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Colonial taxation in Africa. A fiscal history of the Congo through the lens of customs (1886-1914)¹

Bas De Roo

Department of History, Ghent University

Every colonial state in Africa faced the fiscal challenge of ruling vast, inaccessible and thinly populated territories that produced relatively little taxable wealth, without metropolitan grants-in-aid and with limited access to international bond markets. How colonial states dealt with this challenge determined how much resources could be invested in the administration of African colonies and how the colonizer interacted with the colonized. As such, taxation fundamentally shaped colonial rule. Thus far, most scholars have either studied the practice of “native” taxation or the general spending and revenue-raising patterns of colonial administrations. This thesis shines a new light on the fiscal history of colonial Africa – as well as the colonial history of the Congo – by focusing on customs, the second fiscal pillar on which African colonial states were founded.

Key words : colonial history, fiscal history, Congo Free State, Belgian Congo

Summary

This thesis was written during my six-year appointment (2010-2016) as assistant at the History Department of Ghent University. My supervisor was Professor Baz Lecocq, Professor African History at Ghent University until 2014 and currently Professor African History at the Department of African Studies at Humboldt University in Berlin. My dissertation contributes to both the literature on colonial taxation in Africa and the historiography of the pre-war Congo, which share a similar lacuna. Both fields of research have not yet devoted sufficient attention to the role of customs in colonial fiscal history. Instead, the focus has either been on the practice of taxing colonial subjects or on general spending and extraction patterns.

For lack of in-depth studies on customs, contributions on the broader patterns of colonial state formation and taxation defined export and import duties as the less tricky

¹ This is the report of PhD research carried out at Ghent University, under the supervision of Baz Lecocq.

version of head, hut or poll taxes: easier to collect with minimal effort in the economic heart of the colony and easier to negotiate with a limited group of tariff payers. The representation of both tax forms as some sort of opposites has given rise to what might be considered a somewhat simplistic and maybe too deterministic conception of the relationship between taxation and state formation in colonial Africa: the more developed the export economy, the more the colonial treasury relied on tariff receipts and the less the state was inclined to extend its reach throughout its sparsely populated territory to govern and tax its subjects; a strategy which was simply not cost-efficient and required the devolution of colonial authority to African elites.

Literature on the history of the pre-war Congo paints a remarkably similar picture. The Free State did not export enough tusks for customs revenue alone to cover rising colonial expenditure. As a result, the newborn Free State and its royal financier were on the verge of bankruptcy after less than a decade. The Royal Palace even threatened to lose its colony to Belgium. Desperate for revenue, the poor state managed to extend its reach inwards so as to tax its subjects by conceding large territories to companies who bore the cost of exploitation and paid dividends in return; to little avail. Only the global rubber boom saved Leopold's colonial endeavor. Rubber money poured in from 1896 until the crisis of 1913, when rubber prices plummeted, bringing an abrupt end to the fiscal "success" story of the Congo.

Using the often poorly accessible records of the Congo Free State, Belgian Congo and the French Congo as well as the private archives of colonial enterprises and officials this dissertation paints a more complex picture of colonial taxation in Africa as well as pre-war Congolese history, by studying the development of the customs system in the Free State and Belgian Congo. Chapter 1 demonstrates that the main aspiration of Brussels and Boma was to be financially self-sufficient. Striving for financial independence, policymakers designed a fiscal system that drew upon two tax bases instead of one to balance the annual budget: the Congolese population and international trade. Export duties on rubber and ivory were introduced in 1886. Import duties and the *régime domanial* were implemented in 1892. The domanial regime generated revenue in two ways. The state collected in-kind taxes among its African subjects or received in-kind tribute from local elites. Concession companies did the exact same thing in their territories and paid an annual dividend to its main shareholder, the colonial state. However, tariffs failed to meet expectations: customs duties either failed to generate sufficient revenue to balance the budget – together with other receipts – or were reduced to a secondary source of income.

Chapter 2 argues that economic conditions fundamentally affected the customs system. Tariff policies targeted the two main Congolese commodities, rubber and ivory, which naturally generated the majority of export duties. However, the causal connection between commercial growth and the absolute and relative importance of customs as a source of revenue cannot be grasped by a simple positive correlation. The main reason is that the colonial scope for policymaking in the field of customs was constrained by the factors that are discussed in each chapter of this thesis. However, it is also crucial to take the *régime domanial* into account. The Congo did not produce sufficient export surplus to finance a state through customs, so policymakers took matters in their own hands.

Together with concession companies and Congolese elites, the Free State squeezed out all the wealth there was to find in the easy-to-reach parts of the Congolese interior and generated a massive supply of cheap rubber. This fiscal strategy explains why the Congolese commodity boom went hand in hand with the development of a state that reached inland, instead of a gatekeeper administration that stuck to guarding the main economic centers and ports, and with a treasury that relied more on in-kind tax receipts than on tariff revenue.

Chapter 2 also deals with the first constraint on the colonial ability to raise tariff revenue. Policymakers were scared that customs measures would overburden the export economy. In such a scenario, the state would erode the commercial tax base, hence reducing tariff income in the long-run. This fear manifested itself in two ways. First of all, Brussels and Boma constantly worried that excessive tariffs would reduce the competitiveness of the Congolese export sectors or would trim down profit margins and hence curb the enthusiasm of investors. Secondly, the colonial state feared that customs procedures would slow down trade. As was the case with the other constraints on the colonial power to tax international trade, it was all about finding a balance between the revenue imperative, which in this case pushed the state to increase tariffs and impose stricter regulations, and the long term economic and fiscal health of the colony, which forced the state to do the exact opposite.

It is quite clear that the influence of certain economic lobbies partly explains why policymakers were so afraid to hinder international trade. Chapter 3 demonstrates that trading and concession companies paid a lot of taxes and expected the state to implement growth inducing policies in return – read: serve their interests. Brussels and Boma constantly had to take the voice of private enterprise into account so as to avoid conflict with the main colonial taxpayer. This was no easy task as both parties tried to minimize costs and maximize income. To truly understand the interaction between private enterprise and the state, it is crucial to take into account the blurry line that separated both actors. Certain investment groups were very close to the colonial state. The blurry distinction between the state and the private sector makes it difficult to identify who got the short end of the stick in the fiscal bargaining process. This dissertation assumes large corporations were the dominant partner and had a lot of influence on customs policies.

Chapter 4 argues that customs policies and practices were not only negotiated on the colonial level. Taxing international trade not only required control of a limited number of ports and commercial centers. Without a system to guard borders, it was easy for trade networks to illegally operate via the harbors and economic hubs of neighboring colonies which were often located closer to the Congolese hinterland. However, the Free State and Belgian Congo faced a huge problem: colonial borders were permeable and hence impossible to control in a cost-efficient manner, while the tight colonial budget complicated the development of an extensive customs system. Brussels and Boma preferred to smooth away the incentives to smuggle by making sure that the tariff burden was not higher than in neighboring colonies, instead of developing a costly and ineffective customs system along its borders. However, this strategy created a new constraint on

the colonial scope to tax international trade. Policymakers had to unilaterally adjust their policies to the tax regimes in adjacent colonies or had to negotiate common tariffs with neighboring administrations who had their own fiscal interests to protect. Moreover, the more the state relied on the tactic to bring tariffs into line with its neighbors, the smaller the incentive to invest in border surveillance, which in its turn increased the pressure to hold tariffs in check.

Despite curbing smuggling incentives by concluding tariff unions with the Congolese neighbors, Brussels and Boma continued to establish customs posts. Smuggling was not only caused by tariff differences. Concession companies and the state used coercion and their monopoly to pay African producers and intermediaries or taxpayers and local elites below market value for the rubber and ivory they handed in. In addition, these firms and the colonial administration were more reluctant to pay in guns or ammunition, the main currency and barter product in the Central African interior. As a result, smuggling was rampant and cost the state large amounts of in-kind tax receipts. Chapter 5 illustrates how the Free State and Belgian Congo dealt with this issue in the M'Bomu borderland and studied the representativeness of this case.

Like in other parts of the Congo, the main colonial objective in the M'Bomu Basin was to collect as much rubber and ivory taxes as possible, with minimal effort. To fill the colonial coffers, Brussels and Boma encouraged colonial officials to illegally buy exports from French sultans in exchange for guns. Gradually, the minimalist administration realized that the sultans to whom they devolved local rule and the native tax effort on their side of the border did not stick to their part of the bargain. These local rulers continued to sell their in-kind tax and tribute receipts to the highest bidder instead of paying all of it to the state. As a result, the colonial treasury missed out on large amounts of in-kind tax revenue. The minimalist state did not understand how smuggling networks operated and did not have a lot of options to curb trafficking. Local administrators were convinced that it was impossible to control the border effectively. The local political and economic context of the M'Bomu Basin resembled the situation in most of the Congolese borderlands. However, the response to smuggling differed from one border region to the next, depending on the strength and duration of colonial presence.

To conclude this abstract, this thesis adds more complexity to the theory on colonial taxation and state formation in Africa by studying the fiscal history of the pre-war Congo through the lens of customs. As such it provides more insight into the complexities of export and import taxation, which formed the second essential ingredient of the fiscal foundation of the colonial state. By combining the results of my research with the existing findings on native taxation, tax patterns and state formation, this dissertation carefully proposes a new perspective on the relationship between revenue-raising and colonial state formation in the Congo in particular and Africa in general. One that takes into account the constraints on both the colonial capacity to levy tariffs and the scope for taxing African populations, and starts from the notion that native taxation contributed to the customs effort in multiple ways and vice versa.

In my view, colonial revenue-raising strategies were the outcome of a difficult balancing act that constantly had to be performed by minimalist states in their pursuit of financial self-sufficiency. Policymakers continuously had to weigh the similar pros and cons of native taxation and customs.

- First of all, the size and shape of the export economy defined the nature of the fiscal contribution – money, goods, people –, and set a limit to how much the tax- or tariff payer could pay.
- Secondly, native taxation and customs served three goals: revenue-raising, interventionism and the production of colonial authority. These objectives could be complementary – taxing Africans to promote cash crop production, for example – but were not necessarily compatible.
- Thirdly, political and economic power relations determined who was taxed at what rate – import/export firms, African merchants, local elites or European and African consumers and producers – and, what the state had to provide in return to achieve fiscal compliance.
- Fourthly, the colonial state needed a strong enough presence in both its borderlands and the interior to enforce taxation: native taxation required control over the African interior and hence also borderlands, while customs required control over borderlands and hence also the African interior. Cost-efficient control of permeable borders and vast, scantily populated territories compelled the administration to either devolute authority to local elites who co-opted colonial authority, or to cooperate or compete with neighboring colonies to reduce the incentives for smuggling and tax flight; again reducing fiscal sovereignty.

The revenue-raising strategies of minimalist colonial states were always a suboptimal compromise that simultaneously took into account the four above-mentioned constraints on the colonial scope for taxing both the African population and international trade. These constraints were context-bound but the complex balancing act performed by colonial administrations remained the same, which explains the similar uniqueness of each colonies' history of taxation and state formation.