Timber Booms, State Busts: The Political Economy of Liberian Timber

Patrick Johnston

This article places the political economy of Liberian timber in the context of the theory of state failure. It explores the relationship between private investment, state failure and war, highlighting how Charles Taylor exploited timber concessions to foreign firms as a proxy for effective state institutions in Liberia. It examines the reasons why foreign investment – particularly in Liberia’s timber industry – prolonged the civil war and destroyed the country’s formal economy. And it challenges the neo-liberal assumption that increased economic activity provides incentives for rulers to build stable institutions and to provide security to investors. Neo-liberal prescriptions coupled with a changing global economy produced no incentive for Charles Taylor, a faction leader from 1989 and Liberia’s president from 1997 until exile in 2003, to attempt to develop state institutions or to prevent the collapse of the formal economy.

A combination of four issues perpetuated and worsened the decay of state institutions and transformed political corruption in Liberia during the Charles Taylor regime: the demands for political and economic liberalisation made by Western international financial institutions (IFIs); the United Nations’ longtime refusal to place sanctions on the Liberian timber trade; a clandestine network of predatory foreign firms; and corrupt rent-seeking state elites. Investment from foreign timber firms in Liberia reinforced an informal, clandestine economy that thrived and took primacy after the collapse of Liberia’s formal economy. Charles Taylor and his associates profited from these transactions, leaving ordinary Liberians alienated by the exigencies of the collapsed political and economic institutions.

This article places the political economy of Liberian timber in the context of the theory of state failure. I explore the relationship between private investment, state failure, and war? To address this question, I focus on informal arrangements between Charles Taylor and foreign timber firms. These arrangements illustrate the connection between unregulated private investment in weak states and state failure, which, I argue, greatly increases the likelihood of internal war. Timber firms served as proxies for collapsed state agencies, including the army, cloaking Taylor with sufficient security to remain president despite widespread discontent with the regime. Taylor’s private economy had serious negative effects on ordinary Liberians. Since Taylor depended on foreign investment for capital and security, not the productivity of domestic citizens and industries for these goods, he had little incentive to provide Liberians with public goods or services. The social dislocation from the state which this produced perpetuated and lengthened the duration of the
country's conflict that ended in 2003. Indeed, as private investment from foreign timber firms increased, government expenditures on public goods and services decreased. The Liberian state failed to monopolise coercion throughout its territory, rendering the country subject to violence and predation. Yet this did not threaten the nature of authority which Taylor had built, highlighting the significant difference between his notion of rule and that conventionally associated with the nation-state.

**Fragile Institutions & State Failure**

A structural explanation of the Liberian civil war can be derived from the models developed in Max Weber's theory of the state and William Reno's theory of weak 'shadow states'. This explanation shows the logic of the war, a war that has been described as 'one of the wackiest, and most ruthless, of Africa's uncivil wars' (Richburg, 1997, quoted in Ellis, 1997:18). A theoretical framework can be created that demonstrates how a combination of the lack of a centralised body of coercion, coupled with historically weak state institutions steeped in patronage practices, predatory foreign firms, and rent-seeking elites undermine state institutional capacity for private gain, leaving the state feeble and vulnerable to insurgency while rulers and firms remain able to benefit financially.

Preceding the civil war of the 1990s, Liberia had a history of weak and fragile political institutions. Samuel Doe, a military official in the William Tolbert regime, staged a 1980 coup and took power as a staunch Cold War ally of the United States. Doe obtained much of his power from his ties to the West, which funded the bulk of his vast patronage network. Though he presided over a bloated bureaucracy, Doe did not build these structures according to meritocratic, hierarchical, legal-rational principles (Weber, 1946:196-240). Doe's method of governance more closely resembled what Weber called 'traditional authority' (1946:78-79). He built a state apparatus which maintained traditional practices of nepotism and patronage rather than a state with an institutional design based on technocratic expertise and rational administration.

Doe sustained this patronage-based system of rule for nearly a decade, in large measure, through his alliance with the United States. Estimates report that the US poured more than US$500 million (Huband, 1990:8) into Liberia between 1981 and 1985, and more thereafter. The US intended this money to be used for Doe's security, the maintenance of his political patronage networks, and for his guarantee of diplomatic solidarity with the West. These funds allowed Doe to buy domestic support and protection without building strong, durable, and adaptable state institutions to promote Liberia's long-term stability and centralised state authority.

Toward the end of the 1980s, as the Cold War came to a close, the US reduced aid to Liberia. Doe found it difficult to support his large patronage networks that he had accumulated during the previous decade and lacking other large sources of revenue he pared down the state. He jettisoned bureaucrats and discontinued payment and bribery to others. This left Doe with few allies. At the same time, the industrial, service, and agricultural sectors of the formal economy were moribund. Angry Liberians, seeking retribution for the corruption of the regime and its failure to provide ample goods and services, along with former associates of Doe's whom the cutbacks affected, took up arms against the state in an attempt to gain or increase access to the informal economic networks through which much of the country's commerce was beginning to move. At this level, Liberia's war was based upon
significant grievances, although as we will see the structure of Doe’s patronage-based political economy elevated other interests.

Chief among the groups seeking access to Liberia’s informal economic networks was Charles Taylor’s National Patriotic Front of Liberia (NPFL). Taylor’s motives for warfare were a combination of greed and grievance: Taylor pursued power both for its economic privileges, but also to oust Doe, against whom Taylor carried significant grievance. Taylor had previously worked in the Doe regime as head of General Services, Liberia’s main procurement agency. They fell out when Doe alleged that Taylor had embezzled US$900,000 from the General Services agency, leading Taylor to flee to America, where he was eventually imprisoned for fifteen months (Daniels, 2003:25). Taylor escaped from prison, and returned to West Africa by way of Libya to start a war against Doe.

Doe’s neo-patrimonial strategy faced a crisis when the United States withdrew its support: he could no longer rely on the efficacy of formal state institutions or of informal patronage networks for political support. Moreover, Doe had not developed an informal clandestine economy as a means to rule to the same extent that Taylor later would do. With neither an effective means of coercion nor an effective patronage network, insurgent factions, with his former associates as leaders, vied with each other to oust Doe. Taylor’s NPFL emerged as the strongest faction, controlling most of the country except Monrovia. On 9 September 1990, Prince Johnson, a former associate of Taylor’s NPFL who led the Independent Patriotic Front of Liberia (INPFL), apprehended and tortured Doe before killing him.

Yet, a West African intervention force, the Economic Monitoring Group (ECOMOG) stymied Taylor and the other warlord-led factions from gaining the Executive Mansion in Monrovia. The rebel groups retreated to the countryside, where they staged continuous attacks on Monrovia. The numerous warlord factions fought for control of strategic portions of the countryside while the interim government and the ECOMOG forces struggled to shore up order in Monrovia. Indeed, the fragile institutions that had weakened under Doe completely collapsed in his absence. This destroyed the stability which most legitimate investors sought. Most of the industries that had operated in pre-war Liberia, including the US Firestone plant, fled amid the chaos of the war.

The Role of Foreign Firms

Not all investors shunned Liberia. As Reno (1998) has shown, Liberia attracted shady firms whose interests involved the extraction of primary commodities and/or wartime economy of weapons trade. This international dimension exacerbated and prolonged the Liberian civil war by adding significant sources of capital and weapons for non-state rebel movements and state actors. In spite of the harmful consequences of this international trade, prevailing Western consensus generally encouraged these commercial activities. The regulation of international trade, especially in natural resources, would have violated neo-liberal principles of free trade and competition. As I show below, private investment had pernicious effects in Liberia, and proved a decisive factor in perpetuating state weakness and political instability.

In most instances, foreign firms seeking operating concessions have had to collaborate with rulers to gain them. Foreign firms have provided rulers with capital, private protection and, to varying degrees, international legitimacy. This is possible
because Western policy-makers have not discriminated in their support of foreign investment. The World Bank, for example, dubbed two of the most prominent architects of the conflict timber trade, the Malaysian Samling company and the Rimbunan Hijau company models of concession programmes and funded their exploits in timber-rich countries (Global Witness, 2002:12). These companies are known for illegal logging, dealing with insurgents and engaging in human rights abuses while western policymakers encourage weak state rulers to liberalise foreign investment and trade.

These circumstances create a coincidence of interests. Rulers of already weak states fear that stronger institutions will acquire their own interests if given ample opportunity. As such, strengthening institutions poses a threat to informal sources of patronage which are deeply rooted in official corruption and clandestine economies. Consequently, many weak state rulers, following the neo-liberal prescription of IFIs, reduce spending on the civil service and dramatically cut or discontinue salary payments. Under the western model, private firms would provide services previously administered by the bureaucracy with greater efficiency and less state intervention. IFI policymakers miscalculated, however. They presumed, it seems, that the African political elite would wish to use western methods of consolidating power-building strong state institutions, providing necessary state services, and seeking popular legitimacy – rather than allowing institutional collapse and ruling by other means: through militarised control over commerce and primary resources. World Bank and IMF policy failed to take into consideration the notion that without sufficient incentive to reform political and economic institutions, some corrupt rulers might willingly allow their states to crumble precisely because these rulers could prosper politically and economically in the shadows of state sovereignty (Reno, 1995).

The synergy between foreign firms and domestic elites has been instrumental in creating state failure. Foreign firms could not successfully export minerals, oil, or other resources without first being granted operating concessions by the sovereign incumbent regime or the rebel groups that control countries’ peripheral areas. In efforts to ingratiate themselves with patronage-based incumbent regimes, firms shape their behaviour to accommodate political leaders. In most instances, weak state rulers have lost domestic support and legitimacy because of their misuse of public office for private gain and because of their unwillingness to provide public infrastructure, goods, and services. To stifle political competition and dissent, then, these rulers turn to compliant foreign entrepreneurs who seek operating concessions from the regime and who are typically willing to perform political, economic, and military favours to gain them.

Unfortunately, the types of foreign firms and businessmen who collaborate with weak state rulers often do not possess the integrity assumed by Western policymakers. A Dutch gang operating in Liberia, for example, trafficked drugs to Europe and America under the guise of legitimate business while under the personal protection of President Taylor (Kamara, 1999). The end of the Cold War created a new international class of investors, often criminal, who possess large quantities of a hot commodity in weak states: small arms. The collapse of the former-Eastern bloc generated a great surplus of weapons, which entrepreneurs converted into quick capital, selling them cheaply and discretely on the international market. Many countries participate in the illicit arms trade. Investigations implicate Bulgaria, Romania, Moldova, and Slovakia, the Central Asian countries of Kazakhstan and Kyrgyzstan, and individuals from Yugoslavia, Ukraine, and
Russia as central to such practices (Global Witness, 2003:20). In the Liberian case, large shipments of small arms from Eastern Europe are reported to have arrived 2-3 times a month. These weapons shipments are reported to have been payments for timber concessions which had been granted by President Taylor to foreign investors (Global Witness, 2003:17-18). These transactions exacerbate already simmering conflicts. Foreign firms operating in weak states can act as conduits between rulers and weapons runners, transporting weapons to various locations at the demand of rulers. As a result, weak state leaders can manipulate and destabilise areas outside of their immediate control through the reach of foreign firms, as Charles Taylor did through much of West Africa.

Social Dislocation from the State
Weak state rulers who inherit feeble institutional structures wish to find a way to remain in office without having to address the burdensome task of state building. Since aid from IFIs has become heavily conditional, and since Cold War aid from superpowers has largely dried up, rulers have turned to foreign firms to supply the money and security to provide sufficient patronage and to field militias in order to prevent associates and rivals from making their own bids for power. This circumvents institution building. Corrupt rulers found that they could also profit personally from these arrangements. In fact, granting operating concessions to foreign firms in exchange for capital and military protection has largely severed weak state rulers’ obligations to their states. In essence, as Mustapha (2002) has lamented, such countries quickly became ‘states without people’. When state rulers depended on sources other than their citizens for revenues and security, rulers had less incentive to provide citizens with goods and services that would enhance their productivity. Citizens were thus left subject to the interests of predatory networks of powerful individuals and their business partners. These citizens did not enjoy privileges that would typically accompany citizenship, such as basic personal rights or a secure public order. The informal and often clandestine elite economic transactions crowded out the formal economy, including much of the agricultural and industrial sectors, leaving citizens with few avenues through which to pursue political or economic objectives. This has produced social dislocation and grievance. Since economic opportunities tend to be embedded in these informal networks, citizens must seek accommodations with them to survive. That is a strategy to which vigorous young men, who can be turned into foot soldiers, are best suited (Murphy, 2003).

This structural aspect of patronage-based weak states turns the grievances and desperation of citizens into a resource for those who challenge the incumbent ruler. Rebel movements emerge out of this new social group, formed along with or headed by former regime insiders who now operate in areas not controlled by formal state power. Rebels attempt to secure territory with abundant primary commodities that some foreign firms trade for capital and weapons reconstitutes the relationships which rulers like Doe had used to maintain his authority. Where Doe relied on internal clientelism from domestic elites, Taylor depended almost solely on foreign associates, thereby removing most ordinary Liberians from the economy and relegating them to continual poverty and violent competition for scarce resources. The Perspective news magazine summed up the wider reach of this political economy particularly well: ‘The empowerment of international criminals in reducing weak states to rubble for wealth is one of the effects of ‘globalisation’ that most may have overlooked. The ‘Evil Empire (Soviet Russia) may have withered. But West Africa is
now battling with its abandoned children – ex-KGB officers, arms dealers prepared to do anything for money, condemning weak countries to perpetual conflicts’ (UN New Task, 2001).

The Salience of Liberian Timber

The Liberian case reveals how the country’s timber industry fostered and perpetuated state decay. It ensured that the state was unable to defeat rebel insurgencies and it prolonged the civil war. Timber itself is especially important and deserves consideration for several reasons. It became the largest sector of Liberia’s considerable export economy during the Charles Taylor regime and evidence suggests that timber firms were crucial sources of income to sustain Taylor’s predatory regime. The industry played a key role in supporting him while he was a rebel leader. Analysis of this industry also shows how private interests allowed Taylor to neglect public institutions. Foreign investment, long considered by liberals a valuable asset to developing countries here served to hinder political, social, and economic development. As the political economy of timber shows, the ‘quality’ of the investment, not its quantity, is more indicative of how successful it might be for a country’s development prospects and stability.

Timber gave Liberian rulers extraordinary leverage in commercial and political operations becoming the main source of money and power for Charles Taylor’s warlord control of the Liberian periphery – Taylorland – after the beginning of the war in late-1989. First, compared with most forms of resource extraction, logging is relatively easy. It requires little investment for considerable returns. A few soldiers with chainsaws and trucks can generate hundreds of thousands of dollars in a relatively short time (Global Witness, 2002:8). Second, timber’s saleability on the international market boomed. Third, enterprising investors and corrupt politicians were able to use timber as an ostensibly legitimate business endeavour to enhance their own political and economic status and to mask criminal activity undertaken in Liberia. Roads into Sierra Leone, for example, purportedly built for ‘development’ purposes, were instead used expressly as logging roads, and by the Oriental Timber Company (OTC) to move weapons into Sierra Leone for use by the Revolutionary United Front rebels. Airplanes also reportedly delivered arms covertly via a heavily guarded OTC airstrip (Global Witness, 2002:7-11).

This raises a question as to why the United Nations failed to sanction Liberian timber for three years after it sanctioned diamonds, which Taylor used similarly to maintain influence and fight wars in Liberia and Sierra Leone? First, timber’s seemingly innocuous essence allowed it to fall under the radar of many analysts. Logging is not considered a clandestine industry and is less associated with criminal activity than more exotic fare like diamonds, drugs, and guns. Second, France and China, two members of the United Nations Security Council, depended on Liberian timber imports after supply from other West African countries had diminished. French and Chinese diplomats had to weigh the consequences of sanctions on what they regarded as a legitimate operator in their domestic economies. However, after being placed under public scrutiny by human rights organisations, France and China reluctantly agreed to sanction Liberian timber exports in July 2003. This timing nearly coincided, not surprisingly, with Taylor’s exile to Nigeria after his regime came under increasing attack by the Liberian’s United for Reconciliation and Democracy (LURD) rebel group. Taylor could not successfully fight the rebels as timber profits fell and concern among foreign timber firms that UN sanctions were imminent threatened his primary source of revenue.
Prior to this move for timber sanctions, foreign timber firms’ private militias, with standing armies of as many as 2,500 troops (Global Witness, 2001:21) had harassed, extorted, raped, and forced labour on ordinary Liberians. OTC built and maintained a military training facility behind its primary offices, where an elite force known as the ‘Bush Marines’ trained. Reports surfaced of gross human rights abuses against Liberians by foreign OTC employees, including public floggings and rapes of women and young girls. Other transgressions, such as separating Liberian workers from their families, destruction of private property, and widespread intimidation produced a climate of fear and paranoia in villages near logging sites (Global Witness, 2003:9-10). Indeed, timber firms provided the strength to protect Taylor from dissidents, to limit citizens’ access to scarce resources, and to protect timber and mineral reserves from unruly bands of Liberian strongmen, rebel groups, and angry citizens. They replaced absent military elements which the Taylor regime had jettisoned, further undermining what remained of corrodind state institutions and enabling Taylor to field a more predatory armed force without concern for threats from angry Liberians.

Finally, foreign timber firms allowed Charles Taylor to use the Liberian state as a personal cash register rather than to govern in the interest of the collective. In turn, state institutions, and the collective goods and services which they should have provided, eroded or ceased to exist, leaving instead a cast of private actors violently competing for access to Liberia's resources. Citizens were deprived of basic political and economic rights.

The Political Economy of Liberian Timber

Presiding over a compliant parliament, President Taylor forced the Strategic Commodities Act through the Liberian Congress in late 1999. It granted him 'the sole power to execute, negotiate, and conclude all commercial contracts or agreements with any foreign or domestic investor for the exploitation of the strategic commodities of the Republic of Liberia' (Global Witness, 2001:7). This policy illustrated the weakness and lack of autonomy of Liberian state institutions. No viable option existed for parliamentary members but to pass Taylor's initiative, or else fear for their personal safety. It was well known that even small-scale political opposition to Taylor would be met with harsh measures. The Strategic Commodities Act further limited the ability of non-state actors and civil society groups to incorporate themselves into the formal export economy – the only viable sector of the domestic economy – without the consent of and subservience to the Taylor regime. This initiative came mostly as a formality, since most ordinary Liberians had never held any meaningful economic clout. Taylor had controlled the extraction, distribution, and export of much of the country's resources for the past decade.

In an effort to mask the importance of timber to his regime and to thus thwart UN sanctions on timber, Taylor's regime became elusive and equivocal in its financial reports. NGO reports estimate that Liberia’s timber industry was worth at least US$187 million in 2000, whereas Liberian government reported revenues of US$6.6 or US$6.7 million (Global Witness, 2001). Despite Liberia's formal GDP being significantly less than South Africa's or Nigeria's, Liberian investments in Swiss bank accounts were more than those from its wealthier African counterparts (Global Witness, 2003:17).

Although the international community was reluctant to accept Taylor as Liberia’s sovereign president some of its members did still clamour to import illicit Liberian
timber. Even as businessmen described the Liberian timber trade as ‘organised gangsterism’ (The Independent, 22 November, 1992) diminished timber supply from Ghana and Ivory Coast increased the value of Liberian logs. This was especially the case for European and Asian markets which had historically imported large amounts of West African timber. Importers from China and France provided strategically important sources of income for Taylor. China imported roughly 46% of Liberia’s exported timber in 2000, and France imported 18% (Africa Research Bulletin, 2001). Despite criticism from human rights organisations both countries opposed sanctions on Liberian timber until early 2003. France and China suggested that sanctions would worsen the human cost on the lives of Liberians because of increased unemployment.

These concerns were unfounded. Foreign timber firms typically employed few Liberians. Those which did employ Liberians often ‘hire’ them by not allowing them to cultivate their privately owned land near the logging sites, forcing them into unskilled positions under unsatisfactory working conditions. The majority of the timber firms’ employees, however, are not Liberian. Aggregately, timber firms have employed only about 3,700 Liberians, or 68% of their overall employee-base (Global Witness, 2001:3-4). Skilled positions tended to be awarded to outsiders. The Malaysia-based Oriental Timber Corporation, for example, hired 600 Malaysians who were brought to Liberia to fill the skilled positions. OTC executives boasted, too, about bringing Asian prostitutes to Liberia for OTC use. OTC reportedly ‘changed’ prostitutes every two months (Global News Wire, 2000).

The Withering Away of the State?

Table 1 illustrates the dramatic decline of economic support for state institutions and services by the Taylor regime. Instead of contracting foreign firms to perform the services no longer funded by the state, Taylor used timber contracts largely for personal enrichment and allowed the state apparatus to collapse. Toward the end of Doe’s reign, in 1988, Liberia spent $475.5 million on services (electricity and water, construction, trade and hotels, transportation and communication, financial institutions, government services, and others). In 1997, the year Taylor formally became president, spending on services dipped to $44.6 million, or about 9% of the amount spent toward the end of Doe’s tenure. By 1999, spending on services had increased to $82.6 million, but that was still just 17% of spending in 1988. In 1999 spending on transportation and communication services, an area in which Liberia was already severely underdeveloped, was scaled back to just 16% of what it had been in 1988. Spending on electricity and water was less than 20% of what it had

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<th>Table 1: State Expenditure on Public Services*</th>
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Source: IMF (2003), ‘Liberia: Selected Issues and Statistical Appendix’. *First figure is in millions of US dollars. Figure in parentheses is the percentage of the 1988 expenditure.
been in 1988, and spending on government services was less 25% of the 1988 amount.

One exasperated bureaucrat noted a link between the decay of the Liberian state and Charles Taylor’s private timber boom: ‘We don’t see any benefits these logs are bringing. With all the logs that are being exported every day, civil servants have not been paid for seven months’ (Uncontrolled Logging, 2001). In contrast to Western expectations, the increasing flow of foreign capital into Liberia has not improved the standard of living. While Charles Taylor’s personal wealth has been estimated at US$4.8 billion (Taylor’s Acquired Wealth, 2001) and timber profits grossed at least US$187 million per year (Global Witness Director, 2001), public utilities such running water and a dependable telephone system remain absent throughout most of Liberia (Farah, 2001). One diplomat noted, ‘Ports in Buchanan are near closure, railway lines are overrun with grass, giant cranes are frozen in time, and factories are rotting away’ (International Crisis Group, 2002:6; see also, Beaumont, 2001:7). The human toll was remarkable: at least 40,000 Liberians (out of approximately 3 million) were estimated to have starved to death between 1990 and 1992 (The Independent, 22 November, 1992). The average Liberian makes US$188 per year (US State Dept., 2003) and unemployment rates have remained high, ranging from 75-80 per cent 1992-2002, perhaps as many as 80 per cent on less than US$1 a day and Liberian literacy rates remain among the lowest in the world, at around 38 per cent. In 2001, there were only twenty-four physicians in Liberia (The Perspective, 2001).

Liberia continues to have a high dependence upon its export economy of primary commodities. Political and economic control over society is exercised though control of the informal, and often clandestine, economic markets for export of Liberia’s primary commodities. He who controls trade controls politics.

**Taylor’s Private Network: Informal, Clandestine & Criminal?**

Reno’s theory of the shadow state (1995; 1998) argues that corrupt post-Cold War rulers have transformed their political networks from large domestic patronage machines often run through state institutions to smaller ones composed of shadowy foreign firms, mercenaries, child soldiers, and a few loyal local strongmen. This allows rulers to remain in power and personally profit without the constraints posed by strong legal-rational bureaucratic institutions and strong civil societies.

This is what occurred in Liberia. The timber-industry businessmen and associates with whom Taylor surrounded himself were not those enterprising, legitimate investors whom the West envisaged as integral to economic recovery. On the contrary. The interplay among unsavoury foreign firms, unscrupulous investors, enterprising local strongmen, and Taylor-cronies resembled a mafia whose economic predation and violent tactics allowed Taylor to remain president of Liberia with hardly any centralised state military or police – without the Weberian requisite of a legitimate monopoly of violence within a given territory. These ‘new’ Liberian investors included, among others, gunrunners, commanders of corporate paramilitaries, and drug traffickers. The reason for the criminal element in Taylor’s foreign economic network was simple: given the violence and disorder associated with his manner of rule, it would have been difficult for large, reputable corporations to engage in large-scale enterprise with Taylor. Shareholders, security commissions, and insurance underwriters would all have been uncomfortable attaching their fortunes and reputations to a former warlord. Taylor therefore tended to trade with small, criminal firms, many of which had ulterior motives, namely supplying
weapons to various factions of the Liberian and Sierra Leonean wars. Chairmen of such firms were not risk averse when they believed they would benefit from the opportunities that Taylor and his vast reserves of primary commodities offered.

Indeed, Charles Taylor dealt with a qualitatively different type of foreign investor from those sought by Western policymakers. The Oriental Timber Corporation, and its main executive, Gus van Kouwenhoven, is a useful illustration of the new type of investor in ‘weak states’. OTC, a Malaysian business entity referred to locally as ‘Old Taylor’s Children’, operated on the largest scale of any timber firm in Liberia. Van Kouwenhoven, owned the Monrovia’s Hotel Africa. He was a longtime crony of Taylor’s and of Doe’s before him and was allegedly involved in a host of illicit gambling and gunrunning activities. Van Kouwenhoven’s OTC was the most predatory transnational timber corporation in Liberia. It officially logged about 40 per cent of all acreage recorded by foreign timber firms in 1999 and housed a private militia of over 2,500 troops (Global Witness, 2001:21). One observer noted:

*Look, it’s an open secret: Gus fronted Taylor up $5m for his logging concessions. They split the profits. Gus’s ships take out the logs and they bring in the guns. It was the same deal with the diamonds* (Beaumont, 2001:7)

Evidence has also implicated OTC as one of the primary actors in the arming of the RUF insurgents in Sierra Leone. Logging highways into Sierra Leone paid for with OTC funds, for instance, were widely used for weapons transfer, as was a private OTC airstrip used covertly to move weapons (Teahjay; http://www.copla.org/teahjaypart1.htm)

Van Kouwenhoven has a checkered past. Known popularly as ‘The Godfather of Liberia’, he armed Charles Taylor’s rebels during the Liberian civil war with funds obtained from timber concessions granted by the Doe regime. It is also widely known that he helped to rig the 1997 election in Taylor’s favour.

Former Exotic Tropical Timber Enterprise (ETTE) owner Leonid Minin, reputedly the former head of the Ukrainian mafia, provides another classic case of the ‘new investor’ who operates in weak states in conjunction with corrupt rulers. Minin, an Israeli arms dealer based in Ukraine, owned ETTE from 1993 to 1999. Minin’s primary endeavours, however, were criminal and clandestine, obfuscated, in part, by the subterfuge provided by his position in ‘legitimate’ timber commerce. His international criminal record spanned many countries, and his history of involvement in criminal activities ranged from trafficking in stolen works of art to arms trafficking and money laundering. A United Nations Expert Panel reported that Minin ‘uses several aliases ... he has been refused entry into many countries, including (his native) Ukraine, and travels with many different passports.’ Other British reports estimated Minin to operate under no less than thirty aliases, to be proficient in six languages, and to be earning between $250-$300 million per year. Minin’s main function for the Taylor regime was moving weapons from the Ukraine to West Africa and into Sierra Leone in his private jet, which he eventually sold to Taylor for use as the Liberian presidential jet (Pratt, 2001).3

In addition to Minin and Van Kouwenhoven, several other foreign businessmen collaborated with Taylor to form the foundation of his corruption network. Talal El-Ndine, a Lebanese businessman, was at the fore. El-Ndine acted as ‘paymaster’ for Taylor in Sierra Leone, paying and supplying insurgents, and also paying those extracting diamonds from that country. Equally important, El-Ndine acted as a
conduit between the Taylor regime and foreign firms. El-Ndine attracted foreign interest and investment through his numerous contacts. Another associate, Emmanuel Shaw, who was wanted on criminal drug trafficking charges in South Africa, also worked closely with Taylor and van Kouwenhoven (Pratt, 2001). Shaw managed the air transport of commodities and weapons. In fact, Shaw owns the airport hangars which Taylor’s associates used to transport illicit goods by air. US court documents also note Shaw’s hand in privatising the Liberian oil industry for personal gain shortly before being relieved of his position as Finance Minister (Hanley, 1997).

The politics of Liberian timber remained highly personalised. In this sense, Taylor fused patrimonialism with the new foreign networks he had built. Taylor appointed his brother, Robert, for example, as the head of the Forest Development Authority (FDA). Robert Taylor had final authority over decisions made regarding timber concessions – decisions made with close consultation, presumably of President Taylor. Corruption from Robert Taylor’s FDA abounded. For example, the FDA did not hold OTC responsible for any of the taxes that it agreed to pay when it signed a contract with the Liberian government. Nor did the FDA hold OTC accountable for failing to keep its promise to hire at least 4,000 Liberians by 2000, or to log a limited number of acres (Global Witness, 2001:24). Moreover, President Taylor colluded to appoint his son, Charles ‘Chuckie’ Taylor, Jr., chairman of another foreign-owned firm, United Logging Company. Chuckie Taylor enjoyed unlimited operating capacity and an abundance of foreign capital in his business activities (Global Witness, 2001:13-18).

Timber Cronyism, Private Militias & the Undermining of State Institutions

A general requisite for Taylor to grant operating concessions to foreign firms was their willingness and ability to provide him with a private militia. These militias enabled Taylor to maintain remarkable ‘stability’ by avoiding being ousted within a failed state. First, private militias allowed Taylor to ignore the erosion in the bureaucratic control and discipline of soldiers in the Liberian national armed forces. Until the LURD insurgency became a real threat such forces barely existed. Taylor used a combination of foreign militias provided by his business associates and young Liberian boys to fight dissidents.

Table 2 shows that Liberian military spending fell from 31.2% of the Liberian GDP in 1994 to 1.8% in 1997 – the year in which Taylor formally took power as president. This illustrates his ambition to cut state spending to the national armed forces in preference to have privatised forces work exclusively for him. Milton Teahjay, who fled the Taylor regime after serving as Deputy Minister of Information corroborated these allegations. ‘Logging companies’, he notes ‘now constitute the most powerful and politically insulated layer of our national bureaucracy. Logging companies’ private armed militias have now replaced our national police apparatus in rural Liberia’ (http://www.copla.org/teahjay part1.htm).

Oscar and Maurice Cooper (Inland Logging Company), Cocco Dennis (Salami Molawi Incorporated Logging Company), Mohammed Solarne (Mohammed Group of Compa-

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<th>Year</th>
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Source: Data taken from SIPRI military expenditure database. Figures are in millions of SUS

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nies), and Hussein, Nasser, and Abbas Fawas (Maryland Wood Processing Industries) all head foreign timber companies whose standing militias were used by Taylor (Global Witness, 2001:8). These militias were recruited from the timber companies’ home countries. Ex-RUF soldiers from the ranks of what is known to be among the more predatory armed groups in recent history, and Liberian youths, many of whom were under the influence of mind numbing drugs (Berkeley, 2001:23; No to Child Soldiers, 2003). Taylor ensured prime effort and performance from his militias by not paying soldiers formal wages. He instead allowed them to keep loot which they pillaged from villages. This use of disorder and insecurity as a means of control resulted in an especially predatory and coercive regime.

Taylor not only contributed to the destruction of state structures in Liberia, but, until his ousting, he threatened to exacerbate instability he had already fostered in Sierra Leone. During Taylor’s insurrection in 1989, he sought the support of then Sierra Leonean President Joseph Momoh to oust Doe. But Momoh instead offered his support to the ECOMOG contingent of West African peacekeepers who occupied Monrovia and kept Taylor from assuming the Liberian presidency in 1990. Moreover, during the early stages of the Liberian war, Momoh allowed anti-Taylor forces to use Sierra Leone as a strategic base. After Doe was ousted, Taylor set out for revenge against Momoh and to extend his regional influence into diamond-laden Sierra Leone. Foday Sankoh, a former associate of Taylor’s, led Taylor-supported RUF troops against the Momoh regime. The Sierra Leonean army, impatient with Momoh’s corruption, staged a coup and removed him in 1992. The military installed Captain Valentine Strasser as president who promised to squash the RUF rebels (Reno, 2001:219-225).

Even after the Sierra Leonean military ousted Momoh in 1992, however, Taylor continued to support RUF forces. He knew that a sympathetic regime in Sierra Leone would ensure continued access to the country’s considerable diamonds. Taylor provided the rebels with weapons obtained from Eastern European contacts in exchange for diamonds. Highways constructed for logging companies provided the infrastructure necessary to transport guns from Monrovia to Sierra Leone. Taylor also allowed RUF rebels to be trained in Liberia and he harboured RUF members who had fled capture in Sierra Leone. Instability and uncertainty remain a tension in Sierra Leone despite a tenuous peace agreement with the RUF in 2001. But with Taylor exiled in Nigeria and with UN sanctions against conflict timber and diamonds Sierra Leone stands its best chance in more than a decade for a lasting peace.

Conclusion
This article has shown how Charles Taylor exploited timber concessions to foreign firms as a proxy for effective state institutions in Liberia. Instead of rebuilding the collapsed institutions he inherited, Taylor exploited trade in timber and other primary commodities. This strategy offered him enormous personal profit and sufficient security to remain in power. Taylor had an incentive to allow Liberia’s formal economic and political structures to decay, thereby limiting political and economic opportunities for ordinary Liberians. Timber exploitation alone did not cause state failure. Rather, state failure occurred owing to a long history of patrimonialism, patronage, and misrule that began before the civil war crippled Liberian institutions. These institutions failed to function during and after the civil war, not least because of timber exploitation. This alone is neither surprising nor
unusual for a country under such circumstances. What is new is the way in which weak state rulers of countries such as the Democratic Republic of Congo, Angola, and Sierra Leone have managed state decay in the aftermath of the Cold War. Rather than viewing strong state institutions as desirable political tools of domination, authority, and security that would enhance their power, rulers have instead found state institutions threatening to their personal agendas and have sought authority through privatised, informal foreign networks composed of violent entrepreneurs. To avoid needing to build these threatening formal institutions, rulers in Liberia and other failed states used timber and other natural resources to link themselves to foreign firms, thereby enabling themselves to undermine their countries’ formal economies and state institutions in order to eliminate potential threats to their illegitimate rule.

The presence of natural resources has been shown in statistical studies to increase the duration of civil wars but not to cause them (Ross, 2004:5). This is because natural resources, coupled with an increasingly global trade and an emphasis on deregulation of commerce, provide a currency to acquire weapons and to enrich faction leaders. That is, natural resources such as timber often fuel civil war, as happened in Liberia, even if they are not the primary cause of most wars. But, as we have seen in the case of Liberia, this is contingent upon the presence of a particular kind of local political economy and structural changes in the world economy.

The importance of timber and other resources lies in their ability to offer incumbent rulers an alternative to building state structures. Exploitation of natural resources lures foreign firms that provide rulers with sufficient security to avoid being ousted while offering immense personal profits to these rulers. This has changed the dynamic of failed states’ roles in internal wars. Undermining state institutions poses a risk, because rulers are vulnerable to civil insurgency due to the collapsed security apparatus. No longer are states Leviathans that can suppress civil dissent or easily defeat insurgents. Since states are weak and cannot squash threats, wars tend to become entrenched and difficult to resolve. But such arrangements can make rulers significant profits. It is a classic high risk, high gain investment scenario.

What, then, are the sources of conflict? In many weak states, ostensible neo-liberal reforms that appease Western prescriptions of downsized civil services, trade liberalisation, and privatisation of state industries in fact promote the decay of state institutions, weakening the state’s ability to fend off dissident activity, thus increasing the likelihood of continuous conflict. Rather than these reforms producing the small, yet strong and capable legal-rational bureaucracies and efficient free markets envisioned by neo-liberals, bureaucracies and the administration of services that reforms are intended to provide are jettisoned as commercial opportunities become limited to those with the capability, or the weaponry, to secure their place within the economy. I demonstrated this trend in post-Cold War Liberia, where Charles Taylor slashed Samuel Doe’s large public patronage network and replaced former state clients with foreign business-

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<tbody>
<tr>
<td>Forestry</td>
<td>60.4</td>
<td>37.6</td>
<td>63.9</td>
<td>76.1</td>
<td>129.8</td>
<td>130.7</td>
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<tr>
<td>Timber (logs)</td>
<td>36.8</td>
<td>4.9</td>
<td>15.5</td>
<td>23.8</td>
<td>66.3</td>
<td>66.7</td>
</tr>
<tr>
<td>Wood</td>
<td>23.7</td>
<td>32.7</td>
<td>48.4</td>
<td>52.3</td>
<td>63.6</td>
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Source: IMF estimates. See International Monetary Fund Statistical Appendix on Liberia.

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men who profited from Liberia's rich timber resources in exchange for protecting by Taylor. The incorporation of private, non-state actors allowed Taylor to let public infrastructure decay, to manage potential political threats with the strength of firms' private militias, and to augment his pernicious influence in West African and, particularly, in Sierra Leonean affairs. This rendered commercial opportunities to only weak state rulers and gun-toting rebels, not ordinary citizens for whom such liberal reforms were supposed to engender greater political freedom and economic prosperity.

Western nations, donors, and organisations have miscalculated the consequences of privatisation on African nations with weak state institutions. Rather than seeking private foreign investment to serve collective interests, tyrants choose to solicit investment for personal enrichment in a perverted form of oligarchic capitalism. What, then, should be done? As Reno points out, if corrupt weak state rulers are removed, then elites from the bloodthirsty insurgent groups which oppose them are likely to assume power (2000:458). Or, as occurred in the cases of Sierra Leone and Liberia, the main insurgent groups assume shared power. Such contentious coalitions are dangerous and volatile in weakly institutionalised governments. LURD and the RUF, the strongest rebel factions in the second Liberian civil war and the Sierra Leonean civil war, respectively, lack a clear programme and display little respect for human rights. Incorporating such groups into government coalitions appears neither a viable nor a preferable option, yet useful to quell insurgency. On the other hand, allowing tyrants to remain in power and continuing to encourage private investment and international trade promotes the lamentable status quo.

As long as Western policymakers turn their heads from weak state rulers who operate under the auspices of free trade, state failure and continuous civil conflict will persist. The United Nations sanctions on Liberian timber should relieve much of the corruption and suffering that had become embedded in Taylor's regime. The sanctions stripped Taylor of much of his ability to rule without popular legitimacy, leading to his August 2003 ousting. But these sanctions, if left in place, could completely cripple the Liberian economy. They are only a temporary solution. Beyond economic recommendations, donor organisations and governments could demand political accountability beyond the mere holding of elections. Increased demands for political liberalisation and respect for civil rights, for the integration of multi-ethnic party coalitions, and for more foreign election observers might ensure greater political freedom and accountability of Liberian political elites. And foreign trade, of course, should be closely monitored to streamline the clandestine economy.

There might also be a more concerted external support for those who oppose failed state policies and propose acceptable alternatives found in principles of good governance, such as reciprocity, the observance of individual rights, and a universal rule of law. This 'enemy of my enemy is my friend' solution may not be applicable in all cases – and may undermine conventional sovereignty norms – but nonetheless deserves careful case-by-case consideration. Most importantly, it should be remembered that economic liberalisation is not a canon that leads to good governance; individual countries and their unique circumstances should be evaluated carefully before prescribing political and economic reform.

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Endnotes

1. The Cold War Superpowers co-opted many African states as strategic clients. Among the most significant were Congo, Angola, Ethiopia, and Sudan, all of which suffered great turmoil. For a detailed analysis of the Cold War’s effects on Africa, see Mark Huband, Rene Lemarchand and Michael G. Schatzberg.

2. Sam Dokie, Manna Zaykay, Nowai Flomo, Vice President Dogolea and Minister of Information Milton Teahjay all disappeared or were found dead shortly after criticising Taylor. For more, see letter from opposition party leaders Siapoe and Konah to party members illustrating human rights abuses perpetrated by the Taylor regime. Available online at http://www.copla.org/upplpstatement.htm. Another suspicious death was that of an American known as ‘Bob Hoff’, who set up a timber firm in Liberia named Interior Timber Incorporated. Hoff’s timber concession included provisions for training camps for NPFL and RUF fighters. Hoff’s relations with Taylor soured when Hoff excluded Taylor from a large transaction in Sinoe County. The NPFL ambushed and killed Hoff and everyone travelling with him. For more, see Global Witness, ‘Murder and Intrigue in the Logging Industry’, The Usual Suspects, pp. 21.

3. Evidence in Pratt, many news sources, and in the United Nations Panel of Experts Report appears to be legitimate. As the Washington Post reported, a source with direct knowledge of Taylor’s dealings said: ‘Taylor and his circle were deeply shaken by the report because someone high in his government obviously gave [the investigators] very good information. It is full of truth’ (31 January 2001).

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