The Effects of Political Instability on International Business and Investments in Freetown Since 1991 To 2007

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Abstract: This research explains how political instability affected International business investments in Freetown the capital city of Sierra Leone since 1991-2007. There were a lot of International businesses and Investments in Freetown, but due to the instability faced by the country most of those Investments were affected and closed and it led to the collapse of the country’s economy and it affected other developments like education, Infrastructure, agriculture and medical. The purpose of this paper is to explain how Political Instability affected business continuing strategies and plans, a lot of businesses where unable to continue, both international and local businesses due to the instability in the country especially the ten (10) years civil war, the country was unsafe for business and investments. It also affected inconsistencies in supply chain, sales and distribution. And it affected the safety of human and materials resources in organizations and affected the expansion vision of International Business in the country and those that intended to invest. In this research a qualitative descriptive approach, phenomenology was recommended which focuses on how political instability effected international business investment in Freetown, by the use of documentations and observations. The findings can also been drawn from the background of the Instability in the country, focusing on the capital city Freetown and its effects on International businesses and investments in Freetown. This article will provide significant conclusions and recommendations to governments, feature researchers, Industries, companies, International business and global markets.

Keywords: political instability, international businesses

Sierra Leonean political history has been identified as one of the precursors of the Sierra Leone civil war (Adim, 2012). Since Independence, the politics of Sierra Leone has been marked by corruption, political assassination, mismanagement and electoral malpractices. The culmination of these factors led to the civil war. This affected the capital city Freetown, which has all the key government and business offices. In discussing about the Instability in Freetown, we start by focusing on how the political system in Sierra Leone started. On the 27th April 1961, Sir Milton Margai led Sierra Leone to Independence from Great Britain and became the country’s first Prime Minister. In May 1962 Sierra Leone held its first general elections as an Independent nation. The Sierra Leone People’s Party (SLPP) won the plurality of seats in parliament and Sir Milton was reelected as Prime Minister (Pham & Peter 2005; McKenna & Amy, 2011). The years just after independence were prosperous with money from mineral resources being used for development and the founding of Njala University (McKenna & Amy 2011). Upon Sir Milton’s death in 1964, his brother Albert Margai, was appointed as Prime Minister by parliament. Unlike his late brother Sir Milton, Sir Albert proved unpopular and resorted to increasingly authoritarian actions in response to protests including enacted several laws against the opposition All Peoples Congress (APC) and attempting to establish a one-party state.

In 1967, Sierra Leone has it first democratic elections and Steven was sworn in as Prime Minister on March 21, 1967 of All Peoples Congress (APC). Within hours after taking office,
Stevens was under military coup led by Brigadier General David Lansana a commander of the army and a close ally of Sir Albert Margai who had appointed him to the position in 1964. He placed Stavens under house arrest in the capital Freetown. On March 23, 1967 Brigadier Anrew Juxon-Smith overrode this action by seizing control of the government, arresting Brigadier Lansana and suspending the constitution. Brigadier Anrew Juxon-Simth was also arrested and overthrew in April 1968 by Brigadier General John Amadu Bangura with his Anti-corruption Revolutionary Movement. The democratic constitution was restored, and power was handed back to Stevens, who at last assumed the office of Prime Minister (Gberie, Lansana 2005). These two Military coup (1967-1968), really destabilized the growth and development of business in the country within that period. Because the country was unsafe, full of military and the constitution was suspended which means there is no proper control in the state.

Stevens assumed power in 1968 with a great deal of hope and ambition. Much trust was placed open him as a championed multi-party politics. Some of these policies made by the pervious party Sierra Leones Party (SLPP) were said to have left the country in an economically deprived state.

The political system which was based on transparency and democracy and the rule of law no longer trusted by the people under Stevens rule, because it was no longer seen as meaningful political system. Steven transformed the already weak democracy into a one party political system, which give him power to further corrupt the entire public institution. This frustrated other political opponents and fled the country, this leading to some extent the beginning of the long civil war that destabilized the entire country.

Steven was highly corrupt and mismanaged the economy of the country, even made the already weaken state system completely collapse. Sierra Leone blessed with natural endowments including diamonds; one of the most resourced rich countries in Africa remain one of the poorest in the world. The country’s main source of income has been mineral deposit particularly diamond (Davies, 2000) this attracted a lot of international investments in the country most in the mining and agriculture sector. Steven and his Sierra Leone-born Lebanese partner, Jamil Said Mohammed, gained control of ‘the state diamond marketing monopoly in 1976 in a bogus privatization exercise’, enabling them to earn up to 300 million dollars (at 2001 prices) in diamond revenues. Not being satisfied, Stevens extended his privatization projects to ‘state agencies for agricultural marketing, road transport, and oil refining’ (Reno 2003b, p. 56). Instead of leading to an efficient and competitive market, though, the privatization process under the leadership of Stevens merely contributed to increasing his own fortune as well as his key political allies’ wealth, ‘by using government control over import/export licenses and over the allocation of foreign exchange to favor his own clients’ (Keen 2003, p. 75).

In 1985 Steven gave power to Major General Saidu Momoh, under an undemocratic transition of power. J.S Momoh also did not able to manage the economy, he was given a broken economy. The situation went worse with government being almost bankrupt, it become impossible to pay most civil servants (Reno 2003a). But Momoh attempted to restore democracy, but unfortunately his efforts were aborted by the outbreak of the civil war in 1991 and a subsequent Military coup in 1992 by Valentine Strasser. This is one reason that led to the civil war, mismanagement of state economy.

The civil war started on 23rd March 1991, by the Revolutionary United Front (RUF). The civil war lasted for ten years and during that ten years the country faced two more Coup d’états on the 16th January, 1996 Julius Maada Bio overthrows Valentine Strasser and on 5th May, 1997 Johnny Paul Koroma overthrows Ahmed Tejen Kabbah.

The causes of civil war by Collier (2000, pp. 91 & 96) claims the “conflicts are for more likely to be caused by economic opportunities than by grievance”. Mismanagement, bad governance, Nepotism, Tribalism and high level corruption are the political causes.
Economically, “Greed” low per capital income, bad trade policies, mismanagement of natural resources especially diamonds and poor distribution of resources. Civil war affected all aspect of development, education, infrastructure, agriculture, medical and the economy.

This paper explains the economic effects of the instability in Freetown, on International businesses and Investments. How political instability effected business continuing strategies and plans, Inconsistencies in supply chain, sales and distribution, Safety of human and materials resources in organizations and affected the expansion vision of International Businesses.

It also explains the methodology used in gathering information, a qualitative descriptive approach, phenomenology was recommended which focuses on how political instability effected international business investment in Freetown.

Furthermore, this paper will give significant conclusion, solutions and recommendations that will be of importance to government, industries, feature researchers, industries, companies, international businesses and global market.

THEORETICAL AND EMPIRICAL REVIEW

Harvard University, 2012, Political Instability and Economic growth define political instability as the propensity of a government collapse, and we estimate a model in which political instability and economic growth are jointly determined. According to the political theories of Max Weber, political stability depends on the government’s legitimate use of physical force. If the government cannot ensure the basic services it provides for peoples, such as security and the possibility of procuring food and shelter, it loses the power to enforce laws and political instability ensues. Political instability is associated with the concept of a failed state.


This paper explains how political instability affected international businesses and investments in Freetown since 1991-2002, in relation to relevant literature mentioned above. It explains its effects on business continuing strategies and plans, Inconsistencies in supply chain, sales and distribution, Safety of human and materials resource in organization and its effect on business expansion vision. Those theories gives linkages of political instability, on economic growth, income distribution and investment and how it become barrier to foreign direct investment.

METHODS

The methods of analysis are qualitative descriptive approach, and phenomenology focusing on how political instability affected international businesses and investments in Freetown, the capital city of Sierra Leone since 1991-2007 and down to the background of Sierra Leone’s political system since after independent from the British to the first political government in 1967, the management of the governance by ruling governments, opposition, coup d’état, civil war and the fall of the economy.

A phenomenological method was employed in analyzing the research, in phenomenology the researcher transcends or suspends past knowledge and experience to understand a
phenomenon at a deeper level (Pouty, 1956). It is an attempt to approach alives experience with a sense of “Newness” to elicit rich and descriptive data (Pouty, 1956).

Also the researcher is a complete participant, the researcher is completely integrated in the population studied, a member of the population.

**Location**

Research location, is focusing on Freetown the capital city of Sierra Leone. Freetown is the largest city in Sierra Leone, it is a major port city on the Atlantic Ocean and it is located in the Western Area of the country. Freetown is Sierra Leone’s major urban, economic, financial, cultural, educational and political center. The city is a total 357 km (138 sq. mil) elevation 26m (85ft), the city’s economy revolves largely around its harbor, which occupies a part the estuary of the Sierra Leone River in one of the world’s largest natural deep water harbors

**Population**

The population of Freetown is about 802,639, and it is ethnically, culturally, and religiously diverse. As in virtually all part of Sierra Leone, the “krio” language is Freetown’s primary language of communication. The city is locally governed by a directly elected city council municipality, known as the Freetown city council headed by a mayor.

**Data Sources**

Two main sources are been used in this research, Primary and Secondary sources. Primary source, obtain data from owners of companies and investments, employees consumers and suppliers in Freetown, they provide firsthand information and direct evidences, through oral histories, written records, diaries, eyewitness and physical evidences. Secondary source, we collect data from written reports on Sierra Leone destabilization, civil war, from libraries research journals been written on Sierra Leone political system, civil war and post war. Information about the instability faces by international business and investments, especially in Freetown.

**Data Collection**

Data collection procedures are been done in two (2) ways: (1) an interview was conducted to former and present owner of business, supplier, consumers, and employees government officials. (2) from documents, using the library to collect data from books, articles, journals, magazines, newspapers, reports and the use of the internet to get more data from journals, report, statements, pictures and videos that are related to the study focus. The researcher is a member of the population studied; uses experienced during the event studied and comprehensively write them down into written form.

**Data Analysis**

Data analysis, on this research is been done after the collection of data, we transcribed all of the data into written form in order to make it easier to interpreted it. From the transcribed, we only take data that needs to be interpreted. Further to the research findings, on how political instability in Sierra Leone effected International businesses and Investments on business continuing strategies and plans, Inconsistence in supply Chain, Sales and Distribution, Safety
of human and materials resources in organizations and the expansion vision of International Business. Descriptively since was started of the political history of Sierra Leone after Independent in 1961 to 2007. The people involved businesses and investments that were affected by the instability, solutions and a full grounded theory of the research.

FINDINGS

Freetown was seriously affected by the political instability in the country, especially the civil war and the coup d’états in 1996 and 1997. As Freetown is the capital that holds all the main government offices and head offices of businesses in the country, the instability affected all those institutions. During the outbreak of the civil war the main focus of the rebels was Freetown, as the controls the economy of the state, having the central bank, house of parliament, Queue port and all other headquarters.

Through the findings, political instability in Freetown affected International businesses and Investments on continuing strategies and plans, Inconsistence in supply Chain, Sales and Distribution, Safety of human and materials resources in organizations and the expansion vision.

Business was continuing strategies and plans if there is no one thing that business and entrepreneurs hate is instability in the macro environment. All forms of businesses are trying to avoid political instability, because businesses operate according to forecasts and scenarios about the future that comprise surprises as well as certainties. Business continuing strategies and plans were affected, no good business can continue it plans in an unstable business environment as most international businesses were stationed and there headquarters was Freetown.

In March 25th 1991, the civil war breaks out in Sierra Leone around the eastern part of the country by the Revolutionary United Front (RUF) fighters. The civil war was heating the provincial areas of the country, businesses were unable to expand to those regions, because it was unsafe for business operations. Branches of businesses in those regions were forced to close, some of their workers were killed, damaged and facilities were looted and burnt down by the rebels. Businesses and investment like, Toyota, seed multiplication, Western Union, Standard Chartered Bank, Union Trust Bank, Koninklijke Luchtvaart Maatschappij (KLM), Afrik Air Link, Mantrac, National Diamond Mining Company (NDCM), China Rail Way, Mercedes Benz, Magbass Sugar Complex Company Limited.

During the change of government by Coup d’état businesses were forced to singed new policies implemented by new regimes, new licenses, International staffs and business owners take new stay permits. This affected business strategies on the relationship between the firms, organizations, and customers in way of expanding. Those businesses had to change their plans and strategies in operations, this led to closure, rioting, and general disorder. Businesses could not meet their targeted profit margins.

On January 6th, 1999, finally the rebels entered Freetown and lunched a campaign of terror, vast destruction, looting, killing, raping, burning down of business facilities, which those businesses and investors had spent a lot of money in setting them up. Business owners and investor ran out the country to protect their lives, businesses were on able to continue and plans to expand became unimplemented. Secondly, inconsistencies in supply chain, sales and distribution were also affected. “A set of approaches to efficiently integrate supplies, manufacturers, distributors, warehouses and retail stores so that merchandise is produced and distributed in the right quantities, to the right locations, at the right time in order to minimize system wide cost while satisfying (customers) services level requirements” (Simchi Levi, et al., 2003). There was in inconsistency in supply chain, sales and distribution with international
businesses, businesses like production firms were unable and find it difficult to reach their suppliers in other regions within the country.

Most of those provincial areas were controlled by the rebels (RUF), for most companies to connect with their suppliers and customers was very difficult and risky, and the distribution process of goods and services to the right location, at the right time to meet customer satisfaction was a serious problem, this was an obstacle to supply chain. The chain network was inconsistency and financial flow from customer to suppliers to producers and organizations was unpredictable, most businesses could not meet there profit margins. Most services were coming from the city, as most of the business headquarters are located in the city. Some products from the provinces to the city, like sugar from Magbass Sugar Complex Company Limited in the Northern Province, it was difficult for their products to reach the city and other neighboring countries. Supplying to other neighboring countries (export) was a problem, the main airport was under the control of the rebels, no official flight could come or leave the country, international airlines closed like KLM, Belleview, Afrik Air which were the main flights at that time. Shipment was also impossible, because the country’s main port is in Freetown and been controlled by rebels. Notwithstanding, the country was sanctioned and embargoed by United Nations in 1997, no exporting or importing and no official flights coming in or going out of the country. This really affected International businesses and even the country as a whole.

Another effect is on the safety of human and material resources in organizations. As the city was holding most of the key offices and headquarters of businesses and investments the consecration was very high in the city. The two (2) coup d’états on 16th January, 1996 and 5th May, 1997, makes the governmental system unstable and finally the capturing of Freetown by the rebels created the worst business atmosphere .International business owners, Investors, expectorates and employees ran for their lives and closed their businesses, the rebels were targeting forgers, business owners and staffs that were handing huge salaries. With high level of looting, burning, destruction in the capital, many international businesses and investments suffered from those actions. Their equipment’s were and facilities were looted, records were burnt and even some cash, those businesses had spent a lot of money in setting up those facilities, buying equipment and saving records. This discourages a lot of international businesses and investments in the Freetown, and even those that were planning to invest in the country, as all businesses and organizations valued their human and materials resources; they are the key success of every business and organization.

Finally, political instability affected expansion vision for international businesses and investments in Freetown. Due to the destabilization of the city by the rebels, the looting, burning and killing of owners and employees, discourages business expansion. Also the fall of the country’s economy that led to the low level of handing and perching power by customers. Different regimes of unelected governments (coup d’état) came with different business policies, and in signing different policies with different governments forcefully well slowdown business strategies in expanding. Businesses and organizations knew those polices are not stable and some not favorable for business expansion. Transportation became another problem for business expansion for international businesses and investments, transporting materials and products within the country were a serious problem because it was not safe and the sanction and embargo was another problem. Those businesses could not maximized profit and they lose a lot of capital on human, material resources and products, business cannot expand in such stations.
DISCUSSIONS

The instability did not only have effect on international businesses and investments it also affected government revenue, the economy of the country falls due to the untimely change of government and mismanagement by leaders. The government was unable to create revenue for its self, in the mining areas all government companies were closed, agriculture was able to develop because nobody was available to look after the firms, and those areas were very dangerous. The government was unable to collect taxes and tariffs from private companies because they were not in operations. Sierra Leone was given sanction and embargo by the United Nations, so the country was at stand still and destabilized.

Production was also affected; the means of production in the country became a problem. There were no workers in the companies and firms, so raw materials were unavailable for production, no way to access them or transport them and capital was another problem to both the companies and the people. Big companies like Aureole Tobacco Company, Magbass Sugar Complex Company Limited, and Rutile Company.

Savings, investments growth and income distribution became ineffective due to the political instability in the country, people were unable to do savings because most companies and businesses are closed so no means of getting income.

Investment growth became affected, investment was unable to expand in and out of the country, businesses, firms and industries were destabilized and they were unable to grow. Most businesses close and raw materials was not also available. Foreign investment could not come into the country because instability, which they know if a country is politically unstable, is not a good ground to invest. The civil war destroyed all of that opportunity in investment growth.

Income distribution became another problem due to the instability in the country; income distribution became unequal among members of the state and to the extent ineffective. This policy became a problem, the distribution of the nation’s total gross domestic product (GDP) amongst its population equally became unsuccessful. Corruption started affecting income distribution in the country, there was inequality in the distribution of the nation’s income individuals, households, social classes and even factors of production. Steven’s regime affected this a lot and the civil war also affected the income distribution in the country, because there was no proper system of government.

Poverty; Sierra Leone became one of the poorest nations the world, which is one of the most resourced rich countries in Africa. The economic resources were abused and grossly mismanaged dating far back to the late 1970 and 1980s. The economy of the country started sinking at that time, only those in government enriched themselves with the country’s wealth. When the civil war came it helps in the destabilization of the country’s economy and the people suffered more through poverty, because there was no developmental activities going on due to the instability. A lot of businesses closed, there was no proper income distribution, the government revenue was affected and production and saving became a problem to country. People were unable to develop themselves economically and educationally.

Education was also affected, Sierra Leone has the first University in West Africa which is the first western style University built in West Africa known as Fourah Bay College, founded in 1827, and the oldest secondary schools in West Africa. They produced the first medical doctor in West Africa, Sierra Leone known as Anthems of West Africa. Education was at it pic, a lot of foreign students were coming from all over Africa to Sierra Leone. Due to the instability most of those students went back to their countries, and even Sierra Leonean lecturers, professors went to other countries and start a new life. They country’s educational system went into the drains, especially during the ten (10) years civil war, schools were burnt down, teachers and lecturers were lost their lives and some of those kids were forced to join the rebel movement.
(child solider). After the war in 2002, international organizations had to bring educational programs to help in building up the education system in the country, like the Girl Child Education and Sababu Education project.

Infrastructural development went to a standstill and the medical sector was really affected by the instability, medical facilities were destroyed and professional doctors flew to other countries to work. When the war ended in 2002, medical became a problem, citizens had to go to private hospitals and neighboring counties like Ghana for good treatment, which is very expensive to afford.

An official end to the civil war was declared in January, 2002. By that time, it was estimated that at least 50,000 people had died, with hundreds of thousands more affected by violence and some of 2,000,000 people displaced by the conflict. The first post-civil war elections were held in May 2002, with Kabbah winning a majority of vote. Kabbah’s administration focused on fostering reconciliation, maintain internal Security, and promoting economic recovery and reform. Economic recovery in the post-war years was somewhat aided by significant dept. relief and the reopening of bauxite and rutile mains. Still, in the year after the war Sierra Leone was consistently rated as one of the world’s poorest countries (Davidson, Christopher and Shekeu, 2016).

Sierra Leone held presidential and parliamentary elections in 2007, Ernest Bai Koroma of the opposition party All People’s Congress was elected president, and his party was successful in winning a majority of parliamentary seats. Koroma’s administration facilitated the ongoing issue of rebuilding the economy, eliminating corruption, and improving the quality of life in the country. He was reelected in 2012 with almost three-fifths of the votes (Davidson, et.al., 2016).

Solutions are been drawn from the effects of the instability to avoid political instability in the country; one is transparency and accountability in governance, we see how corruption and mismanagement led to the downfall of Sierra Leone economy and to some extent this led to the beginning of the long term civil war and high rate of poverty. But if there is proper accountability and transparency it will reduce the tendency of instability in the country.

Decentralization is another solution, the transfer of authority from central to local government. Like in the regime of Stevens, only his tribe men and families where given political appointments, Steven overruled the constitution of the country and ruled the country in an authoritarian way. He controls all aspects of government and the power of the local government became useless. All those grievances led to the start of the civil war, if there is decentralization thee will be a smooth running of government, the local authorities well be involved in the running of the government and they will not been seeing themselves discriminated out of the system. Also dictatorship in government should be stopped, and I think democracy can help solve that problem. It is very easy for a dictatorship type of government to lead the country into civil war. Example Steven changing the country into a one party state, the oppositions and the people started thinking of going to war. Because their political rights has been taken from them another example is Libya.

Educational programs and develop the system of education throughout the country, this is another solution. This helps in the development of the society, because the more educated people in the country the more the more that country’s human resource become more strong and economical and this attracts business investment into the country. And the government should create suitable business policies in the country.in terms of tax and tariffs, import and export, price, contracts and a good diplomatic relationship with surrounding countries.

This article could be of important to governments, they can learn from the results and solutions given in maintaining stabilized nation, it is also important to companies and businesses, they can benefit from it through having a broadened knowledge on political
instability towards business and investments and feature researchers can also benefit from it they will get wild knowledge about political instability in Sierra Leone and may be as reference in lecture

CONCLUSION

Political instability in Sierra Leone had a great effects on international businesses and investments in Freetown since 1991-2007, the instability caused by the outbreak of the civil war in 1991, the two (2) coup d’état during that period and especially when the rebel forces entered Freetown on January 6th, 1999. Through the findings instability had a great effect on business continuing strategies and plans, inconsistencies in supply chain, sales. Distribution is safety of human and material resources and expansion vision of international businesses. Those effects led to the closure of international businesses and stopped investments, no business leader, investor and entrepreneur would like to operate in an unstably macro environment. Companies, organist ions and investments went throng a lot lose, their facilities, equipment and resources were destroyed, which they had spent a lot of money in setti

The civil war ended in 2002, the same year Sierra Leone held it first post-war election with Kabbah as winner. The economy was broken, Kabbah’s administration tried in promoting economic recovery and reform programs with dept. relief and reopening of bauxite and rutile mains. The economy of the country was still not moving, until in 2007, when Sierra Leone held it presidential and parliamentary elections, Ernest Bai Koroma of the All People’s Congress emerged as the winner.(Davison et.al., 2016) Koroma’s administration facilitated the ongoing issue of rebuilding the economy, eliminating corruption and improving the quality of life in the country. They were able to more international investment into the country, especially in the mining sector like London Mining and Africa Minerals that helps in busting the economy and the lives of the citizens.

Solutions are been given in controlling political instability, transparency and accountability in governance, decentralization, democracy, educational programs and developing the system of education in the country. This paper will be significant to government, feature researchers, industries, companies, international businesses and global market.

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