

# Small Business ownership -- a Jobs Creation engine for Liberia's Post-Conflict Recovery.

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Liberia, officially the Republic of Liberia, is a country on the west coast of Africa, bordered by [Sierra Leone](#), [Guinea](#), [Côte d'Ivoire](#), and the Atlantic Ocean. As of the 2008 Census, the nation is home to 3,476,608 people and covers 111,369 square kilometres (43,000 sq mi).<sup>[3]</sup>

Liberia's capital is [Monrovia](#). Liberia has a hot equatorial climate with most rainfall arriving in summer with harsh [harmattan](#) winds in the dry season. Liberia's populated [Pepper Coast](#) is composed of mostly [mangrove](#) forests while the sparsely populated inland is forested, later opening to a plateau of drier grasslands.

The history of Liberia is unique among [African nations](#) because of its relationship with the United States. It is one of the few countries in Africa, and the only country in [West Africa](#), without roots in the European [Scramble for Africa](#). It was founded and colonized by freed American slaves with the help of a private organization called the [American Colonization Society](#) in 1821-1822, on the premise that former American slaves would have greater freedom and equality there.<sup>[4]</sup>

Slaves freed from slave ships were also sent there instead of being repatriated to their countries of origin.<sup>[5]</sup> These colonists formed an elite group in Liberian society, and, in 1847, they founded the Republic of Liberia, establishing a government modeled on that of the United States, naming Monrovia, their capital city, after [James Monroe](#), the fifth [president of the United States](#) and a prominent supporter of the colonization.

A military-led [coup](#) in 1980 overthrew then-president [William R. Tolbert](#), which marked the beginning of a period of instability that eventually led to two [civil wars](#) that left hundreds of thousands of people dead and devastated the country's [economy](#). Today, Liberia is recovering from the lingering effects of the civil war and related economic dislocation. Statistics indicate that about 85% of the population lives on less than \$1.25 a day. During the past quarter century, war and internal conflicts caused unthinkable loss of life, a complete devastation to every fiber of the culture and society, and a total destruction of the country's infrastructure. During this sad period in the history of this nation, the Liberian people lost everything collectively and individually, except perhaps for their collective resilient human spirit and hope.

Liberia has come a long way in a relatively short time since the civil war officially ended in 2003. On November 23, 2005 the people of this great country elected an illustrious leader in President Ellen Johnson-Sirleaf as their 24<sup>th</sup> national president. The president, with her new government, you will agree, is doing a wonderful job so far, in restoring

normalcy to a war-torn and violently ravished nation (let's give them a round of applause!). Monrovia now has pipe-borne water and public electricity in some parts of the city. Roads and city streets are making a come-back and farm-to-market roads are being built. Schools are being rebuilt and civil society organizations are starting to gradually put their collectively lives back together.

Things are looking good so far.

However, it will take time, lots of money and resources to rebuild the 150 years of national development, culture and civilization that got utterly destroyed in 14 years of war and conflict, but definitely Liberia is now headed in the right direction on the path to development.

The EJS led government is vigorously fighting systemic corruption on all fronts in the Liberian society and showing some success at it, too. The national budget is being balanced annually on a cash basis and the government has even managed to complete its requirements for receiving HIPC (Heavily Indebted Poor Countries) debt reliefs,<sup>1</sup> and has a PRS (Poverty Reduction Strategy) in place as a part of its development goals.

In other words, Liberia's **bankruptcy** will be **discharged**. That is a very good thing. That means Liberia gets a fresh start in terms of its credit ratings going forward. Therefore, the fiscal actions that the Liberian government takes from now on will prove to be more important than the actions they took to get the HIPC reliefs. That is why I want to talk to you today about Small Business Ownerships.

As has been written in many proclamations from the current government, there appears to be an expressed intention on the part of the EJS government to encourage and promote Liberian small business ownership as one solution to solving the massive unemployment in post-conflict Liberia. In multiple speeches and public commentaries President EJS has clearly stated her government's intention to encourage Liberians to engage in the creation of small business firms. However, it is also very clear that the intention expressed by this EJS government is not currently being backed by any ministerial action or budgetary support in their fiscal planning.

In April, 2010, speaking at the installation ceremony of a Crowd 50 Club organization event, EJS stated the following:

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**“Many of you are successful private businessmen. I implore you to compete in this economy because this country cannot and will not develop on the backs of only expatriate business people. I can assure you that my Administration will do its utmost to support Liberian entrepreneurial efforts although we are a free enterprise nation. We cannot make laws or policies that skew the business environment in a way that is unfair to any one group. We believe our country and the Liberian business class will be stronger when they compete against other, more experienced and resource-endowed business people.”**

Well, hello! The business environment already is skewed unfairly; but, against the very Liberian business class that government is trying to encourage.

But, it is quite obvious that President Ellen Johnson-Sirleaf was thinking of Liberia's official economic policy of promoting free trade when she said "we cannot make laws or policies that skew the business environment in a way that is unfair to any one group." This EJS government's trade policy of eliminating protectionism and enforcing free trade works in much the same way as rich countries do through the World Trade Organization (WTO) by negotiating treaties between and among member countries.

This EJS policy is also historically consistent with the trade policies of past governments that precede hers. Liberian governments' trade policies have never really been about protectionism; perhaps because there has never been anything to protect. The domestic economy of Liberia has always been dominated by businesses that are foreign owned. The manufacturing, mining and forest product industries, as well as the micro businesses that operated in Liberia have always been dominated by foreign ownership. Therefore, it is understandable that no elected government or administration, neither past nor present, ever felt the need to develop protectionist trade policies to protect any of the nation's embryonic enterprises and infant industries. When it comes to trade and commerce in Liberia, it seems that all of the past administrations from William V.S. Tubman to Ellen Johnson-Sirleaf have maintained an open-door policy.

My fellow LACOSC members, my speech today is certainly not a call for increased protectionist trade policies and business rules on the part of the Liberian government in the interest of small business ownership. What I have set out to do is to make a case that small business ownership in Liberia can be as vibrant and strong, as those in other nations while at the same time being a jobs creation machine playing a vital role in reducing unemployment in the national economy. Small business owners can be major jobs creators in post-conflict and post-HIPC Liberia. I believe that small businesses owned by Liberians can truly create jobs and help reduce the massive unemployment that is currently estimated at between 75 and 85%, depending on whose numbers you believe.

Liberia's small business owners do not need public handouts or government empathy. They do not need special tariffs or tax breaks only for a select few individual firms; and they certainly do not need presidential lip service. Liberia's infant domestic industries and fragile micro-businesses are not looking for privileges built into government regulations solely for the purpose of skewing trade and commerce in their favor at the expense of their foreign competitors. What they deserve and should be demanding is that their government removes those trade practices and laws currently on the books that already have them at a disadvantage when they try to start or grow their small businesses in a domestic market already dominated by foreign owned global firms that are well established. Foreign businesses have long taken over the Liberian domestic market in most of the country's history perhaps up until the war years. Of course they took over and dominated practically all commerce in the name of 'free trade'. Well, just in case you haven't noticed, even in these last few post-conflict years, commerce and trade in the Liberian economy are already completely dominated by foreign ownership. It would be

very difficult to make anymore new laws that can make business environment in the country more skewed. What Liberian entrepreneurs, business owners and potential small business owners expect from their government in this particular area is proactive action that would create a more even playing field that enable small business to not only get started, but, compete more fairly with foreign firms.

Actually, this is not unreasonable expectations on the part of this group of citizens. If you consider the common trade practices of other countries around the world in similar scenarios, you will agree that most governments are creating rules and laws in their trading and business practices that are intended to protect specific segments or industries in their own markets. Take the cases of first world countries like the United States, Japan and developing China for examples. All one has to do is read the news to realize how these G20 countries are frequently accusing each other of trade protectionism. The truth is, all countries, rich and poor, are guilty of practicing trade protectionism to some degree. That is what the WTO, NAFTA, Mano River Union, etc are about, right?

About the worst economic crime a rich nation can commit against consumers and poor people is enacting trade barriers, imposing tariffs and levying subsidies. Such policies only serve the special interest groups at the expense of the general population. However, this fact has not stopped Japan, China and the United States from engaging in protectionist policies in recent years. Even though these countries preach free trade, what they actually do is practice trade protectionism selectively when it serves their national or economic interests. Whether its tariffs, import quotas, anti-dumping legislation, subsidies or exchange rates, all nations are guilty of practicing these protectionist policies in some form at one time or another for their selfish goals. Even the United Nations has adopted restrictive trade practices as a punitive tool in the form of sanctions against countries that behave badly. But, what are the pros and cons for choosing protectionism or free trade? Let us look at the two arguments:

### The Case *for* Protectionism

1. Some Liberians who generally hold protectionist views make the following case for promoting small business ownership in the country. They believe there is no comparative advantage in free trade today because of economic globalization. They oppose Ricardo's elegant economic theories of 'comparative advantage' which refers to the ability of a party (an individual, a firm, or a country) to produce a particular good or service at a lower [opportunity cost](#) than another party. It is the ability to produce a product with the highest relative efficiency given all the other products that could be produced.
2. Domestic goods are at a disadvantage because of government's tax policies give incentives to foreign traders.
3. Protectionists Liberians believe that their [infant industries](#) and micro-businesses must be protected in order to allow them to grow to a point where they can fairly compete with the larger mature industries

established in foreign countries. They believe that without this protection, infant industries will die before they reach a size and age where [economies of scale](#), industrial infrastructure, and skill in manufacturing have progressed sufficiently to allow the industry to compete in the global market.<sup>2</sup> For an example, let's take a Liberian investor who is educated, smart with all the business knowledge and acumen that decides to create a small business firm producing poultry for mass consumption. A Liberia firm would still face practically insurmountable barriers to entering the global poultry industry. Liberia still lacks the supporting infrastructure as well as the suppliers of young chicks and other supplies that this investor would need to thrive. Liberia lacks workers skilled in the specifics of building poultry farming outfits. And, an infant poultry industry would have to compete for electricity, incubators, and other raw materials with established firms who purchase materials in quantities that allow established companies to receive a better price and therefore allow them to produce their products at a lower cost than the infant company. Some might argue that trying to start a poultry industry in Liberia that mass produces chickens for consumption is simply a bad business decision and that may certainly be true, but this concept is true no matter which industrial segment of the Liberian economy you look at. Liberian entrepreneurs would face the same barriers in trying to enter the appliance industry, the textile industry, the pharmaceutical industry, or any other established manufacturing segment. Protectionists Liberians believe that such barriers to entry are anti-competitive in the same way as monopolies and trusts are anti-competitive. They believe that Liberia has a right to become an industrialized nation and that its government has a right to pass protectionist legislation to insure that its infant industries have a chance to mature.

4. Finally, protectionist Liberians advocate that unrestricted trade undercuts domestic policies for social good (i.e. their government has the right to protect the trade interests of its firms and citizens when put in a competitive disadvantaged situation).

#### The case *against* Protectionism

1. Many mainstream economists make pretty convincing arguments against protectionism and in favor of free trade. They subscribe to the economic theory of *comparative advantage* described earlier in this paper. The theory further shows that the gains from free trade outweigh any losses as free trade creates more jobs than it destroys because it allows countries to specialize in the production of goods and services in which they have a comparative advantage.<sup>1</sup>
2. "Most economists, including Nobel prize winners [Milton Friedman](#) and [Paul Krugman](#), believe that free trade helps workers in developing countries, even though they are not subject to the stringent health and

labor standards of developed countries. This is because "the growth of manufacturing — and of the myriad of other jobs that the new export sector creates — has a ripple effect throughout the economy" that creates competition among producers, lifting wages and living conditions. Economists have suggested that those who support protectionism ostensibly to further the interests of workers in least developed countries are in fact being disingenuous, seeking only to protect jobs in developed countries. Additionally, workers in the least developed countries only accept jobs if they are the best on offer, as all mutually consensual exchanges must be of benefit to both sides; else they wouldn't be entered into freely. That they accept low-paying jobs from companies in developed countries shows that their other employment prospects are worse<sup>3</sup>

3. Free trade promotes equal access to domestic resources (human, natural, capital, etc.) for domestic participants and foreign participants alike. Some thinkers extend that under free trade, citizens of participating countries deserve equal access to resources and social welfare (labor laws, education, etc.). Visa entrance policies tend to discourage free reallocation between many countries, and encourage it with others. High freedom and mobility has been shown to lead to far greater development than aid programs in many cases, for example eastern European countries in the European Union. In other words visa entrance requirements are a form of local protectionism.<sup>4</sup>

The current world trend is for countries (especially first world countries) to eliminate protectionism through free trade policies enforced by international treaties and organizations such as the [World Trade Organization](#). Regional organizations like ECOWAS and The Mano River Union also aim to eliminate protectionism by promoting free trade through various bilateral and multilateral treaties between their member governments. Notwithstanding, certain policies of First World governments have been criticized as protectionist because of the trade restrictions they impose. Some examples of these policies are the [Common Agricultural Policy](#) <sup>[16]</sup> in the European Union and the proposed "Buy American" provisions <sup>[17]</sup> in certain economic recovery packages in the United States.

For many years, free trade has been espoused as an agent of equality, bringing wealth to the poorer nations. However, who really profits? True, goods and services are cheaper for some, but jobs are lost by many thousands of people in the country that adopts free trade, and workers in other countries are *grossly* underpaid and the quality of the goods or services may diminish. Also, important revenue is gained from tariffs and duties collected on imports, and local and small business have a chance to flourish rather than be annihilated by international corporations<sup>1</sup>

Based on the economic data available, it is clear that what Liberia needs is not only good intentions and strong words of encouragement from the nation's leaders regarding the

conduct of small business. What SB in Liberia needs is assistance in the following three ways?

1. a Small Business Development Center (SBDC) type organization that will give specific attention to the development of the country's small business activities by providing the suite of services that ordinary people and entrepreneurs need to obtain seed money or investment capital as well as the training and guidance for going into various businesses. The Small Business Development Center National would create an Information Clearinghouse to serve as a resource providing timely, relevant research, web-based information, and training to small business owners and entrepreneurs. Through the SBDC web site and its many resources valuable information on how to plan for and start a small will be available to the public free of charge. The web site contains links of interest to the budding entrepreneur, the established small business owner, and the business researcher including: business plans, industry information, associations, business documents, and publications.

An SBDC type organization can help government identify priority areas on the microeconomics level and develop a strong support system while directing public resources to specific priority areas of the micro-economy. This autonomous agency would develop a national plan for small business development aligned with the larger government goal of PRS, the creation of a sustainable and viable private sector and the creation of a thriving middle class.

The creation of an SBDC would further give the EJS government and future governments for that matter, the vehicle through which much needed external venture capital along with grants and other aid funds intended for small business development can be solicited, organized and directed towards the development of various business sectors within the context of Liberia's strategic national development goals.

2. Liberian small business needs to be included as a priority in government's national development planning in a big way become active in soliciting external donor funding, technical assistance, and other resources for SBCD programs. Thanks to the recent completion of HIPC there may be new concessional financing from donors available. This was confirmed in a recent statement by John Lipsky, First Deputy Managing Director of the IMF Center for Global Development.
3. Liberian entrepreneurs need seed money or venture capital. A **venture capitalist** (also known as a VC) is a person or investment firm that makes venture investments, and these venture capitalists are expected to bring managerial and technical expertise as well as capital to their investments. Venture capital is also associated with job creation. The VC has a core skill with the exceptional ability to identify novel small businesses or technologies that have the potential to generate high commercial returns at an early stage. By definition, VCs also take a role in managing entrepreneurial companies at an early stage. In addition to [angel investing](#) and other [seed funding](#) options, Venture capital is attractive for new

companies with limited operating history that are too small to raise capital in the public markets and have not reached the point where they are able to secure a [bank loan](#) or complete a [debt offering](#). New entrepreneurs seeking investment capital can eventually be process through the Small Business Development Center described in item number 1 above.

In some ways, my analysis of the current EJS government's economic policy towards business ownership in Liberia (i.e. foreigners versus Liberian citizens), lead me to believe that there is ambivalence and hence the lack of action to support the government's clearly stated intention to encourage small business ownership for Liberian citizens. It just seem as though the EJS government does not want to be seen as a 'protectionist' government in the eyes of the international community, who up to now, have played the biggest role in reviving Liberia from a state of emergency to the current recovery stage.

There may be two reasons for the ambivalence. On the one hand this government would like to be seen, at least by its international donor organizations and financiers as fostering free trade and commerce in an economic environment free of unfair restrictions and limitations to foreigners. On the other hand, government feels an obligation and perhaps feels pressured by the multitude of citizen entrepreneurs, business owners and applicants seeking various forms of government assistance to enable them to start-up or grow their own businesses in the country.

The available data on international trade practices indicate that most countries are preaching the doctrine of free trade but in reality, they are all trying to strike a delicate balance between protectionism and free trade. Nations the world over do receive a significant amount of political and trade unionist pressures to put trade restriction (i.e. tariffs, levies, etc.) in place, in order to protect some special or national interest. The degree to which those nations can resist these pressures, will determine the level of their free trade practices. However, it is clear that no one nation can claim to be perfect in the practice of free trade. Every nation seems to be using some form of protectionism for their infant industry or segment of their market until they are strong enough to compete.

Perhaps Liberia can learn a few lessons from developing countries in their approach to free trade – that is selectively protecting certain infant and micro industries up to their maturity point after which all trade restrictions can be removed from that particular industry. In this scenario, government could remove some import restrictions for certain industries or micro business groups, if they were determined to be crucial to the national long term development strategy. Such removal of trade restrictions could include but not be limited to import duties, tariffs or other customs taxes levied on specific trade items. The removal itself would be temporary, only covering a predetermined period based upon the estimated time needed for the affected industries to be strong enough to compete in a free trade environment. This approach could provide additional support for Liberia's embryonic small business sector in the form of protection from unfair competition posed by more established foreign owned businesses.

In order to make the jobs creation plan work, it is critically important that many of those Liberians in the diasporas who have acquired knowledge and experiences from managing various enterprises for other owners or even themselves and now have what it takes to

make a business work can begin to make an honest effort to return in a productive capacity to help rebuild Liberia again. Small business ownership needs people, (smart and knowledgeable people), with a new drive and entrepreneurial zeal to create and operate thriving business concerns for success. Small business ownership needs people who can take calculated risks, are not afraid to fail and therefore, want to return to apply their entrepreneurial skills by starting their own businesses and creating jobs for themselves and others. This is a jobs creation model for Liberia in this post-conflict, post-HIPC period.

#### Conclusions:

Finally, let me say that Liberians who want to start their own businesses will not find a better time to do so than this particular period in our national history. Now, more than any other period in Liberia's past, there are endless business startup opportunities for Liberians. Many of the opportunities are in new age industries like eCommerce or Online Stores that have no physical buildings, and still many more others can be found in the old brick and mortar firms (some of which were simply abandoned by foreign and previous owners due to the war). But, you must hurry and take advantage of this window in time because the foreign owners are back and still coming. The longer Liberia remains politically stable with no conflicts and continues to offer a wide open free trade, it'd just be a matter of time before all of the current opportunities dry up again. Jobs growth through small business development can become one of the anchors in government's PRS if small business development is given higher priority in national planning. Government should aim to go after manufacturing businesses from trade partner countries like Brazil, and the Asia-Pacific countries more vigorously, soliciting their firms to setup shop in Liberia where the locals can learn the art of manufacturing while being gainfully employed. The multiplier effect of such an economic strategy can spur more growth small business jobs creation for the nation.

I thank you!

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#### References:

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