



Illegitimate Debt After Decades of Turmoil

The Case of Liberia





“Long Live Liberia, Happy Land”

Imagine what it would be like to live in Liberia, a country without electricity for over a decade. Suddenly, with the flick of a switch by newly elected President Ellen Johnson-Sirleaf, there was light. No electricity for fourteen years, and then on July 26th, 2006, light shone on Tubman Boulevard in the capital city of Monrovia.

This spark of light was a flash of hope for Liberia. Yet, one of the largest shadows over Liberia’s future is its crippling debt burden. The United States, a nation that glitters with thousands of lights across the country every day of the year has Liberia’s hope for reconstruction and development in its grasp. The U.S. is a primary creditor to Liberia and a powerful voice in the International Financial Institutions that are demanding that Liberia spend almost its entire budget on debt service. These payments go to our wealthy treasury and the vast coffers of the International Monetary Fund (IMF) and the World Bank.

Continuing to collect Liberia’s resources is even more egregious in light of the fact that Liberia owes its wealthy creditors nothing. Liberia’s debt is illegitimate; it is an odious debt that results from irresponsible lending to brutal dictators. The U.S. is culpable in the creation of this debt, and yet it joins the international community in requiring that the very people who suffered under the regimes made wealthy by these loans should then pay twice out of their limited resources fueling wealthy creditor nations and institutions.



Spotlight on Liberia

Liberia, or the “Land of the Free”, has a rich Pan-African historical legacy. This small West African nation was established by freed slaves from the U.S., and the Caribbean as well as indigenous Africans. This diverse history has resulted in a cultural fusion of America’s Old South and the West Indies. Even the red, white, blue, and white star of the flag is reminiscent of its connection to the U.S. In terms of language, these returned Africans, also known as Americo-Liberians, speak Kreyol, which is a mélange of indigenous languages and English. This language is similar to Jamaican Patois and other creoles spoken in the Caribbean islands.

Also known as Africa’s “First Republic”, Liberia is bordered by Sierra Leone, Guinea, and the Ivory Coast. Liberia is a lush, tropical country, home to some of the worlds most valuable resources, including diamonds, cocoa, coffee, iron ore, palm oil, timber, and rubber, its most profitable export product. Bridgestone Firestone, a Japanese and American company, has its largest rubber plantation in Liberia, which supplies latex for tires, condoms, surgical gloves, and other products in the U.S. After signing an exploitative 6 cent per acre 99 year land lease in 1926, the company has frequently been under fire from the human rights community for having unfavorable labor policies. The company has been reported to have numerous plantations that have created a work environment similar to slavery, among other detrimental issues.



Samuel Doe

A Long History of Conflict

It is important to note that most of Africa is not at war. For each of the major conflicts ongoing in Africa there exists a peace process, often a settlement plan, and an African body to guide a peace process.

Liberia is an example of a country emerging from a long history of conflict marked by multiple coup d'états and insurgent movements. After substantial tension between Americo-Liberians and the indigenous people due to a wide income inequality gap, and the unequal distribution of resources, the first coup was led by General Samuel Doe in 1980. Doe, previously in the military, led a dictatorial regime that plunged the economy into turmoil.



Nine years after taking office, he was brutally murdered in an insurgency led by businessman and war lord, Charles Taylor. A civil war erupted once Taylor took office. Almost 300,000 people were killed and almost 1 million displaced during this decade long war.

Taylor is currently facing charges at the International Criminal Court for crimes against humanity, forced recruitment of child soldiers, and funding Sierra Leone's civil war, where civilians faced brutal amputations at the hands of the Revolutionary United Front (RUF) army. The RUF smuggled a substantial wealth of diamonds from Sierra Leone through Liberia, in order to fuel the international illegal diamond trade under Taylor's financial stewardship.

Today over 50% of Liberians live in poverty without access to paved roads, clean water, education, or healthcare.

According to the World Bank, Liberia has one of the highest infant and maternal mortality rates in the world.

The U.S. and the international community, including the International Financial Institutions have a particular historic responsibility for many of Africa's current conflicts. Through financing from International Financial Institutions, including the World Bank, Taylor and Doe accumulated substantial personal wealth by stealing funds allocated towards national development. These leaders managed to destroy the economy and public institutions, and to sustain decades of complete anarchy.

Despite the fact that Liberia's largest creditors knowingly financed Liberia's oppressive leadership and conflicts, the people of this newly democratic nation are now being asked to pay \$4 billion in debt service on illegitimate loans.

This is a spotlight on Liberia's illegitimate debt burden, which threatens to further destabilize the country after emerging from decades of oppression, corruption, and conflict.



A Nation Plagued with Poverty

Today, Liberia's institutions, public services, and infrastructure are in critical condition due to the country's tumultuous history. Persistent corruption and conflict fueled by the International Financial Institutions has left Liberia's economy incapacitated and institutions completely destroyed.

As a result of the absence of basic public services, including education and healthcare, the majority of the population is living in abject poverty. Over 50% live on less than \$1 a day. Every sector of the economy is in desperate need of resources and rehabilitation. The crumbling healthcare infrastructure is a major detriment in light of the major impact HIV/AIDS has on the nation. In 2003, 36,000 children were orphaned due to the pandemic.

There are few or limited public health facilities, especially in rural areas. Basic infrastructure is minimal including paved roads, bridges, and ports which are critical in the operation of trade and commerce. The life expectancy in Liberia is only 43 years of age, and unemployment is at an extremely high rate of 85%.

Liberia's \$3.7 Billion Debt Burden

Liberia currently owes over \$3 billion to international creditors, including the U.S.

In 2006
Liberia held
its first
democratic
elections
since the
Taylor
regime, and
elected
Africa's first
female head
of state.

government. **In fact, the U.S. government has recently called on the new Liberian government to resume payment on its historical debts of up to \$100 million per year. This would represent more than the country's total annual budget, of approximately \$80 million.**

Liberia's current debt burden is worth 30 times the revenues the country receives from profits generated annually from goods and services, including exports. This makes it completely unmanageable for the struggling nation.

The U.S government and other creditors were fully aware that multiple loans granted to Liberia's previous leaders, specifically Doe and Taylor, were used for personal investments instead of social and economic development.

These debts can thus be labeled odious and illegitimate, and the people of Liberia should not pay twice for the corruption that fed conflict and starved social services.

After a donor's meeting held in Washington, DC in February of 2007, Liberia received some relief of accumulated arrears that were not paid by its previous leaders. This was through the HIPC initiative (Highly Indebted Poor Countries). Liberia had been eligible for HIPC but had fallen out of the program due to outstanding payments. Nevertheless, this relief has not been substantial enough to make a dent in its massive debt burden. HIPC has detrimental conditionalities that reduces fiscal government spending, which impacts critical social services, especially education and healthcare.

Liberia needs 100% debt cancellation without harmful conditionalities in order to invest in its economy, rebuild the nation's infrastructure, and fund essential public social services.

Attempting to Rebuild Despite Crippling Debt

Since Ellen Johnson-Sirleaf was elected to office in 2006, the nation and the international community have an elevated hope for the future. Johnson-Sirleaf, an economist and former diplomat, has contributed immensely to the rebuilding process in her first year of office.

*The Face of Liberia's Future:
Africa's Iron Lady, Ellen Johnson Sirleaf*



The country has slowly seen some economic development, and the new leadership has cultivated new partnerships within the international community.

Yet despite these achievements, Liberia still faces millions in debt repayments annually. In order to reduce levels of poverty, and provide widespread access to health-care and education, Liberia needs access to its full national budget.

After the February donor meetings, Johnson-Sirleaf and debt activists were disappointed that the country did not receive 100% cancellation of its illegitimate debt, despite a demonstrated commitment to democracy and economic growth. Africa Action, along with other debt activists worldwide, call on international financial creditors including the IMF, World Bank, and the U.S. government, to cancel Liberia's over \$3 billion debt immediately.

To learn more about the Campaign to Cancel Africa's Debt, and to get involved, please visit www.africaaction.org/debt.