years, but the profits have not been distributed. Instead they have been hoarded. Tropical Trading have paid their company tax, but had the profits been transferred to LMC they would have been registered as profits and thereby also increase the taxable income. ²⁷⁾

General Comments on the Agreements.

The clauses in the agreements that concern economic and financial questions are usually very vaguely formulated. Terms like, "generally accepted accounting principles, reasonable allowances, earnings, etc." are not given any precise definitions.

The agreements do not establish any procedure for calculating prices, net profit or depreciation. Another expression for the lack of co-ordination between the agreements is the fact that some

companies are allowed to make deductions for "depletion allowances" when others are not allowed to. 28)

In the first agreements very little was said about the companies' responsibilities to train Liberians. Most of the agreements today contain clauses about this. But they are in general very brief and are further weakened by the fact that the number of Liberians are not stipulated. An example:

"The concessionaire shall train Liberian personnel for various positions in said operations" (Concession Agreement between the GOL and Salala Rubber Corp.)

All agreements must state a date by which time the operations must have got underway, if no such date is given, the agreement is not valid. Another example:

"..... the Concessionaire shall start operations within 12 months after the signature of the Agreement" (Concession Agreement between the GOL and SIGA Lumber Company.)

The agreements are usually more explicit on this central issue and define what should be regarded as "operations". To avoid impossible projects, a potential concessionaire has got to pay a "performance bond", usually \$ 50,000. On the other hand GOL did not demand a feasibility study of each potential project, at least not until 1972. Disputes between the parties has so far been settled by discussions and compromises. If this fails, the agreements prescribes that neutral arbitrators should be called in. Their decision will be a guideline for the solving of the problem.

In the concessionaire violates any part of the agreement, or any other law in the country, stipulates, for example the LAMCO agreement, that the violation must be corrected in 5 months. If not, the matter will be tried legally.

Some Comments on the Incomes Accruing from the Larger Concession Companies.

The importance of the payments from these companies shall not be

exaggerated, tax payments, dividends. Since 1960 around 20 % of the country's incomes emanated from these companies.

The dominating income source has instead been customs duties and indirect taxes, very common for a developing country. The firms' influence in this respect has been of a more indirect nature since they are usually exempt from export and import duties.

By relating the export price of iron ore to GOL's income from the iron ore companies we can get a fairly good picture of the effectiveness in the income system.

Table 6. The share of the Mining Sector Income in the GDP and the Total Government Income, 1964-1972 (%).

Year	Mining/GDP	Mining/T.G.I.	T.G.I./GDP
1964	34	18	10
1965	39	19	9
1966	37	20	10
1967	37	21	11
1968	38	18	9
1969	36	20	11
1970	36	20	11
1971	36	18	10
1972	38	17	9

Source: See Table 1.

Table 7. The Relation of the Income from Iron Ore Companies to the Export value of Iron Ore, selected years (%).

1953	1955	1960	1965	1970
34 %	29 %	18 %	8 %	9 %

Source: See Table 1.

Comment: The low value put on the export of iron before 1959 by GOL, explains the high percentages for 1953 and 1955.

An international comparison shows that the effectiveness of the Liberian system is rather low. During the years 1948-1950, the same ratio for Iran was 10-12 %, Venezuela 25 % and in rubber producing Malaysia 7-8 %. ²⁹⁾

The Distribution of the Companies Purchases of Goods and Services.

Apart from the direct income-generating effects, the most important linkage effects, excluded here is payments to the labour-force, can be created via purchases of locally produced goods and services. This presupposes the existence of a more or less developed industrial structure that can benefit from this demand from the foreign firms. The weak and sometimes non-existing industry in developing countries means difficulties in extracavating the potential demand from the companies.

The need for an effective development planning process is then obvious. It is the task of the Government to establish the pre-conditions that are necessary to stimulate the growth of domestic industries.

The weak industrial structure in Liberia, before 1960 practically non-existent, have limited the range of domestically produced goods that can satisfy the demand from the foreign companies.

The locally produced purchases are limited to 5-10 products, most of the industries were created in the middle and the end of the 1960's. Today the most important products are fuel and lubricants, supplied by the Liberia Refining Company. The company has a monopoly on sales of petroproducts in the country.

Fuels and lubricants account for nearly 80 % of LAMCO's locally produced purchases. The increase in oil prices in the beginning of the 1970's had a drastic effect on LRC's sales value to LAMCO, it increased from \$ 1 million to nearly \$ 14 million during the years 1970-1974. Other important commodities are cement and explosives, supplied by CEMENCO and EXCHEM.

Other products are crossties and paint. The mining companies usually run their railways by themselves and they are big consumers of crossties. Under a long period LAMCO produced crossties in their own sawmill and bought only small quantities from outside. In the beginning of the 1970's the mill was sold to private interests, Liberian - Italian, who formed NIMBACO. The deliveries of crossties to LAMCO is the economic backbone of the company. Paint is bought from Parker Paint, also to a large extent dependent upon deliveries to the mining companies.

Services are primarily transport services, for example transports of workers to and from the mine, maintenance and repairservices, personal services.

Table 8 and 10 shows that purchases of local production was very low up until 1969-1970. Then it increased with nearly 10 %, which must be credited LRC. Total imports decreased as imports of petroproducts were gradually replaced by locally produced fuels and lubricants. Naturally the import of crude oil still continued, as Liberia has no own production of crude oil. Both table 9 and 11 confirms that fuels and lubricants are the most important commodities bought by the companies.

The heading "local purchases" contains purchases from agents and retailers in the country. These purchases have a smaller linkage effect in that they only add payments to the labour force, income-tax payments and import duties. It is worth noting Bong Mining Company's large local purchases, compared with LAMCO's reliance on imports.

To summarize, although the creation of new industries are limited the potential linkage effects have to some extent been realized and earlier imports have now been replaced with locally produced commodities. It should be noted that these domestic industries are dependent on imported rawmaterials from outside which reduces their importsubstituting effect.

Table 8. LAMCO J. V., Purchases of Goods, 1966-1974
(million of dollars).

Year	Local Purchases	%	Purchases of Local Production	%	Imports	%	Total Purchases	%
1966	1.020	10	0.439	4	8.873	86	10.332	100
1967	1.284	18	0.681	10	5.047	72	7.012	100
1968	1.748	20	0.909	10	6.282	70	8.939	100
1969	3.021	21	1.030	7	10.011	71	14.062	100
1970	2.746	18	2.008	13	10.529	69	15.283	100
1971	3.774	21	4.218	23	10.176	56	18.168	100
1972	4.630	21	7.256	33	9.965	46	21.851	100
1973	5.942	21	6.684	24	15.731	55	28.356	100
1974	8.428	17	16.169	33	24.495	50	49.092	100
1966-1974	32.593	19	39.394	23	101.109	58	173.095	100

Source: LAMCO J. V.

Table 9. LAMCO J. V., Purchases of Locally Produced Goods, 1966-1974 (million of dollars).

Year	Explosives	Fuel	Timber	Chemicals	Other
1966	0.323	0.064	0.021	0.031	-
1967	0.544	0.081	0.025	0.031	-
1968	0.745	0.089	0.021	0.054	-
1969	0.861	0.050	0.024	0.061	0.034
1970	0.738	1.116	0.001	0.095	0.057
1971	1.021	2.895	0.014	0.206	0.082
1972	1.532	5.235	0.042	0.297	0.150
1973	1.662	4.639	0.020	0.259	0.104
1974	1.660	13.788	0.172	0.310	0.239

Source: LAMCO J. V.

Table 10. Bong Mining Company, Purchases of Goods, 1961-1970
(million of dollars).

Year	Local Purchases	%	Purchases of Local Production	%	Imports	%	Total Purchases	%
1961	-		-		-		1.174	100
1962	-		-		-		1.721	100
1963	-		-		-		1.700	100
1964	1.586	65	0.100	4	0.740	31	2.426	100
1965	2.675	59	0.315	7	1.516	34	4.506	100
1966	2.693	44	0.650	11	2.849	46	6.192	100
1967	4.577	56	0.925	11	2.657	33	8.159	100
1968	3.571	38	1.000	11	4.927	51	9.498	100
1969	4.855	39	3.000	24	4.684	37	12.539	100
1970	5.296	33	3.500	22	7.245	45	16.041	100
1964-1970	25.253	43	9.490	16	24.618	41	59.361	100

Source: Bong Mining Company.

Table 11. Bong Mining Company, Purchases of Locally Produced Goods and Services, 1964-1970 (million of dollars).

Year	Explosives	Fuel	Timber	Services
1964	0.097	-	-	0.003
1965	0.310	-	-	0.005
1966	0.640	-	-	0.010
1967	0.902	-	-	0.023
1968	0.995	-	-	0.005
1969	1.022	1.010	0.050	0.918
1970	1.182	1.334	0.067	0.917

Source: Bong Mining Company

THE DEVELOPMENT STRATEGY AND PLANNING IN LIBERIA.

The basis for Liberia's development strategy is the Open Door Policy. It has 3 cornerstones:

1. Protection against nationalization of private companies.
2. Free transfer of capital, including free repatriation of dividends and profits.
3. Use of foreign experts and free transfer of wages.

In 1962 the Office of National Planning stressed three principles that must underlie a planning strategy in the country:

1. The planning process must be based on co-ordination of the different departmental activities.
2. Largest possible participation of instances both inside and outside the state sector.
3. Voluntary participation of private companies in the development efforts. ³⁰⁾

Economic planning in Liberia shall focus on the public sector. The GOL's expenditures account for around 25-30 % of the national income and the important tasks in the present stage are governmental concern, i.e. better infrastructure, education and health facilities. The Government shall provide the necessary infrastructure and create a climate favourable to private investments. The private sector shall be responsible for the direct economic activity.

The GOL can of course via financial and judicial measures influence the course of the economy.

The planning process shall not be viewed as a substitute to the market mechanism, but as a complement to it. Government policy must to a large extent be based on indirect methods, rather than direct control over prices, wages, profits, etc. These methods are thought to be more effective, easy to administrate and they demand less qualified personnel.

The necessary starting point for all planning is the fact that not all goals can be achieved at the same time. Priorities must be made.

The ONP states the following pre-conditions for meaningful priorities:

"There must be a well-established system for economic decisions, a system to adapt the plan to the budget programme and a system for evaluation. But above all there must be realistic estimates of the available resources." 31)

The ONP also said that before priorities could be made, an analysis of sector plans and sector programmes must be made. During this process the task of the Government must be, firstly, to increase the available resources and secondly, to strengthen the administrative infrastructure. 32)

The Principles Put Into Practical Use.

The history of development planning started in 1946 when a development programme financed by the USA were taken. The programme did not get any practical function, mainly because of financial difficulties.

It was replaced 1951 with the "5 year economic development plan". A joint US-Liberian commission for economic development would be responsible for the implementation of the programme.

The plan broke down when confronted with reality, that is, the general ineffectiveness of the administration.

Until 1962 a detailed industrial strategy was non-existent. With the establishment of the Office of National Planning and Bureau of Economic Research and Statistics in the same year, an instrument for industrial planning was created. Between 1962 and 1964 ONP was busy trying to evaluate suitable industrial projects.

In the crisis years 1962-1963 GOL once again found it necessary to make another attempt to organize the economic routines in the public sector. Together with a UN/Special Fund Project a new effort to create systematic planning was made. Finally, the Project was limited to 3 objects:

1. Create an effective budget system.
2. Direct GOL's attention to the need for a co-ordinated foreign aid and concession policy.
3. Perform basic economic studies of important economic sectors.

At the end of 1965 ONP, in the frame of the Project, went from basic studies to more formal planning efforts. They resulted in the National Development Plan for the years 1967-1970.

This plan was never given any legal status or a positive recognition. The National Plantrial ended with a return to the very necessary administrative and institutional reformation. And the more pragmatic functions like concession agreement discussions, project identification and evaluation.

SUMMARY.

An important cause, but not the only one, to the extent of direct investments in Liberia is the Open Door Policy, initiated by the late President William V. S. Tubman. This economic policy is not special for Liberia, but in Africa Liberia is quite alone in believing that foreign investment exclusively is the Motor in the development process. There is not in Liberia, as in some other African countries, a harsh tone towards foreign companies in the official phraseology. There is practically no discussions about concepts like dependence, neo-colonialism, imperialism, etc. The system is seen as mutually beneficial.

In the Report we have tried to analyze the strength of some of the possible linkage effects between foreign direct investments and the Liberian national economy. The linkage effects have been studied from two angles, the companies role in providing benefits and the governments role in extracavating the benefits.

Emphasis have been put on the governments development-policy on one side, and the direct income-generating effects of the companies and also the distribution of their purchases of goods and services on the other. As we have shown the direct incomes from

the 5 biggest concessions are obtained from dividends and taxes on the net profit and certain custom- and trade duties. The size of these income payments have been negatively affected by primarily two factors, first, the construction of the concession agreements, especially the earlier ones, second, the financial construction of the companies.

The lack of clear definitions in the agreements on such important matters as, for example, depreciation policy, have given rise to different interpretations from both sides of the correct procedures. This appears to have caused, in some cases, unusually large deductions from the gross profit.

All the youngest companies have a financial construction which causes large deductions from the gross profit. Their heavy reliance on borrowed capital means large interest payments to abroad. This reduces the income payments to GOL with considerable amounts.

In a developing country with a small market economy and a weak industrial structure, the linkage effects between the companies and the national economy must by necessity be limited.

Although, some developments have been taken place in Liberia's domestic industrial sector. Developments probably impossible without the demand generated by the foreign companies. Most of these new domestic industries are dependent on deliveries to the foreign companies. The role of the Government in the creation of these new companies are important.

This leads us to the other important factor in creating linkage effects, the role of the GOL.

There are two pre-conditions that must be met to guarantee an effective use of the potential resources.

Firstly, a co-ordinated concession policy, with well-defined and far-reaching clauses.

Secondly, a development plan, where integration between the

concessionaires and the rest of the economy is the ultimate goal.

As have been shown in the Report, the lack of administrative and institutional resources in Liberia have inhibited the attempts to establish an effective development planning process, and thereby has, as a consequence, the necessary pre-conditions not been created.

To summarize, foreign investments in a developing economy like the Liberian do not by themselves generate a process of development. The potential possibilities inherent in the companies activities can only be released via integration in an active well-defined governmental development policy.

NOTES.

1. The English Stevenson Plan 1922 aimed at regulating 75 % of the world rubber production with the intention of controlling and stabilizing the price at a high level. In 1925 the price was 12.5 cent/lb DRC, this caused trouble, especially in the car industry. And because USA's rubber import coincided with the production in the British rubber areas, England was suspected of using the plan to cover her American war debts by accumulating a surplus on the rubber incomes. To correct the situation the U.S. Congress ordered the Department of Trade to develop the rubber plantation industry and strengthen U.S. interests in the industry.
Brown, An Economic History of Liberia. 1941, p. 192-193.
2. Under the Income Tax Law of 1950.
3. The one for 1960 was calculated by the Northwestern University Team, in connection with their work on "Growth without Development".
4. Bureau of Economic Research and Statistics - Office of National Planning (BERS-ONP), Annual Report 1961/62.
5. The reason for the large debt was lacking budget routines. The Departments financed their favorite projects via short-term loans or credits from the entrepreneurs.
6. Department of Planning and Economic Affairs (DPEA) Economic Survey 1967, p. 26.
7. ONP Annual Report 1964/65, p. 89.
8. This was changed after 1972 when the Concession Secretariat was established. All available material was then brought over to the Secretariat's archives.
9. The Role of Foreign Concessions in the Economy of Liberia. Robert P. Armstrong in Economic Survey of Liberia. Northwestern University Team Staff Papers, (SP n:o 3), p. 67.
10. Gårdlund, Torsten. LAMCO i Liberia, p. 29.

36.

11. LAMCO-LIO Financial Statement 1969.
12. LAMCO-LIO Financial Statement 1971.
13. Memo from Alray Sumpter, Whinney Murray, to Edwin Williams, Deputy Minister of Finance about the auditing of LMC's Financial Statements. 26/11 1973, p. 7-9.
14. Memo from the Secretary of the Treasury to the President of Liberia concerning LAMCO and BMC Financial Statements for 1969, 14/4 1970.
15. See note 14.
16. Personal communication with Lars Bergsten, Gränges International Mining (GIM).
17. Armstrong, p. 74.
18. Armstrong, p. 74 and Growth without Development (GwD), p.169.
19. GwD, p. 169.
20. Letter from Charles Dewey, President of LMC to Main Lafrentz, August 26, 1970. Cited in Special Report from Main Lafrentz, on the accounting practices of Liberia Mining Company, 24/8 1970, p. 4-6.
21. Ibid.
22. Ibid., p. 9.
23. Ibid., p. 12, Table G-3.
24. Ibid., p. 4-5.
25. Ibid., p. 12.
26. Ibid., p. 17-19.
27. Ibid., p. 20.
28. Why? When GOL is owning and contributing the mineral resources.
29. Rollins, p. 181-204.

30. ONP Annual Report 1962/63, p. 8.
31. ONP Annual Report 1964/65, p. 21.
32. Ibid.

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A P P E N D I X

Table 1.A. The Total Income of Liberia, distribution on sources and their relative share,
1946-1970, (\$ million).

Year	Direct Taxes			Import dut. Indirect Taxes %	Vessel registra- tion fees %	Other Incomes %	Total Domestic Income	Income from abroad	Total Income						
	Rubber %	Iron Ore %	Other %												
1946	0.145	6	-	0.7	30	51	1.2	51	-	0.3	13	2.345			
1947	0.126	4	-	0.7	22	62	2.0	62	-	0.4	12	3.226			
1948	0.119	3	-	0.7	21	64	2.2	64	-	0.4	12	3.419			
1949	0.074	1	-	0.7	19	64	0.1	64	0.1	3	0.5	13	3.774		
1950	0.052	1	-	0.8	21	57	0.1	57	0.1	3	0.7	18	3.852		
1951	5.629	44	-	3.0	23	26	0.2	26	0.2	2	0.7	5	12.829		
1952	2.372	28	-	2.0	23	36	0.3	36	0.3	3	1.0	10	8.872		
1953	2.985	27	2.010	1.3	12	29	0.5	29	0.5	4	1.1	10	11.195		
1954	2.686	22	1.912	1.4	12	31	0.7	31	0.7	6	1.5	13	11.998		
1955	4.895	32	1.963	1.5	10	4.6	31	1.1	1.1	7	1.1	7	15.158		
1956	5.149	29	2.790	1.6	2.3	13	5.2	29	1.4	8	1.1	5	17.939		
1957	4.472	23	2.988	1.6	2.4	12	6.1	32	2.0	10	1.4	7	19.436		
1958	3.622	20	2.261	1.3	2.8	15	6.6	36	1.6	9	1.2	7	18.083		
1959	6.074	25	3.207	1.3	3.8	15	8.5	35	1.7	7	1.3	5	24.581		
1960	7.930	24	6.404	2.0	3.9	12	10.7	33	1.2	4	2.3	7	32.434		
1961	5.392	17	5.675	1.8	4.6	14	13.1	40	1.0	3	2.6	8	32.367		
1962	4.508	13	5.079	1.4	5.8	16	15.3	43	1.0	3	3.9	11	35.587		
1963	4.659	13	5.040	1.4	6.7	18	16.9	45	2.0	5	2.0	5	37.299		
1964	3.309	8	7.014	1.8	5.7	14	18.7	47	2.8	7	2.6	6	40.123	19.6	
1965	4.261	10	7.995	1.9	7.4	17	16.5	39	3.6	9	2.6	6	42.356	30.4	
1966	4.260	8	9.027	2.0	7.3	16	19.0	42	2.6	6	3.5	8	45.687	35.3	
1967	7.530	16	10.218	2.1	2.0	4	22.8	47	3.5	7	2.3	5	48.348	35.7	
1968	7.200	14	9.408	1.8	4.3	9	22.6	44	3.8	7	3.9	8	51.208	22.3	
1969	7.500	12	12.109	2.0	6.9	11	29.1	47	4.2	7	2.1	3	61.909	17.2	
1970	7.800	12	12.810	2.0	7.5	11	28.5	43	5.0	8	4.2	6	65.810	20.8	
															49
															72
															77
															74
															44
															28
															32

Table 2:A. Expenditures after Economic Category and the Relative Distribution, 1960,
1964-1970, (\$ million).

Economic Category	1960	%	1964	%	1965	%	1966	%	1967	%	1968	%	1969	%	1970	%
Agriculture	0.7	2	1.7	3	1.3	2	1.4	2	1.5	2	0.6	1	1.1	1	1.1	3
Powersupply	0.5	1	1.6	3	13.3	18	12.2	15	4.0	5	1.4	2	2.2	3	1.4	2
Manufacturing Ind.	4.8	13	0.1	-	0.3	-	-	-	0.1	-	0.1	-	0.4	-	0.3	-
Transport & Communication	0.6	2	5.2	9	7.1	10	10.7	13	10.6	13	7.0	9	6.2	8	7.6	9
Other	0.2	0	-	-	0.5	1	3.1	3	2.3	2	5.1	7	4.4	6	3.4	4
Economic Sector	6.8	18	8.6	15	22.5	31	27.4	33	18.9	22	14.2	19	14.3	18	15.3	18
Education	3.5	9	10.7	18	11.8	16	12.8	16	13.5	16	11.0	15	10.7	14	10.6	13
Health	3.2	9	3.4	6	4.9	7	5.8	6	7.9	10	9.7	13	7.7	9	5.4	7
Other Community Serv.	4.5	12	1.2	2	1.3	2	1.4	2	5.3	6	1.0	1	4.9	6	6.0	7
Social Sector	11.2	30	15.3	26	18.0	25	20.0	24	26.7	32	21.7	29	23.3	29	22.6	27
General Administr.	6.4	18	15.0	25	14.4	20	15.3	19	15.3	18	14.1	18	15.1	19	16.0	19
Justice & Police	1.1	3	3.7	6	3.3	5	3.3	4	3.0	4	3.0	4	2.5	3	3.6	4
Defence	1.5	4	2.7	5	2.8	3	2.8	4	3.3	4	2.8	4	3.3	5	3.8	5
Other Administration	2.7	7	1.2	2	1.6	2	0.4	-	2.5	3	1.5	2	1.1	1	1.6	2
Administrative Sector	11.7	32	22.6	38	22.1	30	21.8	27	24.1	29	21.4	29	22.0	28	25.0	30
Interest	-	-	5.2	9	5.1	7	5.9	8	6.4	8	7.7	10	6.9	9	6.3	8
Amortization	-	-	6.3	10	5.1	7	3.6	4	3.5	4	5.7	8	8.1	10	9.1	11
IMF repurchases	-	-	-	-	-	-	3.6	4	4.2	5	3.4	5	4.4	6	5.2	6
National Debt	5.5	15	11.5	19	10.2	14	13.1	16	14.1	17	16.8	23	19.4	25	20.6	25
TOTAL EXPENDITURES	36.9	100	59.0	100	72.8	100	82.3	100	83.8	100	74.1	100	79.0	100	83.5	100

Table 3:A. The Relative Value of Exports of Selected Domestic Goods, 1950-1970,
(percentage of total exports).

Year	Rubber	Iron Ore	Diamonds	Palm kernels
1950	68	-	-	8
1951	90	1	-	7
1952	81	8	-	3
1953	68	19	-	6
1954	73	17	-	4
1955	77	16	1	2
1956	68	18	5	2
1957	68	21	3	3
1958	65	20	6	2
1959	46	42	3	1
1960	47	42	3	2
1961	41	47	4	2
1962	38	48	7	1
1963	29	56	5	1
1964	24	64	1	-
1965	21	71	1	2
1966	18	71	2	1
1967	17	73	3	1
1968	15	70	5	1
1969	15	70	5	-
1970	17	71	2	-

Source: 1950-1964 FT Reports 201 and 202. Dept. of Agriculture and Commerce.
 1965-1970 External Trade of Liberia. Ministry of Planning and Ec. Affairs.

Table 4:A. The Relative Value of Selected Import Goods, 1953-1970,
(percentage of total imports).

Year	Food & live anim.	Bever. & Tobac.	Mineral fuels	Chemicals	Manuf. goods, by material	Machinery Transport equipment	Misc. Manuf. articl.
1953	13	5	8	8	29	24	12
1954	16	5	9	7	26	22	14
1955	17	6	5	8	23	25	15
1956	15	4	5	7	31	24	13
1957	15	4	5	6	27	30	12
1958	14	7	8	7	23	27	13
1959	13	5	7	6	28	24	16
1960	12	4	4	7	23	34	14
1961	11	5	4	5	24	39	10
1962	9	4	3	4	27	41	9
1963	14	4	7	5	23	32	12
1964	14	4	9	5	22	34	10
1965	15	3	8	6	22	33	9
1966	16	4	9	6	21	28	12
1967	13	3	7	5	23	29	16
1968	17	3	8	7	22	27	10
1969	13	3	4	7	25	32	13
1970	14	2	6	7	25	34	8

Source: 1953-1964 FT Reports 101 and 102. Dept. of Agriculture and Commerce.
1965-1970 External Trade of Liberia. Ministry of Planning and Economic Affairs.

Table 5:A. Economic Result - Iron Ore Mining Industry, 1962-1970, (\$ million).

	1962	1963	1964	1965	1966	1967	1968	1969	1970
Production (1 000 metric ton)	3,603	7,991	13,130	15,450	16,041	16,813	19,361	21,358	20,995
Sales Income	29,764	48,421	86,211	106,205	111,267	116,426	126,515	144,087	146,266
Other Income	0.142	0.594	0.913	1.124	1.122	0.912	1.176	1.436	2.218
Total Income	29,906	49,015	87,124	107,329	112,749	117,340	127,691	145,523	148,484
Cost of Operation	12,988	24,721	35,550	44,187	49,734	53,679	60,314	71,396	59,939
Interest	0.993	9,597	14,322	18,173	17,961	17,939	20,039	20,117	17,641
of which: to Affiliates	(0.165)	(6.537)	(10.430)	12.150	9.742	8.903	9.340	9.263	n.a.
Amortization and Depreciation	2,056	6,567	12,486	16,587	18,740	20,805	24,957	28,185	24,203
Adjustments	0.229	0.213	0.266	-0.594	-0.003	-0.211	-0.510	2,256	0.171
Total Cost	16,268	41,098	62,624	78,353	86,432	92,212	104,800	121,954	101,954
Profit before Tax	13,638	7,917	24,500	28,976	26,317	25,128	22,891	23,509	31,537
Income for GOL	4.915	4.984	7.872	10.302	10.431	10.062	9.954	11.836	12.103
of which: Royalties	0.150	1.184	2.821	0.525	0.729	0.813	-	-	-
Income tax	4.765	3.800	4.551	5.912	6.157	6.076	4.772	5.560	3.706
Dividends	-	-	0.500	3.865	3.545	3.173	5.182	6.276	8.397
Profit after Tax	8.723	2.933	16.628	18.674	15.886	15.066	12.937	11.733	18.998
of which: Dividends	8.826	7.042	9.908	11.060	10.961	10.640	12.316	15.377	8.397
Reserves	-0.612	-4.632	5.802	5.216	2.508	1.441	-1.084	-5.552	6.895
Depletion allow.	0.509	0.523	0.918	2.398	2.417	2.985	1.705	1.908	n.a.

Table 6:A. Economic Result - Liberia Mining Company (LMC), 1951-1960, (\$ million).

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Production (1 000 metric ton)	0.180	0.921	1.290	1.599	1.702	2.110	1.934	2.278	2.687	3.115
Sales Income	0.785	8.169	14.460	12.008	18.503	21.380	22.867	22.128	25.904	29.069
Other Income	-	0.001	0.001	-	-	-	-	-	-	-
Total Income	0.785	8.170	14.461	12.008	18.503	21.380	22.867	22.128	25.904	29.069
Cost of Operation	0.393	2.950	3.721	2.919	5.616	5.899	7.295	7.132	8.727	8.957
Interest	0.026	0.226	0.150	0.010	-	-	-	-	-	-
Amortization and Depreciation	0.043	0.374	0.657	0.814	0.867	1.075	0.985	1.419	1.770	2.059
Adjustments 1)	0.035	-	0.019	0.684	0.888	-	-	-	-	0.474
Total Cost	0.497	3.550	4.547	4.427	7.371	6.974	8.280	8.551	10.497	11.990
Profit before Tax	0.288	4.619	9.813	7.579	11.132	14.406	14.587	13.576	15.406	17.179
Income for GOL	-	1.111	1.991	1.801	2.690	3.041	3.100	2.821	3.768	5.587
of which:Royalties	-	1.111	1.991	1.801	0.146	0.153	0.171	0.136	0.134	0.149
Income tax	-	-	-	-	2.544	2.888	2.929	2.685	3.634	5.438
Profit after Tax	0.288	3.508	7.822	5.778	8.442	11.365	11.487	10.755	11.638	11.592
of which:Dividends	-	-	-	-	-	8.003	8.186	7.545	13.170	10.838
Reserves	0.284	3.430	7.441	5.306	7.939	2.739	2.730	2.700	-2.041	0.173
Depletion allow.	0.004	0.078	0.381	0.472	0.503	0.623	0.571	0.510	0.509	0.581

Source: LMC Financial Statements.

Comment: 1) Changes in stock, advances and repayments.

Table 7:A. Economic Result - Liberia Mining Company (LMC), 1961-1969, (\$ million).

	1961	1962	1963	1964	1965	1966	1967	1968	1969
Production (1 000 metric ton)	3.007	2.951	2.996	2.690	2.621	2.839	2.842	2.755	2.802
Sales Income	27.638	26.823	22.676	22.578	19.047	20.766	20.365	19.527	20.048
Other Income	-	0.069	0.339	0.479	0.679	0.694	0.405	0.728	1.017
Total Income	27.638	26.892	23.015	23.057	19.726	21.460	20.770	20.255	21.065
Cost of Operation	8.821	10.241	9.306	11.017	9.609	10.365	11.119	11.649	12.028
Interest	-	-	0.097	0.063	0.034	0.006	-	-	-
Amortization and Depreciation	2.090	2.058	2.021	1.787	1.837	1.901	1.893	2.305	2.302
Adjustments 1)	0.454	0.229	0.011	-	-0.046	-0.052	-0.087	-	-
Total Cost	11.365	12.556	11.435	12.867	11.434	12.220	12.915	13.954	14.330
Profit before Tax	16.273	14.364	11.580	10.190	8.292	9.240	7.855	6.300	6.735
Income for GOL	5.578	4.915	3.933	3.540	3.877	4.214	3.622	3.013	3.551
of which: Royalties	0.146	0.150	0.133	0.143	-	-	-	-	-
Income tax	5.432	4.765	3.800	3.397	3.877	4.214	3.622	3.013	3.551
Profit after Tax	10.695	9.449	7.657	6.650	4.415	5.026	4.233	3.287	3.184
of which: Dividends	11.433	8.826	7.042	6.292	5.158	5.469	4.847	5.378	7.097
Reserves	-1.292	0.114	0.092	-0.137	-1.161	-0.986	-1.169	-2.613	-4.476
Depletion allow.	0.555	0.509	0.523	0.495	0.418	0.543	0.555	0.522	0.563

Source: LMC Financial Statements.

Comment: 1) Changes in stock, advances and repayments.

Table 8:A. Economic Result - National Iron Ore Company (NIOC), 1962-1970, (\$ million).

	1962	1963	1964	1965	1966	1967	1968	1969	1970
Production (1 000 metric ton)	0.666	2.848	3.241	2.978	2.935	3.373	3.479	3.368	3.955
Sales Income	2.941	10.701	15.878	18.238	17.452	20.182	19.409	21.976	20.800
Other Income	0.073	0.255	0.434	0.445	0.428	0.495	0.444	0.419	0.107
Total Income	3.014	10.956	16.312	18.683	17.580	20.677	19.853	21.976	21.307
Cost of Operation	2.747	7.085	10.815	12.490	12.519	15.016	14.514	17.450	15.600
Interest	0.993	1.686	1.628	1.497	1.343	1.206	1.015	0.880	0.663
of which: to Affiliates	(0.165)	(0.280)	(0.280)	0.281	0.293	(0.300)	0.308	(0.300)	0.158
Amortization and Depreciation	-	1.303	1.619	1.817	1.791	2.523	2.602	2.560	2.883
Adjustments 1)	-	0.119	-	-	-	-	-	-	-
Total cost	3.740	10.193	14.062	15.804	15.653	18.745	18.131	20.890	19.146
Profit before Tax	-0.726	0.763	2.250	2.879	2.227	1.932	1.722	1.506	1.761
Income for GOL	-	-	0.225	0.295	0.325	0.153	0.325	0.305	0.300
of which: Royalties	-	-	0.225	0.133	-	-	-	-	-
Dividends	-	-	-	0.162	0.325	0.153	0.325	0.305	0.300
Profit after Tax	-0.726	0.763	2.025	2.584	1.902	1.779	1.397	1.200	1.461
of which: Dividends	-	-	-	0.162	0.325	0.153	0.325	0.305	0.300
Reserves	-0.726	0.763	2.025	2.422	1.577	1.626	1.072	0.895	1.161

Source: NIOC Financial Statements.

Comment: 1) Changes in stock.

Table 9:A. Economic Result - Liberian American-Swedish Minerals Company (LAMCO), 1963-1970.
(\$ million).

	1963	1964	1965	1966	1967	1968	1969	1970
Production (1 000 metric ton)	1.787	5.423	6.532	6.000	5.471	6.994	8.849	8.900
Sales Income	12.671	33.642	42.595	37.596	34.294	43.631	56.711	67.553
Cost of Operation	7.152	10.068	13.651	12.893	11.246	15.535	21.469	24.669
Interest	5.857	9.473	9.517	8.888	8.975	10.867	10.809	10.299
of which: to Affiliates	(4.300)	(7.000)	6.988	4.322	3.546	3.543	3.505	n.a.
Amortization and Depreciation	2.453	6.734	7.083	7.157	7.352	9.413	12.180	13.437
Adjustments 1)	-	-	-	-	-	-	4.637	-
Total Cost	15.462	26.275	30.251	28.938	27.573	35.815	44.459	48.405
Profit before Tax	-2.791	7.367	12.344	8.658	6.721	7.816	7.615	19.148
Income for GOL	0.893	2.953	3.704	3.223	3.020	3.699	4.812	6.706
of which: Royalties	0.893	2.453	-	-	-	-	-	-
Dividends	-	0.500	3.704	3.223	3.020	3.699	4.812	6.706
Profit after Tax	-3.684	4.414	8.640	5.435	3.701	4.111	2.804	12.438
of which: Dividends	-	0.500	3.704	3.223	3.020	3.699	4.812	6.706
Reserves	-3.684	3.914	4.936	2.212	0.681	0.418	-2.008	5.728

Source: LAMCO-LIO Financial Statements.

Comment: 1) Losses due to revaluation of D-mark.

Table 10:A. Economic Result - Liberia Bethlehem Iron Mines Company (LIBETH), 1963-1969,
(\$ million).

	1963	1964	1965	1966	1967	1968	1969
Production (1 000 metric ton)	0.596	2.392	2.177	2.000	2.500	2.665	2.751
Sales Income	2.393	14.113	15.470	15.281	18.837	17.303	19.358
Cost of Operation	1.178	3.650	3.678	3.476	4.635	5.099	6.016
Interest	1.957	3.158	3.256	3.124	3.041	3.517	3.502
Amortization and Depreciation	0.790	2.346	2.449	2.836	3.718	3.955	4.455
Adjustments	0.093	0.266	0.039	0.084	0.104	0.031	0.023
Total Cost	3.925	9.154	9.383	9.436	11.394	12.571	13.973
Profit before Tax	-1.645	4.693	6.047	5.761	7.329	4.701	5.362
Income for GOL	0.158	1.154	2.035	1.943	2.454	1.759	2.009
of which: Royalties	0.158	-	-	-	-	-	-
Income tax	-	1.154	2.035	1.943	2.454	1.759	2.009
Profit after Tax	-1.803	3.539	4.017	3.818	4.885	2.942	3.353
of which: Dividends	-	3.116	2.037	1.944	2.445	1.759	2.008
Reserves	-1.803	-	-	-	-	-	-
Depletion allowance	-	0.423	1.980	1.874	2.430	1.183	1.345

Source: Financial Statements of LIBETH.

Table 11.A. Economic Result - Bong Mining Company (BMC), 1965-1970, (\$ million).

	1965	1966	1967	1968	1969	1970
Production (1 000 metric ton)	1.713	2.978	3.409	4.218	4.463	5.267
Sales Income	10.855	20.532	22.750	26.646	25.994	35.229
Other Income	-	-	0.012	0.004	-	1.915
Total Income	10.855	20.532	22.762	26.650	25.994	37.144
Cost of Operation	4.759	10.481	11.673	13.517	14.442	19.670
Interest	3.869	4.600	4.717	4.640	4.926	6.679
of which: to Affiliates	(1.685)	2.003	2.016	1.977	1.956	n.a.
Amortization and Depreciation	3.401	5.055	5.320	66.822	6.668	7.883
Adjustments 1)	-0.584	-0.038	-0.229	-0.547	-2.392	0.096
Total Cost	11.445	20.098	21.481	24.292	23.644	34.424
Profit before Tax	-0.590	0.434	1.281	2.358	2.350	2.816
Income for GOL	0.392	0.729	0.813	1.158	1.158	1.387
of which: Royalties	0.392	0.729	0.813	-	-	-
Income tax	-	-	-	1.158	1.158	1.387
Profit after Tax	-0.982	-0.295	0.468	1.200	1.192	1.429
of which: Dividends	-	-	0.165	1.155	1.155	n.a.
Reserves	-0.982	-0.295	0.303	0.045	0.037	n.a.

Source: Financial Statement of BMC.

Comment:1) Mostly changes in stock.