Towards export-led growth

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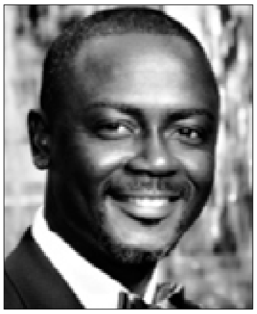

AXEL M. ADDY holds a BA from California State University in Political Science with emphasis in Public Law and an MA from UCLA in African Studies with emphasis in International Development. Prior to joining the government, Mr Addy, served as the founder and first Country Representative of the Population Services International (PSI) Liberia. He was promoted from Deputy Minister to Minister of Commerce and Industry in March 2013.

Liberia is has a unique trade history. The country's trade has been shaped by the 'open door policy' initiated under the William V.S. Tubman administration of the 1950s and 1960s. During this era, Liberia liberalised trade and offered attractive terms to foreign investors. From 1944 to 1971 over sixty concessionary agreements were signed with foreign companies specialising in these sectors: rubber, timber, iron ore and oil palm. Despite impressive growth rates, reaching double digits in the 1960s, it was often said that, during this period, Liberia experienced "growth without development".

After a damaging civil war, Liberia is again turning to these traditional exports to drive the economy forward. As of December 2011, Liberia had 41 concession agreements with agriculture, finance, forestry, hotels, mining and petroleum firms either signed, ongoing negotiation or pending signature. Over the next 25-50 years, these new agreements are estimated to bring over US$17 billion of foreign investment to Liberia's economy and provide over 100,000 new jobs for Liberian workers. The economy is growing, with estimates of GDP growth of 8.8 per cent in 2012, almost half of which was due to iron ore exports.

While the country has seen impressive growth in traditional sectors, this has been dominated by extractive industries, and this could potentially be exacerbated in the future if reports of offshore oil are found to be accurate. This has led the Ministry of Commerce and Industry to target GDP growth excluding mining as a key performance indicator to avoid the traps of "growth without development." The Ministry of Commerce and Industry has targeted Micro, Small and Medium sized enterprises (MSMEs) as crucial to developing both internal and external trade, and to provide employment and income to thousands of Liberians.

The Ministry of Commerce and Industry has targeted agri-business as a key comparative advantage for Liberia. Through simple value-addition, Liberia can begin the long process of industrialisation necessary to pull our population out of poverty. To give one example, cassava is grown in every village in Liberia, and is Liberia's second staple crop. Cassava is extremely reliable and grows in all conditions, however, cassava growers in Liberia currently suffer from a significant crop wastage rate as the root rots quickly after it is taken out of the ground. One solution is to grind the cassava into flour or paste which significantly increases the lifespan of the product, however, the process is both time consuming and can only be conducted in small quantities. This is an area where the government of Liberia can step in to assist farmers. The Ministry of Commerce and Industry is currently setting up two pilot cassava processing plants in key market towns, by providing machines to local farmers so that they can overcome the constraints and add value to their produce.

Liberia has a plethora of trade-related constraints. Weak infrastructure is identified as a major constraint by Liberian firms with 59 per cent identifying electricity constraint and 39 per cent identifying transportation in the latest World Bank Enterprise Survey (2009). Poor roads mean that farmers cannot get goods to market, and formal electricity is confined to the capital, where power tariffs at US$0.43 per kilowatt hour remain one of the highest in the world. Furthermore, Liberian firms often cannot grow to a scale large enough to export due to a lack of access to financial products. Significant interventions by the CBL have lowered interest rates to as low as 8 per cent for some SMEs, however, collateral requirements and loan application complexity remain beyond the reach of most MSMEs. Finally, firms face extreme difficulty in launching new export activities due to missing inputs.

The government of Liberia and the Ministry of Commerce and Industry is working to overcome these constraints to build a fostering environment for new Liberian businesses. Firstly, the government is working to establish new Special Economic Zones (SEZs) to maximise the linkages between foreign and locally owned companies. These SEZs will be equipped with the necessary infrastructure needed to run a successful modern company. They will be open to both foreign and Liberian-owned businesses, and will encourage the transfer of technology.

Finally, we are working to equip the next generation with the skills to set up and run a successful business and to participate in the new manufacturing-driven economy. The Ministry of Commerce and Industry has set up vocational training courses for heavy industry skills such as welding and machine operation. There is also a new course beginning in September 2013 in Rubber Science and Technology at the V.S. Tubman University, and the Ministry runs regular training courses with MSMEs. F