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# **China and Liberia: Engagement in a Post-Conflict Country 2003–2013**

Guillaume Moumouni

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**Project leader and series editor:** Dr Chris Alden, [j.c.alden@lse.ac.uk](mailto:j.c.alden@lse.ac.uk)

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## ABSTRACT

Since the resumption of diplomatic relations between China and Liberia in 2003, China has been one of the major foreign participants in Monrovia's efforts to rebuild its society. Both within the framework of the UN Mission in Liberia and at a bilateral level, Beijing has proved itself an important stakeholder and development partner.

This paper focuses on Chinese–Liberian relations from 2003–2013, after the resumption of diplomatic relations. It provides an overview of China's role in the peacekeeping operation in Liberia, including the deployment of Chinese peacekeepers, their interaction with local interests and work conducted under their auspices. It explores China's diplomatic involvement at bilateral and multilateral level in support of post-conflict reconstruction and discusses the role of Chinese commerce in Liberia. In particular it deals with infrastructure projects in Liberia, including financing, implementing entities, and management, labour and related problems. The paper assesses the overall impact of China on Liberia's efforts to advance its political and economic goals in the post-conflict period. It concludes that the imbalances between the two countries are such that Liberia appears as only a 'relative winner', with China as an 'absolute winner' in the relationship. The paper ends with an evaluation of the relationship as a whole and offers some recommendations on initiatives through which Liberia might gain greater advantage from it.

## ABOUT THE AUTHOR

Guillaume Moumouni is a research associate at the South African Institute of International Affairs (SAIIA) and the Alioune Blondin Beye Academy for Peace (ABBAP) in Benin. He is an assistant professor at the University of Abomey-Calavi, Benin, where he is also adjunct-chef of the department of political science in the faculty of law and political science. He holds a BA, MA and PhD in international relations from Peking University, Beijing. He has worked as an interpreter, public relations officer, and general manager for a number of Chinese companies in Benin, his native country.<sup>1</sup>

## ABBREVIATIONS AND ACRONYMS

CBAL	Chinese Business Association of Liberia
Ecomog	Ecowas Monitoring Observer Group
Ecowas	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
Focac	Forum on China-Africa Co-operation
LEITI	Liberian Extractive Industries Transparency Initiative
LRTF	Liberia Reconstruction Trust Fund
NPFL	National Patriotic Front of Liberia
NTGL	National Transitional Government of Liberia
PRS	Poverty Reduction Strategy
RUF	Revolutionary United Front
UNMIL	UN Mission in Liberia

## INTRODUCTION

Once labelled by the international community as a failed state, Liberia has enjoyed something of a renaissance since it held its first truly democratic elections in 2005. Emerging out of the ravages of civil war, the country has given itself and Africa in general, a reason for pride by electing as its president Ellen Johnson-Sirleaf, joint winner of the 2011 Nobel Peace Prize and the first woman in Africa to hold presidential office.

Working mainly through the Economic Community of West African States (Ecowas), the African Union (AU), the UN, Bretton Woods Institutions and global donors, the international community has played a proactive role in Liberia's regeneration. International involvement in the Liberian government's priority sectors, including reform of security and justice, and national reconciliation and healing, is of particular interest.<sup>2</sup>

Among Liberia's bilateral relationships, the link with China has been a major factor in its renewal since diplomatic relations between the two countries were restored in 2003. China's involvement ranges from participation in the UN Mission in Liberia (UNMIL) to its social and commercial role in the revival of the country's fragile socio-economic structures. Both within the framework of UNMIL and at the bilateral level, Beijing has shown itself to be an important stakeholder and development partner in Liberia, as in most national post-conflict situations on the African continent. The aim of this paper is to examine the 10 years of Chinese-Liberian co-operation from 2003 to 2013, following on the resumption of diplomatic relations.

## POLITICAL RELATIONS: FROM UNSTABLE TO STABILISING

Liberia was founded in 1824, three years after a significant number of African Americans, most of them freed slaves, decided to return 'home' to Africa, aided in the process by private American interests. The territory became a federal state in 1838 and in 1847 declared its independence; although remaining heavily under US influence. At the end of the 19<sup>th</sup> century Liberia and Ethiopia were the only independent states on the African continent.<sup>3</sup> There followed a period of slow growth and relative political stability that lasted until the late 1980s.

In 1989 the murder of President Samuel Doe (who had himself assumed power through a coup d'état) was the brutal outcome of years of dictatorial rule which had generated opposition among both the elite and the rural population. Doe's death set off a chain of events leading to an extended civil war. Although Charles Taylor, the leader of the main rebel group, succeeded Doe as president after elections in 1997, his tenure proved to be even more destructive than that of his predecessor. In 2003, through the combined efforts of the international community and Ecowas, Taylor was forced to step down, paving the way for a political transitional period and general elections in 2005. The election of President Johnson-Sirleaf, a technocrat with extensive experience in macro-economic management, to all appearances has ushered in a period of stability and is laying the foundation for national rejuvenation. In this context China's part in post-conflict reconstruction is especially significant.

For a considerable time prior to President Johnson-Sirleaf's election Beijing's role in Liberia had been subject to the shifting tides of diplomatic recognition washing between

the People's Republic of China in Beijing and the Republic of China in Taiwan. Beijing's diplomatic relations with any state mainly depend on the other party's acceptance of the principle of non-recognition of Taiwan. In Liberia's case the back-and-forth movement between the 'two Chinas' started in February 1977, when Liberia abandoned Taiwan in favour of Beijing, after a 20-year honeymoon with Taipei. In October 1989 Monrovia switched back to Taiwan but four years later restored its ties with Beijing. In 1997 President Taylor attempted 'diplomatic incest' by advocating the recognition of both, upon which Beijing once again cut its diplomatic links with Monrovia. Finally, in October 2003, Liberia's provisional government signed a Joint Declaration and a Memorandum of Understanding in which it once again recognised China. This move could be interpreted as an attempt to prevent another Liberian defection to Taiwan, because at that time the issue remained unresolved in Monrovia; although in reality even before China participated in UNMIL Liberia clearly understood that stable diplomatic relations and access to Liberian resources were vital issues for Beijing.<sup>4</sup> On 19 August 2005 the Liberian Senate and House of Representatives each passed Resolution No. 001 of the 52<sup>nd</sup> Legislature, which 'confirms and reaffirms [its] total unwavering commitment to the ... one China policy'. This resolution made the new policy irreversible,<sup>5</sup> so much so that in July 2006 when former house speaker Edwin Melvin Snowe hinted at a possible severance of ties with China, President Johnson-Sirleaf promptly denied the allegation and Snowe was eventually forced to resign.<sup>6</sup> From the Chinese side the need to show commitment and shore up the relationship was illustrated by visits by former Minister of Foreign Affairs Li Zhaoxing to Monrovia in 2006, followed by a visit from President Hu Jintao a year later.

From Monrovia's perspective China's position as a permanent member of the UN Security Council (UNSC) made it indispensable in helping to pass UN resolutions designed to promote a normalised socio-political environment in Liberia. Beijing's status as an emerging power with global reach and its expanding levels of investment in, and development aid to other developing countries were additional incentives. Liberia has enjoyed a long history of special relations with the West. The changing global environment and a newly assertive Chinese position in Africa have, however, encouraged Liberia's exploration of closer ties with China and are reflected in the priority accorded a more pragmatic approach to foreign affairs in the transitional government's so-called 'development diplomacy'.<sup>7</sup> For its part the Chinese government signaled the importance it attached to relations with Liberia by building an imposing embassy in Monrovia in 2009, fuelling hopes that it would play a concomitant role in the country's reconstruction.

## PARTICIPATION IN UNMIL

### **Civil war: background**

The Liberian civil war began on 24 December 1989 when Taylor entered the country from Côte d'Ivoire to lead his National Patriotic Front of Liberia (NPFL) against President Doe's brutal dictatorship. In essence the conflict was a by-product of the Cold War; Taylor was trained and armed by Libya's then President Muammar Qaddafi with the aim of ousting President Doe, regarded as a Western puppet.<sup>8</sup> The NPFL eventually split into two and

Prince Johnson became head of the splinter faction. It was Johnson's forces that arrested President Doe and slaughtered him in gruesome circumstances in the presence of Johnson himself, in September 1990. Fearing an overspill of Liberian revolutionary dissidence, the four countries from which Taylor recruited his fighters – Guinea, Gambia, Sierra Leone and Ghana – together with Nigeria decided to sponsor the Ecomog Monitoring Observer Group (Ecomog), which in the end prevented Taylor's taking over Monrovia. Taylor's revenge was to create chaos in Sierra Leone (a rear base of Ecomog) by arming and training the so-called Revolutionary United Front (RUF). The situation eventually was resolved by the Abuja Accord of 1995, as a result of which in July 1997 Liberia held an election, won by Taylor. The latter's bad governance coupled with his continued support of the RUF led to an armed coalition against him led by a group calling itself Liberians United for Reconciliation and Democracy, supported by Guinea, and later by the Movement for Democracy in Liberia backed by Côte d'Ivoire. Continual peace talks notwithstanding, fighting was brought to a halt only with the deployment of 3 500 Ecomog peacekeepers in August 2003, after which a weakened President Taylor was forced to agree to exile in Nigeria. The various warring factions signed the Comprehensive Peace Agreement in Accra in September 2003, bringing the civil war to a close.

### **China in UNMIL**

Following China's 'open and reform policy' adopted in 1978 and its ensuing rapid economic growth, Beijing's foreign policy has become broader and more international in nature. The transformation has brought with it multi-tiered initiatives such as the recent advocacy by President Jintao of a 'harmonious world' ('he xie shi jie'). This ideal reflects China's renewed expectations vis-à-vis the new international order, the purported aim being:<sup>9</sup>

to enjoy together the opportunities of development, advance the noble task of human peace and development ... [H]and in hand, the people from each state should push forward peace, common prosperity and a harmonious world. Henceforth, we should respect the aim and principles of the UN Charter, abide by the international law and universally admitted norms of international relations, and propagate democracy, friendship, co-operation and win-win spirit in international affairs.

As a result China has been increasingly active in UN peacekeeping operations in Africa, particularly West Africa. It has struggled to come up with a theoretical construct of non-interference in its foreign relations and has adopted in practice a limited consultative intervention (LCI).<sup>10</sup> For Beijing, LCI represents a way to embark on collective action with other states, abandoning the old principle of revolutionary unilateralism.

The increase in China's participation in UN peacekeeping operations rests on a combination of factors. Firstly, its ever-growing socio-economic development has made available extra human, material and financial resources for peacekeeping operations. Secondly, the attack on New York's World Trade Centre in 2001 helped reshape China's understanding of national sovereignty and its allegiance to the struggle against terrorism. Thirdly, involvement in peacekeeping operations is a way of improving China's image as a system warrantor or stakeholder rather than as a threat to global peace; it is also

part of Beijing's 'historic missions' for the 21<sup>st</sup> century and a trial run for the so-called 'harmonious world'. Fourthly, peacekeeping missions can enhance the skills base of China's armed forces.<sup>11</sup> Beijing has been building its peacekeeping architecture step by step. For example, the Civilian Peacekeeping Police Training Centre based in Langfang, Hebei Province, was established in 2000 as an adjunct to the longer-established Nanjing International Relations Academy, while in 2009 a new peacekeeping training centre was established in Huairou near Beijing. The latter is aimed at helping the army's Peacekeeping Affairs Office better centralise and co-ordinate Chinese peacekeeping operations and to serve as a venue for international exchanges, including seminars and training for foreign peacekeepers.<sup>12</sup> Finally, peacekeeping operations are the best possible illustration of Beijing's preference for multilateral rather than unilateral measures in solving peace and security problems; they also offer a practical platform for China's advocacy of what is or is not legitimate UN intervention.<sup>13</sup>

Against this backdrop China's participation in UNMIL was facilitated by a combination of two factors. The first was UN Security Council Resolution 1509 of September 2003, which authorised the deployment of UNMIL; the second was the resumption of diplomatic ties between Monrovia and Beijing in October of the same year. Also in October, UNMIL began its operations by 're-hatting' the troops of the Ecomog mission in Liberia as UN personnel. UNMIL's mission was to support implementation of the Comprehensive Peace Agreement, provide backing for humanitarian and human rights assistance, and to support security sector reform and the implementation of the peace process. The second factor also concerns Resolution 1509, which mandates UNMIL to assist the National Transitional Government of Liberia (NTGL) in the formation of the new and restructured Liberian military, in co-operation with Ecomog and international organisations. Beijing dispatched its first contingent of troops as early as November 2003.

A 724-strong 15<sup>th</sup> Chinese peacekeeping task force was dispatched to Liberia in July 2013: it comprised 564 military personnel including infantry, engineer and medical units, 158 police and two experts on mission. At the end of 2013 the Chinese total contribution to UNMIL was estimated at 8 370 troops.<sup>14</sup>

China's participation evinces several specific characteristics. Firstly, China is the fourth largest troop contributor after Pakistan, Nigeria and Ghana (with 2 013, 1 610 and 742 respectively). Secondly, it operates as a unified command comprising transportation, civil engineering and medical units. Thirdly, in terms of 'force enablers' China provides mainly logistical support, including humanitarian aid and other deliveries to UN contingents, engineering services and a field hospital.<sup>15</sup> Finally, the Chinese contingent is focused more on hardware and much less on software, a policy that justifies the need for greater collaboration with other foreign entities involved in capacity building, institutional reform and so on.

### **Engineering and logistic support**

The Liberian road network is one of West Africa's worst. Liberia covers 111 370 km<sup>2</sup> but the total length of its road system is only 10 600 km, of which just 657 km are paved. Due to heavy rains and poor maintenance, the road system suffers from continued and substantial deterioration. Most roads are inaccessible during the rainy season and less

than 10% of the system is classified as all-weather road. The country is crossed only by the north–south highway from Monrovia to Nimba via Kakata and the west–east highway from the Sierra Leone border at Bo Waterside to Buchanan.<sup>16</sup>

As noted earlier, China's contingent in UNMIL includes medical, civil engineering and transportation components. The engineering unit has renovated and ensured the maintenance of more than 500 km of road, particularly the Zwedru–Tappita, Zwedru–Greenville and Zwedru–Webo highways, and the Toe Town road to the Côte d'Ivoire border.<sup>17</sup> Together with their Pakistani and Bangladeshi counterparts the Chinese have rehabilitated 2 000 km of road networks and built or repaired a number of bridges.<sup>18</sup> The transportation unit provided water, oil, construction materials, apparel and medical products – donated by the World Health Organization – to peacekeeping units from 37 countries while the Chinese medical team has diagnosed and treated thousands of patients.

### **Interaction with the donor community**

The Chinese UNMIL contingent has been fairly active in empowering local communities, particularly around its base in Zwedru. It organises training in the use of agricultural tools and in cultivation techniques for crops such as rice and vegetables. It also promotes some features of Chinese culture. Its relationships with other UNMIL elements are sporadic and mainly linked to special functions organised by the special representative of the UN secretary-general, such as the UN Day; seemingly it does not favour consistent interaction with contingents from other countries.<sup>19</sup>

## **BILATERAL INVOLVEMENT**

### **Development aid**

China's development aid to Liberia ('technical assistance' in Beijing's diplomatic vocabulary) covers several socio-economic sectors.

### **Education**

Although the two states signed a cultural co-operation agreement in 1982, until relatively recently their cultural and educational exchanges were very limited in scope. By the end of 2008 only 108 Liberians had been trained on regular programmes in China.<sup>20</sup> The situation has greatly improved over the past five years, however. By end-2013 an estimated 500 Liberian students either had received or were receiving formal education in China, and close to 2 000 civil servants and journalists have had some form of training there.<sup>21</sup> Fendell Campus, a branch of the University of Liberia covering 11 ha, with 124 800 m<sup>2</sup> of floor space, was built entirely by the Chinese at a cost of \$23 million (against an initial budget of \$21.5 million) and handed over in July 2010. China has also built three rural schools.<sup>22</sup>

### Health

China built the Jackson F Doe Memorial Regional Referral Hospital in Tappita, opened in 2011, at a cost of \$10 million and provided training to 25 Liberian medical personnel in China for the effective use and maintenance of its modern equipment. Three shifts of medical teams were dispatched to other hospitals. China has also built an anti-malaria centre in Monrovia and renovated Liberia's Ministry of Health headquarters building for \$4.7 million.<sup>23</sup>

### Agriculture

Following on the 2006 Forum on China–Africa Co-operation (Focac) and as a direct consequence, China undertook the construction of a \$6 million China Agricultural Technology Demonstration Centre in Maryland County in the far south, one of 10 such centres in Africa. It also provided \$1 million in agricultural equipment and sent Chinese experts to the Booker T Washington Agricultural and Industrial Institute in Kakata to train Liberians in rice cultivation.

### Infrastructure

Since first establishing a diplomatic presence in Monrovia China has undertaken a number of social and economic infrastructure projects, including a sugar factory and a sports complex. It has also provided hospital maintenance and medical assistance (having sent more than 60 Chinese medical staff to Liberia since 1984). It also put together the Gbedin rice development project in Saniquellie and founded the Liberia Sugar Corporation (Libsuco).<sup>24</sup> Other infrastructure projects include renovation of the \$7.6 million Samuel Kanyon Doe multi-purpose sports stadium in Monrovia; the construction of Tubman cantonment, a military installation in Bong; and assisting in the establishment of countrywide network coverage for radio and television.

### Debt cancellation

China has cancelled \$16 million in debt while granting annual aid of \$20 million to Liberia in the wake of the 2006 meeting of Focac. As a participant in the Liberian Reconstruction and Development Committee, an outcome of the UN Development Assistance Framework for Liberia, China had completed all its pledged obligations by 2011 (see Table 1).

**Table 1: China's contribution to poverty reduction strategy programme 2006–2011 (\$ million)**

Pillars	Pledged	Disbursed	Remaining
Peace & security	6.2	6.2	0
Economic revitalisation	14.2	14.2	0
Governance & rule of law	0.0	0.0	0
Infrastructure & basic services	68.0	68.0	0
<b>Total</b>	<b>88.4</b>	<b>88.4</b>	<b>0</b>

Source: ACET, December 2009. Interview with former Chinese Ambassador to Monrovia Zhou Yuxiao, 3 December 2010

As Table 1 shows, China has disbursed nothing for the governance and rule of law pillar, evidence of Beijing's indecisiveness in addressing those issues. Though its discourse on non-interference has developed somewhat<sup>25</sup> China still has no clear-cut position on governance and the rule of law in countries beyond its borders. Nonetheless, it is clear that the complexity of China's evolving interests in Africa, taken with an increasing governance and rule of law deficit in several African countries, will soon make it impossible for Beijing to continue to evade the issue.<sup>26</sup>

## Trade

In terms of both the classes of goods and the overall trade imbalance, trade between Liberia and China reflects China's business profile with the West African sub-region as a whole. In 2001, trade between the two countries was \$141.5 million; China's exports totalled \$113 million and its imports from Liberia a mere \$29 million.<sup>27</sup> By 2006, three years after the resumption of diplomatic ties, the volume had risen to \$532 million with China's exports at \$530 million but imports down to \$2 million. China imported only iron ore and timber whereas most of its exports took the form of foodstuffs, electrical machinery and ships. In 2009 two-way trade had increased 65% over the previous year to \$1.88 billion, but Liberian exports, mainly rubber, timber and scrap metal, had fallen 33% to just \$4 million.<sup>28</sup>

According to Chinese customs statistics, two-way trade in 2012 totalled \$3.67 billion, with a balance of \$3.44 billion in favour of China, indicative of a record \$200 million in imports from Liberia.<sup>29</sup> This trend continued over the first nine months of 2013, during which Liberia's exports to China accounted for \$165 million of \$1.92 billion in total trade.<sup>30</sup>

The fact that ships comprise up to 70% of Chinese exports to Liberia might seem anomalous, but<sup>31</sup> most of these vessels, although registered under the Liberian flag, are owned by non-Liberians including Germans (who own 1 185 vessels), Scandinavians and other Western Europeans escaping their own countries' more stringent regulatory and taxation regimes. With 2 771 vessels under registration, Liberia was second only to Panama among operators of flags of convenience in 2012. In that year Liberia was one of 10 flag countries that together accounted for more than 70% of the world's registered tonnage of cargo ships.<sup>32</sup>

**Table 2: China's trade with Liberia (\$ billion), 2006–2012**

Year	Total volume	Chinese exports
2006	0.53	0.52
2007	0.80	0.80
2008	1.14	1.13
2009	1.88	1.87
2010	4.41	4.39
2011	5.00	4.96
2012	3.67	3.44
<b>Total</b>	<b>17.43</b>	<b>17.11</b>

Source: Chinese Ministry of Commerce (<http://www.mofcom.gov.cn>) and Embassy of China, Monrovia

In 2011 two-way trade reached a peak of \$5 billion; Liberia earned nearly \$50 million, an increase of 84% over the previous year<sup>33</sup> but in real terms meaningless, representing as it does less than 1% of total volume. Overall the situation in Liberia replicates that of Africa in general, where Chinese traders flood markets with counterfeit and poor-quality goods at low prices.<sup>34</sup> It is therefore important for Monrovia to devise a policy sufficiently aggressive to enable it to claim a more equitable share of the Chinese market. Such a programme would include capacity building, access to financial markets, all-round information workshops and multi-tiered incentives for joint ventures, particularly in processing raw materials.

A further challenge for President Johnson-Sirleaf's government is to bring under its jurisdiction the activities of Chinese companies engaged in smuggling iron ore and timber in collusion with corrupt Liberian officials. Prior to the demise of the Taylor regime in 2003, commercial logging was a significant component of the economy, in 2002 accounting for one-quarter of gross domestic product (GDP) and 65% of foreign-exchange revenue.<sup>35</sup> In 2003, after logging and diamond mining had become a source of extra-budgetary revenue for Taylor and others to fuel conflict in Liberia and its neighbours, the UN Security Council passed Resolution 1521 to impose sanctions on those industries, until such time as the central government took full control of Liberia's natural resources.<sup>36</sup> (The timber business was controlled mainly by a company owned by Gus van Kouwenhoven, a Dutch citizen and a known associate of the Taylor regime.)<sup>37</sup> The UN embargo on timber exports was lifted only in June 2006. In a 2005 survey the International Tropical Timber Organization (ITTO) testified that China was the destination for 75% of Liberia's log exports, while Europe took 80% of sawn timber.<sup>38</sup>

To address issues pertaining to trade and economic relations the respective governments held the first China-Liberia economic and trade co-operation forum in Monrovia in April 2010, attended by about 100 representatives of Chinese and Liberian companies. Although concrete results from the forum have yet to materialise, its main merit lies in attempting to structure an increasingly deep relationship between the two states. China's agreement to build a free trade zone in the coastal city of Buchanan was one eagerly anticipated outcome; another was the establishment of the Chinese Business Association of Liberia (CBAL) in March 2011, with 15 Chinese companies as founding members. CBAL is headed by the chairman of Sino-Liberia Mining Company. Among other motivations the establishment of CBAL was in response to former Chinese Ambassador Zhou Yuxiao's plea that his countrymen be involved only in legal businesses.<sup>39</sup>

## **Investment**

### **The Bong Mine Agreement**

In the initial post-conflict period Liberia registered negative capital flows of \$479 million in 2005 and \$82 million in 2006, but investor confidence is recovering slowly following the election of President Johnson-Sirleaf.<sup>40</sup> It is an open secret that Beijing is being intensively wooed by the Liberian government to tap into Monrovia's abundant natural resources and according to the Chinese vice-minister of commerce China's investment in Liberia had reached \$9.9 billion by 2010.<sup>41</sup>

Solicitations for exploration and mining bids for the iron ore deposits in the Bong Range 150 km north of Monrovia had been published by the Liberian government in

January 2008. China Union Investment Company Ltd, a Monrovia-represented affiliate of the Hong Kong-based China Union Mining Ltd, submitted a tender and received approval notification in May 2008. In December 2008 President Johnson-Sirleaf announced that China Union Mining was the highest bidder to renovate and mine the Bong Range deposit. With a total package of \$2.6 billion, China Union promised a preliminary payment of \$40 million, which the Liberian government intended to use as part of its Poverty Reduction Strategy (PRS) portfolio.<sup>42</sup> The Bong Mine Agreement was signed between the government of Liberia, China Union (Hong Kong) Mining Company Ltd and China-Union Investment (Liberia) Bong Mines Company Ltd.<sup>43</sup> Mainly due to the global financial crisis, the agreement was signed only on 19 January 2009.<sup>44</sup>

The total concession area (including the 'Goma Deposits or Initial Concession Area' of 24 000 ha and the 'Non-Goma Deposits Area or Additional Concession Area' of 15 375 ha) is 62 000 ha, and is signed over for 25 years with exploration rights limited to five years. The government estimates that the concession area offers 304 million tonnes of iron ore reserves with a high grade of 36.5%, on which the concessionaire is committed to concentrate at least 64.5%–65% into iron ore fine grade, which has a higher added value. According to the agreement<sup>45</sup> the main objective of the Liberian government is for the mining companies' operations:

to benefit regions in which Minerals are developed, including facilitating growth centres and education for sustainable regional development, to create more employment opportunities, to encourage and develop local business and ensure that skills, know-how and technology are transferred to citizens of Liberia, to acquire basic data regarding and relating [to] the country's Mineral resources and to preserve and rehabilitate the natural environment for further development of Liberia.

The agreement with China Union is comprehensive and in some way affects most productive sectors in Liberia. It encompasses the aspects listed below.<sup>46</sup>

- Financial: royalties and surface rent are to be paid to the government. Royalties comprise 3.8% of index price.<sup>47</sup> Surface rent is paid against two time frames: the rate is \$100,000 a year for the first 10 years and \$250,000 for each of the following 15 years. A second financial component relates to a set of allocations such as a mineral development and research fund (one payment of \$50,000 then \$100,000 a year starting from the first payment date) and general education funding for scholarships, worth \$200,000 annually. The initial payment comprises \$20 million to be paid three days after the effective date and the remaining \$20 million within 120 days thereafter.
- Environmental and social norms: an environmental impact assessment and environmental management plan seek to minimise harm from eventual plant closure and ensure that the mining area is restored to a productive state. A social impact assessment and social assessment plan aim to manage any potential adverse impact on local communities of the construction and operation of mining plant and equipment, if necessary by relocating those communities. China Union will provide medical care for employees and their families as well as for community members, at reasonable cost, and arrange appropriate housing for employees.

- Compliance with the Liberian Extractive Industries Transparency Initiative (LEITI), an international standard to which 14 other countries in sub-Saharan Africa subscribe.
- Labour: apart from giving preference to Liberians for unskilled positions, the agreement extends to all management positions. At least 30% of total skilled posts (including 30% of the 10 most senior) should be filled by Liberians within five years and at least 70% (including the 10 most senior positions) within 10 years. This provision seeks *inter alia* to ensure technology and skills transfer.

The agreement also contains a provision for primacy to be given to the purchase of Liberian goods and services when these are comparable in quality, quantity, price, terms and delivery to those from other sources.

Subsequent to the agreement, competitive pressure has also had some positive collateral effects. As a result of the agreement the Indian company Arcelor Mittal, also involved in mining in Liberia, declared in February 2010 that it too would engage in social responsibility activities, including<sup>48</sup>

- a community development fund worth \$3 million a year to benefit local communities;
- producing the first biodiversity map of parts of the unique rainforest of the Nimba mountain range;
- establishing a compensation programme for communities affected by the rehabilitation of an Arcelor Mittal-built railway;
- creating an annual scholarship fund of \$200,000 for advanced studies for Liberian college graduates;
- supporting the development of a mining and geology department at the University of Liberia;
- providing free medical care and education for all Liberian employees and their dependents as well as allowing the local community easy access to its schools and hospitals; and
- compliance with LEITI.

These developments appear to demonstrate positive outcomes from the Bong Mine agreement. As might be expected, however, there are a number of shortcomings detrimental to Liberian government and society. Firstly, China Union took more than a year to make payments supposed to be made three days after the effective agreement date and in particular to comply with the provision relating to the first \$20 million of the initial payment. It was reported that before China Union finally made the payment the Liberian government had threatened to repeal the agreement. The second half of the initial payment was not paid until January 2011<sup>49</sup> and in fact the Fourth Extractive Industry Transparency Initiative (EITI) Report for Liberia, published 15 May 2013, mentioned an aggregate payment of only \$13.7 million as of June 2011. On the positive side of the ledger China Union made a contribution in kind of \$5.6 million for renovating 11.4 km of road from Bong Mines to Hendy and 30 km from Bong Mines to Kakata.<sup>50</sup>

**Table 3: Benefit estimates for Liberia**

No	Designation	Amount (\$ million)	Observations
1	Compensation for SIA	0.10	
2	Social contribution	87.50	3.5 x 25 years
3	General education funding	5.00	0.2 x 25 years for scholarships
		1.25	50 000 x 25 years for a mining and geology institute
4	Payment of custom user fees	10.00	Capped at 0.4 annually
5	Royalties	1,571.00	Estimated mine volume (304 million tonnes) x average index of 3.8% x 136 <sup>a</sup>
6	Income tax rate	1,034.00	25% of estimated 10% of total sale
7	Surface rent	4.75	100 000 x 10 years + 250 000 x 15 years
8	Mineral development fund	0.50	Single payment
9	Scientific research fund	2.50	100 000 x 25 years
<b>TOTAL</b>		<b>2,716.60</b>	

<sup>a</sup> Average price of iron ore fine grade for the last six months of 2013 was \$136.20/metric tonne.

Source: Infomine, '6 Month Iron Ore Fines Prices and Price Charts', <http://www.infomine.com/investment/metal-prices/iron-ore-fines/6-month/m>

A second flaw is that the agreement exempts China Union from any surtax on high-yield projects, an exemption linked to the fall in iron ore prices due to the 2008 financial crisis. This overlooks the likelihood of a price recovery within a few years at most – which was already the case only a few months after signature of the contract. Over a 25-year contract term this exemption makes for a substantial shortfall for the Liberian state; one might expect some pressure on the government to renegotiate the surtax.<sup>51</sup>

Thirdly, it is not clear why in this case the government relinquished its right to claim the 10–15% free equity stake prescribed in Liberia's Minerals and Mining Law for all mining operations.<sup>52</sup>

Fourthly, China Union has been granted a zero withholding tax on dividends to non-residents for the first 12 years, while the relevant legislation sets a rate of 5%. Similarly the Bong agreement provides stabilisation of the corporate income tax rate at 25%<sup>53</sup> although the relevant legislation sets the particular tax rate at 30% (which is the rate applied to Arcelor Mittal's mining contract).<sup>54</sup>

Finally and most importantly, close scrutiny of the expected benefits to both sides reveals \$2.7 billion for Liberia and \$10.6 billion for China Union, assuming that costs and losses for China Union represent up to 25% of anticipated gross income. Hence the expected benefit ratio between Liberia and China Union is almost 1 to 4.<sup>55</sup> It would seem that regardless of the many social contributions promised by China Union the

Liberian government should have secured the thoroughgoing implementation of relevant provisions in the law.

### Contracting

Fewer than 10 Chinese construction companies have moved into the Liberian infrastructure sector. The most notable are China Henan International Co-operation Group Company Limited (Chico), China Chongqing International Construction Corporation (Cico), Qing Dao Construction Group, Riders Incorporated, and Vic Liberia Development Corporation (see Table 4).

**Table 4: Major Chinese contracting companies in Liberia**

Company name	Business area	Location
China Union Liberia	Mining	Congo Town, Monrovia
Cico <sup>a</sup>	General construction	Vai Town Monrovia
Chico <sup>a</sup>	General construction & mining	Bong County
Qing Dao Liberia Construction Corporation	General construction & mining	Paynesville, Monrovia
Riders Incorporated	General construction & mining	Clara Town, Monrovia
Vic Liberia Development Corporation	General construction & mining	24th Street, Sinkor, Monrovia
Global Koream Trading Corporation	Construction services	Point Four, Monrovia
Liberia Yong Dong San Sen Corporation	Construction services	Jamaica Road, Monrovia
Qing Dao Construction Group	Construction services	Congo Town, Monrovia

<sup>a</sup> Chico & Cico added by author.

Source: Extracted from *Names of Chinese Businesses-2008* of the Ministry of Commerce and Industry

Although Chico and Cico appear to be major international road contractors and compete for almost every road project, there seems to be no fundamental difference between Chinese construction companies in operating in Liberia and most of their counterparts elsewhere on the continent. This applies in particular to low pay, poor working conditions, almost no subcontracting to local businesses and a policy of outbidding competitors at any cost, irrespective of its impact on the standard of work.

Chico was in the spotlight in the last quarter of 2010 when it was accused of substandard work on refurbishment of a 15 km section of the Cotton Tree–Bokay Town road, budgeted at \$9.2 million. A few months after completion, the road began to deteriorate. Chico claimed that both the World Bank and the Liberia Reconstruction Trust Fund (LRTF) knew that the budget was inadequate for high-quality work and also argued that turnaround times for completion were too short. As the then Chinese ambassador put it, however, it was up to Chico to refuse to execute the project if it knew that the quality of work could not be guaranteed.<sup>56</sup> It is true that the project was a shared responsibility, as

both the World Bank and LRTF attended the completion ceremony and praised Chico for delivering quality work on deadline.<sup>57</sup> In any event, Chico was given a 10 km continuation section of the road, for an aggregate sum of \$16.5 million (including the budget for the first section), as well as being granted other road construction contracts.

Cico entered the Liberian construction sector in 2008. It then won a \$34 million tender funded by the World Bank to refurbish Monrovia roads and restore the 240 m bridge known as Old Bridge that connects the ‘industrialised’ Bushrod Island with commercial and diplomatic centres and with the heart of the Liberian capital.<sup>58</sup> Critics of the government have argued that it deliberately delayed the restoration of the bridge so that it could be completed just before the October 2011 elections to attract votes for the incumbent president; hence Cico unknowingly found itself part of the presidential campaign.

Cico Liberia employs nearly 470 local staff (including part-time workers) and some 30 Chinese. Liberian employees have launched several strikes in pursuit of higher pay. Trade unionists insist that the minimum wage should not be lower than \$150 a month whereas the Chinese believe that a \$60 offer is above the national minimum. Cico does not pay skilled workers, including engineers, more than \$300–\$400 a month, a very low rate compared with other multinational companies operating in Liberia. Paradoxically, Cico embarked on a social responsibility project by repairing roads and lending heavy equipment to the police and the Ministry of Public Works at no cost.<sup>59</sup> Given that Chinese companies often favour low wages, implying poor living conditions for their workers, corporate social responsibility projects rather lose their full meaning. Unsurprisingly, some observers are reluctant to view China as a benevolent actor.<sup>60</sup>

Generally speaking China is more interested in ‘design, build and transfer’ turnkey projects rather than output and performance-based contracts, which may imply, for instance, a 10-year maintenance requirement. It may be desirable for the Liberian government to combine Chinese hardware with Western software in running such infrastructure. There is a hint of such a move in the establishment by USAID of a ‘centre of excellence’ for engineering and road maintenance at the School of Engineering in the Fendell Campus.<sup>61</sup>

## CONCLUSION

China’s participation in UNMIL is part of a global effort to help normalise the political and socio-economic situation in Liberia. In this, the UN mandate has met with some success. The civil administration component of the mission has succeeded in bringing about a degree of capacity building, although only in part; most reconstruction programmes are financed from outside sources, making it hard to claim that Liberia ‘owns’ its post-conflict reconstruction agenda or has invested it with local spirit.<sup>62</sup>

### **Balancing Chinese contribution**

China is a key factor in the post-conflict reconstruction programme and it is critical to determine what Beijing has brought in, and what it has taken out. In 2003 the NTGL inherited a chaotic situation at the socio-economic level and on the diplomatic front.

The latter included a break with Beijing, the immediate impact of which was felt in the interruption of all Chinese-assisted projects. Those Chinese businessmen who remained in Liberia succeeded in weaving their own connections within President Taylor's governing network, some of them through the highly profitable business of illegal logging, albeit in the face of UN prohibition. With the resumption of diplomatic relations with Beijing one might speculate that China has been instrumental in the waiving of the UN ban on timber exports and the subsequent resumption of logging on a commercial basis – which would be only one of the many factors involved in evaluating China's role in Liberia's post-conflict reconstruction.

Balancing complex interactions involves both quantifiable and non-quantifiable variables. Even the former cannot be entirely divorced from some marginal undetermined factors, which for present purposes can be set aside in the interests of clarity. Table 5 represents an attempt to balance quantifiable variables in a rough time frame 2003–2013.

**Table 5: China's quantifiable input–output 2003–2013 (\$ million)**

No	Designation	Input to Liberia	Balance for China
1	Contingent expenses	255.45 <sup>a</sup>	0.00
2	PRS	88.30	0.00
3	Debt cancellation	16.00	0.00
4	Development aid <sup>b</sup>	200.00 <sup>c</sup>	0.00
5	Socio-economic infrastructure <sup>d</sup>	49.25	0.00
6	Scholarship	4.00	0.00
7	Training in China	20.00	0.00
8	Trade	360.00	1711
9	Investment (Bong Mine) <sup>e</sup>	–	–
10	Others	100.00	0.00
<b>Total</b>		<b>1 093.00</b>	<b>16 017<sup>c</sup></b>

a Taking the average UNMIL annual budget of \$650 million over 10 years (2003–2013) multiplied by China's 3.93% contribution to UN peacekeeping operations.

b Including \$20 million in annual aid.

c Excluding benefits from extractive industries, eg \$10.6 billion income from Bong Mine over 25 years.

d Including \$4.65 million renovation cost for the Ministry of Health and \$3 million estimate for Monrovia Vocational School and Monrovia Weaving Centre.

e The Bong Mine Agreement indicates a moderate expected income that leaves China Union with revenues of \$10.6 billion over 25 years, whereas Liberia is expected to get roughly \$2.7 billion.

Source: Author's calculations

It is important to note that China's \$17 billion favourable balance may not be an accurate real aggregate sum insofar as it derives partly from what are effectively barter transactions, in which Chinese goods and services are exchanged for imports from Liberia. Even so one

cannot disregard the fact that the Chinese trade surplus is 15 times its total contribution to Liberia's post-conflict reconstruction. When this component is added to an expected profit margin for Chinese mining operations of nearly \$11 billion it becomes obvious that the relationship between China and Liberia is less a win-win partnership, more a 'relative win-absolute win' situation.

Liberia's 'relative win' is based on general satisfaction of its expectations vis-à-vis China. This arises from China's support for UNMIL including its operational extension; its diplomatic support for Liberia's attempt to lift sanctions on diamond mining and the ban on timber trade; and China's all-round contribution to Liberian post-conflict reconstruction. The last includes socio-economic infrastructure, technical assistance, cancellation of debt, multiple donations, much-needed investment in a mining sector with an important social impact, and rhetorical backing for foreign investment in Liberia.

China's 'absolute' win derives not only from its success in relative terms (such as Liberia's irreversible commitment to the 'one China' policy and its broader political support for Beijing in the international arena), but also from its overwhelming advantage in quantifiable aspects of the bilateral partnership.

Prima facie Liberia appears as a missed opportunity for a move towards an eventual re-shaping of China-Africa co-operation methods. The same shortcomings that threaten China's presence elsewhere on the continent are evident in Beijing and Monrovia's bilateral relations. Among them the most notable include poor pay and labour relations exacerbating grievances that find expression in sporadic riots and strikes (already evident at Bong Mines), counterfeit and low quality goods, unreliable delivery and unsafe production practices. The Liberian experience exemplifies many, if not most, of these facets of China's relations with Africa and might perhaps indicate the desirability of a more guarded and aggressive attitude by African countries towards their apparent benefactor.

If the Liberian government wishes substantially to increase the benefits it derives from Chinese involvement, it should move to further formalise bilateral relations with China by establishing permanent platforms for political consultation. These might include a bilateral commission, city twinning and decentralised co-operation. Given its still precarious security situation, Liberia should also join China in pushing for a much slower pace of UNMIL withdrawal, at present scheduled to take place by 2016.

Liberia should also engage China in a comprehensive implementation of its various projects, including those within the UNMIL framework. It should complement the hardware content with a substantial dosage of software, if necessary by involving other stakeholders (such as the EU, US, international institutions and neighbouring African countries) that have the advantage of greater familiarity with Liberia's cultural, ethnic, political, linguistic and other complex realities.

In spite of the many advantages expected to accrue from mining contracts with Chinese companies such as that with China Union, there is evidence that Liberia could get much more. Monrovia should find ways to invite China Union to the negotiating table so that parts of the existing agreement on such a high yield project as the Bong Mines contract could be revised – particularly those that may be challenged after the end of President Johnson-Sirleaf's incumbency (including the aspects noted earlier of excessive royalties, a free equity stake, and zero surtax and withholding tax on dividends to non-residents for the first 12 years).

Perhaps most importantly, Liberia needs to take real ownership of its reconstruction agenda. Apart from security and stability issues there remains an important challenge: to reverse Liberians' general expectations concerning foreign input rather than domestic output. In addition, there is a very substantial need for capacity building, not only at government level but also in areas such as civil society, education, public service and security. To this end, among other things Liberia should press Chinese construction companies to commit to sub-contracting part of their work to local concerns. Moreover, it is the Liberian government that is entirely responsible for acceptance of sub-standard work and for this reason the supervisory aspect of public construction, whatever the sources of finance, should also be reinforced.

One may assume that China is gaining much from its involvement in Liberia and sees no need to change its approach. If so, the Chinese may miss the many opportunities at hand and lose benefits in the longer run unless they address key issues pertaining to their presence in Liberia. China should seek partnerships with other actors to better handle the software dimension of its delivery, particularly in the field of security training. Put bluntly, the vast majority of Liberians are still pro-American; even so the USAID-built police academy could well be a venue for China-sponsored security training programmes. China, in fact, can still make its involvement in Liberia stand as a model in Africa for success in controlling product quality, avoiding sub-standard work, encouraging better pay through tax incentives at home and undertaking corporate social responsibility programmes as part of a formal policy.

As a major power that contributes to global reconstruction efforts China is not supposed to be passive in regard to governance and rule of law issues in Liberia. Indeed, the governance and rule of law pillar of the PRS is the best single guarantee that the Liberian government is accountable for the resources that are being pledged and disbursed for reconstruction. In addition, governance and rule of law have been on China's domestic reform agenda for years; hence Beijing is quite aware that there is no way Liberia can succeed in its reconstruction efforts without implementing these core values.

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South African Institute of International Affairs  
Jan Smuts House, East Campus, University of the Witwatersrand  
PO Box 31596, Braamfontein 2017, Johannesburg, South Africa  
Tel +27 (0)11 339-2021 • Fax +27 (0)11 339-2154  
[www.saiia.org.za](http://www.saiia.org.za) • [info@saiia.org.za](mailto:info@saiia.org.za)

