

Keynote Address for Business Development in Liberia
***“GROWING NEED FOR THE APPLICATION OF DIRECT FOREIGN INVESTMENT IN
THE DEVELOPMENT OF THE INDUSTRIAL SECTOR OF LIBERIA”***

Ministry of Commerce and Industry, Republic of Liberia

Remarks by

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Members of Government Present,
Members of the Diplomatic Corp,
Our Development Partners,
Members of our Dynamic Private Sector,
Distinguished Members of the Delegation,
Members of the Fourth Estate,
Distinguished Guests,
Ladies & Gentlemen.

Good morning and thank you for your presence here today.

Introduction

I am honoured today to mark the continuation of a long and prosperous relationship between the Republics of India and Liberia through the arrival of our honoured representatives from Indian businesses and the constructive discussion, which is taking place as part of this program today.

The importance of Industrialisation

Today, I wish to discuss the importance of the development of the industrial sector in Liberia, the experience we can learn from our Indian counterparts, and the capability and opportunity for foreign direct investment to create a win-win scenario for both our great nations.

The importance of industrial development is well documented in economic literature, the history of developed countries and the strategy of the current administration in Liberia.

The former chief economist to the World Bank, Hollis Chenery, well known for his contribution to the field of development economics, noted that for countries to develop they typically go through a series of structural changes in their economy. Chenery predicted that each economy will see a notable increase in the share of investment in aggregate demand, a systematic shift from primary products to manufacturing and a growth in the services sector. This, he believed, leads to a transition for the economy out of low productivity sectors into high productivity sectors such as manufacturing and services.

Since Chenery's work, the world has changed and our economies have become further interconnected. Growth in South Asia and South-East Asia has fuelled high demand, and subsequently high prices, of raw materials and agricultural goods spurring substantial economic growth in Sub-Saharan Africa. Population growth and climate change increasingly is putting pressure on the production of food in all regions of the world.

However, in Liberia we still see the necessity to focus on developing and diversifying domestic industries as the only long-term tool to tackle poverty, unemployment and spur sustainable economic growth. In order to reach our stated goal of becoming a middle-income country by the year 2030, we must ensure our economy diversifies away from the export of primary products into the manufacturing of value-added goods.

One way we can achieve this goal is through Foreign Direct Investment, partnership.

The Indian Experience

In Liberia, we note with admiration, India's recent success in developing export-oriented growth and the creation of industries in strategic sectors. India, often cited as a service – driven economy, is currently ranked fourth in the Deloitte Global Manufacturing Competitiveness Index, driven by a wide talent pool in the areas of science, technology, research and low labor costs. This has led to a thriving export sector including textile goods, engineering goods and chemicals. India is the sixth largest manufacturer of automobiles in the world.

These comparative advantages have been driven by good and strategic government policy. The forward thinking policies of Indian economist and Minister of Finance, Manmohan Singh, in 1991 allowed India to open up its economy to foreign investors. The opening of the economy led to growth of strategic sectors, transfer of technology between foreign and domestic firms and export-oriented economic growth.

India has also targeted government policy to address key binding constraints to further growth of the manufacturing sector. Between, 2012 and 2017 the country intends to invest \$1 trillion in infrastructure which will provide a market for existing cement and steel industries, improve logistics, and lower the manufacturing costs - making Indian manufacturers some of the most competitive in the world.

In Liberia, we also note, India's success in transforming its agribusiness sector through the encouragement of private investment (which now accounts for three-quarters of total investment in the sector) and the creation of linkages between farmers and international businesses. For

instance, India is now the third largest producer of potatoes in the world. In rural Gujarat state, McCain Foods (a Canadian manufacturing company), provide agronomists who visit farms every-other day, providing the advice needed to create a high quality product which can then be steam-peeled, sliced, diced, blanched, dried, fried, chilled, frozen, bagged and then boxed - all in Gujarat state.

The Liberian Experience

Today, in Liberia, we have reinvented ourselves as a pro-business environment through good economic management, fiscal discipline and legislative reform to help enable the private-sector to grow.

Good economic management has helped us to obtain high and stable economic growth of 8.8 percent in 2012, up from 6.4 percent in 2011 and 5.0 percent in 2010. Headline Inflation has remained stable and largely in single digits over the last two years. However, rubber exports remain our most substantial agricultural export commodity accounting for 94 percent of agricultural export earnings in Q3 2012. We have also begun exporting iron ore.

The potential for Liberia to grow as a manufacturing base is substantial. We have a history as a regional hub in West Africa. In the 1960s and 1970s goods from all over the West African region passed through the Freeport of Monrovia heading for Europe, America or other African ports. Today the Government of Liberia is offering the best possible treatment for those companies looking to create a manufacturing base in Liberia. The Government of Liberia is willing to provide incentives for substantial investments in key sectors. These include exemptions from trade taxes and tax deductions.

I am sure you are all aware that Liberia has comparative advantages in key sectors.

Agriculture, for example, I believe is our Liberia's saving grace. We are blessed with an abundance of rainfall, fertile soil and a knowledgeable English-speaking workforce. Several large concessions in oil palm, rubber, cocoa and rice have already been signed with international investors.

Agriculture is set to become a growth market in Africa, as global demand for food production increases and incomes rise on the continent. Africa has 60 percent of the world's uncultivated arable land, and capacity for productivity growth through the use of modern farming techniques.

Given Liberia's combination of fertile soil, ample rainfall and good location, the country has the capacity to supply West Africa, Europe and America with high quality, high-value crops. In Liberia, there is a gap in the knowledge and experience necessary to process and pack these agricultural goods locally in order to add value and make each good available for export. To give one example, cassava is grown in every village in Liberia, and is Liberia's second staple crop. Cassava is extremely reliable and grows in all conditions, however, cassava growers in Liberia currently suffer from a significant crop wastage rate as the root rots quickly after it is taken out of the ground. They also struggle to access high value markets in the West-African region and abroad. One solution is to grind the raw cassava into flour or paste, package and

export the surplus goods. A suitable investor could easily fill this gap exploiting substantial markets in the West Africa, Europe, and USA.

However, agri-business is not the only area with possibilities for FDI in Liberia. I am aware that today we have representatives with experience or contacts in fisheries, textiles, agricultural machinery, information technology and energy among others. The Government of Liberia wishes to express our gratitude for showing an interest in investing here and encourages you to seriously consider Liberia as a suitable destination for investment.

Liberia is already an exporter of products to the USA, Europe and the West African region. As a Least Developed Country in Africa, Liberia benefits from several preferential market access treaties. Since 2006, Liberia has been eligible for duty-free access into the United States for almost all products under the African Growth and Opportunity Act (AGOA). Liberia is also eligible for duty free, quota-free access to the EU market for all exports except arms and ammunition. In addition, Liberia is soon to benefit from tariff free entry into the ECOWAS region through the ECOWAS Tariff Liberalisation Scheme (ETLS). Therefore, the potential market for Liberian produce in the wider West African region alone is quite substantial.

Benefits from mutual cooperation and FDI

Economic collaboration between firms in India and Liberia has the capacity to create a win-win situation for both our countries. Liberia can benefit from the knowledge and experience of one of the fastest growing economies in the world and India has the chance to expand their model of development to a new and growing market in West Africa. Although a substantial geographical distance separates the two republics, we share similarities in economic structure, culture and desire of policy makers to create an environment, which is pro-private-sector.

It is my hope that this unique opportunity for dialogue and exchange between our two countries will yield increased business opportunities in a spirit of equity, mutual respect and sensitive and productive collaboration.

Thanks to the organizer of this exchange. We remain committed to promoting an enabling environment where businesses can flourish through healthy competition and innovation.

May God continue to bless our two nations. Thank You.