

Liberia

Status Index (Democracy: 0.8 / Market economy: 1.1)		1.9	Management Index		1.0
System of government	Autocracy		Population		3.1 mill.
Voter turnout	n. a.		BIP p. c. (\$, PPP)		n. a.
Women in Parliament	10 %		Unemployment rate		n. a.
Population growth^a	2:5 %		HDI		n. a.
Largest ethnic minority	n. a.		UN Education Index		n. a.
			Gini Index		n. a.
Data for 2001 – if not indicated otherwise. ^{a)} Annual growth between 1975 and 2001. Source: UN Human Development Report 2003.					

1. Introduction

The Abuja Accord of 1996 put an end to a seven-year civil war in Liberia. The July 1997 general elections for the presidency, the Senate and the House of Representatives were supposed to be the opening phase of a period of national reconciliation, as well as a new beginning for political democracy and reconstruction under free market economic conditions. Charles Taylor, the most powerful warlord, won the presidential elections with more than 75 % of the votes cast. The National Patriotic Party, a faction in the civil war, won 21 of 26 seats in the Senate and 49 of 64 in the House of Representatives.

The period covered by this report coincides almost exactly with the current governmental term, which ends with the elections in October 2003. This report concludes that the Taylor government was not willing or able to initiate political democratization or a sustained process of economic transformation. Enjoying an overwhelming majority in the country's political institutions, Taylor gave purely superficial evidence of a transformation from warlord to president of the state. Behind the façade of democratic institutions, he pursued a political policy of criminalizing the state, regional destabilization, personal enrichment and suppression of the population. The state and society of Liberia can be described tentatively as a construct oscillating between rudimentary state cohesion and the structures of civil war and warlordism.

2. History and characteristics of transformation

A 1980 coup ended the more than century-long dominance of American-Liberians, descendants of former slaves who had been returned to Liberia in the years following 1822. The dissolution of the state accelerated after that coup. Outwardly, Liberia returned to presidential rule with a two-chamber parliament in 1986. After another coup prompted by rigged elections was suppressed, Samuel Doe increasingly held onto power by playing off ethnic groups against one other and through internal repression exercised by the police, the army and a security apparatus dominated by members of the Krahn ethnic group from the northeast.

Any possibility of developing a substantive system of checks and balances among the executive, legislative and judicial branches was precluded. The president's dominant position reduced the government to an agent of presidential power and tool of personal enrichment. Although the opposition parties had some strength, the legislature did not play any formative role, and the judiciary was subject to heavy pressure from the president. One of many exile organizations gave rise to the National Patriotic Front of Liberia (NPFL), dominated by Charles Taylor.

When the NPFL launched a civil war at the end of 1989, the corrupt kleptocracy of the second republic collapsed within a few months. By 1995, however, none of the parties involved in the civil war had been able to gain a dominant position. A rapid reaction force of the Economic Organization of West African States, ECOWAS, was also unable to establish peace. When a final attempt to resolve the issue of power through military means ended with the destruction of the capital city Monrovia in April 1996, all parties to the conflict agreed to elections.

The electoral victor's first task was to build a democratic structure. Taylor formed a government that included representatives of the opposition as well as former participants in the civil war. Governmental and administrative structures needed to be rebuilt quickly, particularly the administrative organizations in counties, and clan and town chiefdoms. Civil and criminal courts had to be put in working order again throughout the country. In addition, the war had reduced educational and health facilities to rudimentary institutions that needed reconstruction. Hundreds of thousands of refugees and internally displaced persons needed resettlement. In short, the government faced the challenge of the almost complete reconstruction of all areas of the country's political, economic and social life.

In the economy, production and infrastructure that had been largely destroyed by war and a criminal economy were to be revived through a process of transformation to a market economy. Particular steps included rebuilding infrastructure, reviving agricultural and export production, and creating the conditions necessary for foreign

investment. The latter was accomplished by reviving the National Investment Commission, which was charged with providing appropriate access and favorable procedures for domestic and foreign investors.

The process also included establishing the Central Bank of Liberia, in 2000, which was charged with maintaining a stable currency as well as supervising banking and the administration of state revenues. In addition, efforts toward budget-driven revenue and expenditure policies for the government and a reorganization of the tax system began in 2001. Since the beginning of the third republic, the US, the EU, and a number of other countries have provided humanitarian aid for refugees, internally displaced persons, and the urban population, but no financial contributions.

The civil war meant more than substantial losses to the economy of Liberia. The last remaining intact iron ore mines were irreparably destroyed. The production of raw rubber was severely restricted in quantity. Production still suffers from lack of reforestation during the war, although it is now on the increase. The production of other agricultural export goods, such as coffee and cacao, is rising again. With the assistance of foreign companies, the NPFL and Charles Taylor had already turned tropical wood and the smuggling of diamonds from Sierra Leone into major sources of income during the civil war. The state earned roughly comparable income from the Maritime Fund; i.e., from allowing ships to be registered under Liberia's "flag of convenience."

3. Examination of the criteria for democracy and a market economy

3.1 Democracy

The presidential reign of violence under Samuel Doe was subsumed by civil war in 1990. His regime had styled itself a democracy to outsiders when in fact political processes led increasingly to what can only be termed procedural breaches, violations of norms, the enforcement of illegitimate power, and similar behavior. The government staged a democratic discourse for the international community to legitimize itself.

After the civil war, Taylor announced that democratic institutions, norms and related procedures would be restored on the basis of the constitution, which had been revised in 1986. The result, however, appears to be the re-emergence of conditions reminiscent of those of the 1980s, with new elements of intensified criminalization of the state and a policy of regional destabilization.

3.1.1 Political organization

(1) *Stateness*: After a period of relative quiet, interrupted by the bloody battles in Monrovia in September 1998, a new phase of civil war broke out in 2000. Warring factions in the triangle formed by Sierra Leone, Guinea and Liberia came together in a party calling itself Liberians United for Reconciliation and Democracy (LURD), which at the beginning of 2003 ruled or threatened about one-third of the territory of Liberia, concentrated in the northwest. Neither military nor civil methods succeeded in forcing the LURD to the negotiating table. In the meantime, the crisis in Cote d'Ivoire drew the eastern part of the country into civil war as well. As a result, Liberia's government does not have an unlimited monopoly on the use of force within its national territory.

General citizenship rights are not disputed. While still identifying itself as a Christian nation, Liberia is a secular state. In 2001-2002, Taylor attempted to strengthen the dominance of Christianity by turning to fundamentalism, primarily to boost his legitimacy with the Christian population. This served to strengthen existing religious and ethnic tensions with the Mandingo community. This is not without dangers, in view of the claim that the LURD and the Mandingo, a majority of whom are Muslims, are one and the same. After the war, a start was made in rebuilding functioning administrative structures in Monrovia, but such structures existed only in the most rudimentary form beyond the capital.

(2) *Political participation*: The opposition challenged the validity of the 1997 election results. They alleged that electoral opportunities were unevenly distributed and that opposition parties were seriously obstructed. Refugees and internally displaced persons were unable to vote. Opposition parties fear that the 2003 elections will be postponed and past obstructions repeated.

The opposition's chances are considered small, based on continuing divisions and rivalries among their leading figures. Dissidents within the governing party, opposition politicians, the press and representatives of human rights organizations are the preferred targets of arbitrary arrests, torture, occupational bans, and expulsion.

The president and his direct cohorts fear exposure of their illegal activities—involvement in wars in neighboring states, illegal trafficking in diamonds and arms, and personal enrichment. Intimidation, persecution, and expulsion are meant to cow the civilian population and keep them quiet. Full freedom of speech prevails only to the extent that information can be distributed over the Internet.

(3) *Rule of law*: An autocratic president still rules, supported by the absolute political power of the National Patriotic Party, the army, sections of the police and especially

the security forces, which have quasi-military equipment. The legislative branch exercises almost no independent functions. In particular, it has generally failed to exercise its budgetary functions or monitor the government's revenue and expenditure policies.

The judiciary is also subject to presidential pressure and cannot be viewed as independent. The president's influence reaches down to the adjudication of criminal cases. This also offers him opportunities to mollify the opposition. To that end, and for purposes of internal reorganization, campaigns are launched to fight corruption, sometimes resulting in convictions of "little fish." Year after year, reports by international and national human rights organizations document serious human rights violations committed by the army and the security forces, and even by the LURD. Respect for civil rights or the right to bring action to secure those rights, is very limited.

3.1.2 Patterns of political behavior and attitudes

(1) *Institutional stability*: Continuous and intensifying damage to Liberia's democratic institutions, which were since Tubman's term of office (1944-1971) weak to begin with, as well as disdain for democratic processes make any reference to democratic legitimacy at best a discourse of justification directed at national and international public opinion. The fact that the entire political process revolves around the power of the presidency, alongside the ever-growing violence has left few vestiges of democratic structures and processes intact.

(2) *Political and social integration*: The opposition parties also generally revolve around a leading personality and have few internal democratic structures. With foreign assistance, a group of human rights organizations has developed since 1997. They are literally forced to fight to survive. They provide important information for international policy-making about Liberia, while international policy simultaneously offers some protection for civil society actors. The same is true of the Liberian Council of Churches (LCC), the Inter-Religious Council of Liberia (IRCL) and scattered spokespersons for organized religions, who draw attention to human rights violations, corruption, and ecologically destructive development. Other interest groups, business associations, trade unions, professional associations, and the like, are manipulated by the government or remain silent and out of the public eye.

It is uncertain to what extent the population is interested in democratic norms and processes, apart from their survival problems. One reason for Taylor's overwhelming electoral victory in 1997 was fear that he himself would revive civil war if he lost. In the wake of the civil war's destruction of social infrastructure and the flight of

educated strata, the school education of children and youth has either failed entirely or declined substantially for more than a decade. Occupational training is provided almost solely in the context of reconstruction and reintegration efforts by foreign aid organizations.

3.2 Market economy

The explicit goal of Liberian economic policy is a competitive, market-based economy. Low potential demand, the limited extent of manufacturing industry and trade, and the dominance of extractive export industries—mainly rubber, timber, coffee, and cacao—mean that there is in fact almost no competition.

3.2.1 Level of socioeconomic development

Despite the Taylor government's early successes, there is little evidence of lasting improvement in socioeconomic development. With an average annual increase in GDP of 24 % for the years 1998-2000, per capita annual income rose from an estimated \$90 in 1997 to between \$150 and \$200 in 2001. That is about one-third the pre-war level. The GDP growth curve has now flattened out.

There is a substantially uneven distribution between a thin stratum of the rich—most of them close to Charles Taylor—and the mass of the population. Furthermore, the vast difference between Monrovia and the rest of the country cannot be overlooked. Approximately 80 % of the population live below the absolute poverty line of less than \$1 per day. In view of high unemployment, for which no estimate can be made, the informal sector is the main source of income, aside from agriculture.

3.2.2 Market structures and competition

The foundations of market competition are weak. The domestic market remains small. The state still regulates agricultural producer prices and the prices of imported rice and crude oil products. The semi-governmental Liberian Petroleum Refining Co. has a monopoly on the import of oil, while rice imports are dominated by four suppliers. The government has yet to meet IMF demands to liberalize the price of rice and crude oil products. Raw rubber production is dominated by Bridgestone, the successor to Firestone Corp., which then markets the wares of Liberian rubber producers.

Approximately 24 licenses were granted to the timber industry in 2000; here a Southeast Asian company, Oriental Timber Corp., leads with about 50 % of exports by value. Despite the reorganization of the central bank, it has not been possible to establish a functioning commercial banking system to replace the murky banking situation that existed prior to the war. The finance and banking industry is still not transparent. The OECD considers Liberia a non-cooperating tax haven. The country is still under suspicion of serving as a laundering facility for illegal funds and speculative capital.

3.2.3 Stability of currency and prices

Liberia had a relatively low rate of inflation in 1998–1999, of about 3 %, and a stable exchange rate against the US dollar. In 2001, inflation rose to 20 %, based on a monthly comparison. The triggers were the central bank's expansion of the money supply in conjunction with the issue of new bank notes, along with a questionable budgetary policy of rising extra-budgetary expenditures. Other drivers of inflation included repeated postponements of wage payments to government employees, an increasing dependence on Maritime Fund receipts for state revenue, stagnating timber exports and shrinking growth in raw rubber exports. Liberia's foreign debt has reached \$2.5 billion. Liberia has suspended repayments to the IMF since 1984, except for a few payments. In 2001 the IWF ended its Staff Support Program for Liberia because of the lacking cooperation.

3.2.4 Private property

The acquisition of property and property rights are guaranteed under the Constitution. However, there is no real overview of current land occupancy and ownership relationships in the country, following military dictatorship and civil war. The majority of the population depends on land use for subsistence production. Tropical timber and raw rubber are produced under license, while coffee and cacao are grown mainly by small landowners or as part of subsistence production.

3.2.5 Welfare regime

There is no public welfare system of government payments or payments by social insurance providers to alleviate illness, old age, or unemployment. Rudimentary health care services are available for a small fee. Tuition is required to attend

government or private schools. Most Liberians still depend upon familial support systems, including remittances from abroad, and grassroots aid networks. Hundreds of thousands are in danger of falling into long-term dependence on international aid simply to survive.

3.2.6 Strength of the economy

IMF reports from 2000 and 2002 noted a decline in the results of financial and economic policy efforts. In the realm of financial policy, the reports criticized the absence of transparency and of any monitoring of government budget activity, the fact that tax revenue was deducted at its source, as the performance of timber companies in particular was offset against tax payments. The IMF also objected to the short-sighted expenditure policy, excessive spending on “security activities,” the failure to upgrade the infrastructure, as well as the price controls on agricultural products, and on imported rice and crude oil products.

Liberia’s economy is based on a subsistence economy that is capable of feeding only a portion of the population. The cultivation of coffee and cacao for export is suffering under the precarious security situation. The production of raw rubber is exclusively export-oriented. The uncontrolled deforestation of tropical timber aimed at quick profits is not designed for sustainability but rather serves to personally enrich the president—in particular through OTC, the largest producer—and to fund illegal arms purchases. Revenues from the Maritime Fund stem solely from the internationally controversial business in flags of convenience.

3.2.7 Sustainability

Almost six years after the end of the civil war, the most basic needs of the population of Liberia are still not met. Instead of improved security, risks to human life are increasing, not only for refugees and internally displaced persons, but also for those who remained in or returned to their villages. The merely minimal health care is itself threatened, while educational and training opportunities are very limited and rudimentary.

There are insufficient programs to reintegrate former child and youth soldiers, civil war combatants who survive in governmental institutions of force and coercion, serve as mercenaries in neighboring countries, or are taking part in the revived civil war. Under a government focused on self-enrichment and political survival, the few voices raised against imminent and irreparable environmental damage, especially the destruction of the rain forest, fall on deaf ears.

4. Trend

(1) *Democracy*: It appears as though Charles Taylor intends to replace Samuel Doe's "inefficient" presidential dictatorship with a more perfect warlord system. Parliament and the judiciary have lost even more significance. Taylor's government seems more stable than previously, however, which may be due to common experiences during the civil war years. The center of power is also more ethnically balanced. Ethnic groups from the north and the northwest dominate the institutions of violence and coercion that support the inner circle of power. Members of the political opposition are more vulnerable and endangered than in the preceding generation. The same is true of the press and human rights organizations.

Professional and trade union organizations have not been rebuilt to any extent and are fairly insignificant. It appears that, after his electoral victory in 1997, Taylor did not intend to create a liberal state with democratic institutions, but rather a variant on a warlord economy in a form of government forged by civil war experience. As a result, social disputes occur between the presidential dictatorship on one side, and the forces of political and civil society on the other; between a criminalized state structure and the assertion of the vestiges of a democratic political culture. Open civil war continues to rage in the ruptures with and rejections of social, political, and economic structures.

(2) *Market economy*: To the extent they are available, basic development indicators show a clear downward trend after an upturn based on what amounted to an economic regeneration. Overall development is far from reaching its pre-war level. It is not possible to make any statement regarding socioeconomic development in view of the lack of data.

Socioeconomic development cannot be assumed in Liberia's recent history, under the circumstances of a civil war and domination by warlords. Liberia is one of the least developed countries in the world. Due to the deterioration of the political situation that began in 2000 at the latest, attempts to improve the conditions for market activity did not contribute to developing a system of economic competitiveness. There have been no new investments in agricultural or manufacturing industries, with the exception of the extractive timber industry. Licenses to open new production areas, such as oil, diamonds, gold and other precious metals, were granted in part to dubious, even fraudulent, organizations, including some with fundamentalist religious ties, and are still without any noticeable results.

The scant and hesitant attempts to improve the conditions for a revival of the country's infrastructure were wasted by poor budget management. Taylor's

involvement in the Sierra Leone war, now proven, and in the illegal traffic in diamonds and weapons, have brought UN sanctions against Liberia's diamond exports and arms imports, and a travel ban on the elite now running the country. International condemnation further erodes national and international capital's willingness to invest, as does the spread of military activity. Liberia's classification as a tax haven by the OECD and the lack of transparency in its banking sector also frighten off serious investors.

Table: Development of macroeconomic fundamentals (1998-2002)

	1998	1999	2000	2001 (est.)	2002 (proj.)
Growth of GDP in %	29.7	22.9	20.4	5.8	4.2
Export growth in %	68.9	37.6	104.3	5.9	-1.2
Import growth in %	-33.6	30.0	-9.7	-4.4	3.4
Inflation as in % (CPI)	n. a.	2.0	5.3	12.4	10.0
Unemployment in %	n. a.	n. a.	n. a.	n. a.	n. a.
Budget deficit in % of GDP	n. a.	n. a.	n. a.	n. a.	n. a.
Current account balance, \$ billion	n. a.	n. a.	n. a.	n. a.	n. a.

Source: IMF (July 2002).

5. Transformation management

5.1 Level of difficulty

The war's wide-ranging destruction of the social, health, and logistical infrastructure and the sharp drop in all areas of production necessitated reconstruction from the ground up. Thus, the president and the government were faced with extraordinary difficulties. The fact that the governmental and political institutions of a democracy and the fundamentals of "good governance" had to be developed again further complicated the transformation. Existing democratic initiatives were already significantly damaged prior to the civil war. As parties and politicians have been largely discredited, there hardly appears to be any basis for a new democratic beginning.

5.2 Reliable pursuit of goals

Reliability does not appear to be a goal of President Taylor and the group currently holding power. In order to retain power against all opposition, state institutions of coercion and force are used against opponents engaged in armed conflict and against civil political opponents. The autocratic and violent exercise of power, the threats to the state's monopoly on violence posed by the civil war, international sanctions, the lack of international private or governmental support, and the low level of the ailing economy are now reinforcing each other to create a precarious political and economic situation. The ruthless plundering of the rain forest appears to be the only result to date of a marketing policy aimed at attracting foreign investment. Under these conditions, even the survival of the Liberian population still appears threatened.

5.3 Effective use of resources

The Liberian government does not make use of its personnel and organizational resources, except in a very limited manner. The exodus of the educated elite during the 1980s was followed by the flight of the remaining technical intelligentsia during the civil war. Many refugees are still not considering a return in the near future, due to fear of repression, and the precarious and uncertain living situation. This further weakens the political opposition. Positions in government administration are often held by people who lack appropriate training or education. Institutions of force and coercion have also accepted many former soldiers from the civil war. Those who hold leading positions have experience in the civil war but no ethical grounding in the requirements of bureaucratic rationality. They are bound by loyalty only to the president. This structure has taken hold at all levels of the administration.

The sparse budgetary resources are rarely used in a targeted fashion to create the prerequisites for a process of political and economic transformation. In particular, the high proportion of "security-related expenditure" consumes funds required for establishing sustainable economic development. The economic participation of the mass of the population is limited to the sale and purchase of goods required for survival, to the extent that money is available. As in the past, campaigns to fight corruption are staged for the benefit of public opinion, mainly taking the form of the symbolic prosecution of generally insignificant crimes. Since the president and his cohorts are themselves suspected of self-enrichment, nepotism and corruption, these measures lack credibility.

5.4 Governance capability

After initial steps toward transforming post-war society, the pendulum swung back quite quickly and clearly. It appears that evidence of criminal government activity has

only strengthened Taylor's resistance to any change in his goals of power and enrichment. Attempts to shift the blame for his own failings to former opponents in the war, international public opinion, neighboring countries or internal opponents waging civil war prevent any insight into the shortcomings of the original reform policies. The goal is to use the 2003 elections to legitimize his continuing hold on power.

5.5 Consensus-building

All social and political actors agree at least verbally on the goal of the social process—democracy and a market economy. Whether this consensus extends to the lowest levels of the administrative organization where administrative claims and traditional loyalties converge is impossible to say, especially after the experience of civil war. There is fundamental disagreement over the question of whether the government of President Taylor is attempting to revive democratic institutions and procedures and is seriously striving to implement reforms aimed at developing a market economy.

Depending on the observer's political standpoint and ideological orientation, the president is accused of disdain for basic democratic convictions, of abuse of office and power for personal enrichment, or interest in re-establishing the rule of American-Liberians. Taylor's appeal to African or Christian traditions of forgiveness, reconciliation and renaissance for a new future are interpreted as attempts to exculpate a most unscrupulous warlord and his murderous militia. Given his history in the civil war, Taylor has no interest in coming to terms with the past through an independent tribunal, a truth commission or an international court. For that reason, neither a commission of reconciliation announced in 1997 nor a reconciliation conference held in 2002 came to anything. As a result the task of creating a sense of unity based on the Liberian state remains unfulfilled. The internationalization of the war that began in 1989 shows that the dissolution of traditional bases of solidarity is a result of deliberate policy.

5.6 International cooperation

At the start of the 1997 legislative term, Liberia approached the IMF and the World Bank about opportunities for international aid, after relations had been broken off in 1984. IMF reports in 2000 and 2002 and the Liberian reaction did not, however, lead to the restoration of credit-worthiness. Liberia now faces the suspension of its voting rights. International public opinion has put considerable pressure on Taylor since

2001, when his involvement in the civil war in Sierra Leone and his subsequent evasion of sanctions against Liberia became known.

After 1997 Taylor expected substantial aid from the international community for reconstruction of a country destroyed by civil war. The lack of such support is the cause of the country's precarious security situation, according to Taylor. Even Taylor's African allies and supporters—Libya, Burkina Faso, and Cote d'Ivoire—withdraw support, distanced themselves from him or even turned against him when his involvement in the conflict in Cote d'Ivoire came to light. In West Africa, Taylor is viewed as the essential cause of the unstable political situation in Sierra Leone, Guinea, Liberia, and Cote d'Ivoire.

6. Overall evaluation

(1) *Baseline conditions*: The baseline conditions for democratic and market economic transformations were the legacy of a decade of military or militaristic dictatorship and seven years of civil war. Dictatorship and war caused extensive destruction of the educational, health and the logistics infrastructure, reduction of export-oriented agricultural production to a fraction of its pre-war level, the end of iron ore production, and displacement of hundreds of thousands of people abroad or from their homes to internal refugee camps. They are further responsible for the reduction to minimal subsistence production of the main foodstuffs rice, cassava and vegetables, and the near-standstill of government activity and administration.

It was the government's task to get the production process going again, to rebuild government and administration as well as the educational, health and logistics infrastructure, to reintegrate refugees who fled abroad and internally displaced persons, and to take steps to revive democratic political life.

(2) *Status and evolution*: Military dictatorship and civil war have almost consumed the resources that might be used for the further development of democracy. The forms of struggle developed in war were continued in the form of a government struggle against armed opposition, while the war in Sierra Leone was fueled in secret. Thus no substantial democratic political structures could develop, let alone become consolidated.

The allocation of power closely tailored to the president as well as his cohorts', the army's and the security apparatus' dependence on him preclude any efficient government action. There is no rule of law, transparency, or responsibility, or only the beginnings thereof. The development of these attributes was thwarted by the elimination of the opposition and through political terror, including murder,

persecution and expulsion, disciplinary action and suppression of free speech. The majority of the population is concerned with survival and little concerned with governmental and political structures.

The transformation to a market economy has not progressed a single step. Economic construction was not initiated within the framework of market competition, but rather by granting licenses in the agricultural sector. It was also initiated by creating appropriate monetary and financial policy conditions and stabilizing the exchange rate in order to revive legal import-export relations in the future.

Since the government's revenue from the Maritime Fund and export income have stagnated in recent years, budgetary policy remains inappropriate and non-transparent. The largest share of the annual budget disappears into security-related areas. The government still controls the prices of crude oil products, rice imports and the production of tropical fruit for export, while not much is happening in the economic sector.

The commercial banks still seem to be undercapitalized and barely support the domestic investment process. Since the government continues to take inadequate steps to cure economic weaknesses and deficiencies, no improvement in the economic situation can be expected in the foreseeable future. Liberia cannot supply the funds needed to rebuild the social and transportation infrastructure on its own. So long as international financial institutions, the United States, Europe and other countries do not provide these funds and foreign aid is limited to alleviating the humanitarian crisis of the population, it will not be possible to establish sufficient conditions for the development of a market economy in these areas.

(3) *Management*: The main actors in Liberian politics do not appear interested in creating democratic relations or in the transformation to a market economy. The president and his cohorts are concerned with retaining and consolidating power, while destabilizing the states bordering on Liberia, which Taylor hopes will yield even greater influence and access to more wealth.

On the other hand, Taylor must fear for his position, since he cannot prevent civil war in Liberia itself. Under the pressure of threats to his position of power, initial success in stabilizing economic framework conditions gave way to recourse to state-directed economic activity to consolidate established power relations. Taylor is engaged in extremely risky crisis management to retain his own power, which is understood as access to the country's resources as his own personal assets. This does not serve the development of social wealth and an open democracy.

7. Outlook

Since the end of the civil war, Liberia has not been able to create the prerequisites to develop democracy and a market economy. The fact that no fundamental process of renewal ensued is attributable essentially to the politics of President Taylor, who suppresses the development of democratic conditions in the country and obstructs economic reforms or thwarts them through individual action, all in order to consolidate his own power and open up new sources of personal wealth. Taylor's aggressive policy of supporting warlords and rebels in neighboring states has politically and militarily destabilized much of West Africa.

Only when the civil wars are ended, substantial recognizable rule of law and democratic relations are created, and serious economic and budgetary policy is pursued will the international community be ready not only to demand Liberia's reconstruction but to support it financially.

The chances for a reconstruction of and peace for the country have been immensely increased after Charles Taylos went into exile to Nigeria in August 2003. In October 2003 a transitional government was appointed, that included all civil war parties and civil political forces in Liberia. With the help of the United Nations this government is supposed to take care of de-arming, de-mobilizing, rehabilitating and reintegrating the fighters. With the help of international financial backers it must also initiate the reconstruction of the infrastructure, give impulses for the economic recovery and prepare democratic elections in 2005.