

**COUNTRY PROFILE: REPUBLIC OF LIBERIA****DATED: AUGUST 2007****CREDIT GUARANTEE:**

|                   | <i>Country Rating</i> | <i>Underwriting Method</i> |
|-------------------|-----------------------|----------------------------|
| <i>Short-term</i> | ZZ                    | Off-cover                  |

*Recent Political Highlights*

- Ellen Johnson-Sirleaf won the second round of presidential elections in 2005/2006 and was inaugurated as Africa's first elected woman head of state in January 2006. She inherited one of the world's poorest countries, battered by civil wars from 1989-2003 that left 200,000 people dead and displaced half of the country's population. Charles Taylor, who was ousted in 2003, is facing war crimes at a UN-backed court in The Hague.

*Recent Economic Highlights*

- The World Bank estimates the population of the west African country at around 3.3 million. The country's statistics office announced that it will launch a national population census early next year; the last national census was conducted in 1984. Liberia has one of the highest population growth rates in the world estimated at 4.9% in 2006. It has a large youth population which faces a bleak future as the unemployment rate is estimated at 85%.
- Its natural resources are iron ore, rubber, timber, diamonds, gold and tin. The government also believes there may be sizable deposits of crude oil along its Atlantic Coast. Currently, Liberia's few earnings come primarily from rubber exports and its maritime registry program, which generates about \$15m annually. It has the second-largest maritime registry in the world, with more than 2,350 vessels registered under its flag; 35% of the oil imported to the US is transported on Liberian-flagged ships.
- The economy grew 7% last year from 5.3% the previous year. The government projects GDP growth to average 10% annually from 2007-2012 with significant boosts provided by the revival of forestry, mining and agricultural sectors. Consumer price inflation declined to single digits (7.4%) in 2006 compared to 11.1% in 2005.
- The exchange rate averaged LBD59.4:US\$1 in 2006. Liberia's import bill remains very high at \$4.7bn in 2006, while exports only totalled \$1.6bn. FDI is returning to Liberia, attracted by the stable security situation provided by the UN peacekeeping force and the demonstrated commitment to reform by the Sirleaf administration.
- The President of Benin has promised to intervene on behalf of Liberia for the international community to have consideration in waiving the country's external debt which is said to be about \$3.5bn; GDP was \$2.8bn in 2006.
- Liberia's diamonds came under UN sanctions in May 2001 and these were terminated by the UN Security Council on April 27, 2007. In early May, President Ellen Johnson-Sirleaf formally opened 10 diamond screening and evaluation offices in the country, marking a first step towards restarting the industry. Liberian diamond exports will be certified through the Kimberly Process Certification Scheme. At the end of July, Liberians were informed that they can start applying for mining, selling and broker licenses for the stones.
- Global steel giant Arcelor Mittal launched a \$1bn mining venture in Liberia to coincide with the country's 160<sup>th</sup> independence anniversary. Liberia sealed the 25-year concession, paving the way for the start of the iron ore mining venture. Mittal is expected to create at least 3,000 new full-time jobs and generate up to 20,000 downstream jobs. The Liberian government says it is preparing a short list of companies for the development of three mining operations in the Western Region.
- The Government of Liberia and the Firestone Plantation Company resumed negotiation of the Concession Agreement in August. The Liberian Government believes that Firestone must ensure the equitable distribution of the benefits that are derived from the exploitation of the country's natural resources such that Liberians can receive a fair share of the financial gains realised by Firestone. The Minister of Agriculture said Firestone should also contribute to the rubber development fund that will be used to develop the rubber industry and he assured workers that efforts were being made to improve their wages and living conditions.
- Massive road construction and rehabilitation is planned for next year as most of the road networks are in deplorable condition following the fourteen-year civil war. The World Bank hired the China Henan Corporation Group of Companies Ltd (CHICO) which has a strong team of consultants, to ensure the smooth implementation of the project. It also approved a grant of \$37m to support the government of Liberia's efforts in re-establishing basic infrastructure and reviving agricultural activities.

*Latest Trade Developments*

- Main exports: rubber, timber, iron, diamonds, cocoa and coffee.
- Main imports: fuels, chemicals, machinery, transportation equipment, manufactured goods and foodstuffs.
- Major trade partners: Germany, South Africa, Poland, US, Spain, Thailand, South Korea, Singapore, Japan and China.
- SA's exports to Liberia almost tripled from R42m in 2005 to R118.2m in 2006.
- The border post between Liberia and Sierra Leone (a key trading route), was re-opened at the end of June, 17 years after it was sealed off by a civil war. The border known as Bo Waterside, was closed in 1990, when Charles Taylor's NPF of Liberia launched an uprising against the regime of the then President Samuel Doe. The commercial gateway between the two countries will help the reconstruction process and boost trade as it reduces the distance by road between the two capitals.
- At the end of 2006, President Bush designated Liberia as eligible for trade benefits under the African Growth and Opportunity Act.