# The trouble with tariffs. Customs policies and the shaky balance between colonial and private interests in the Congo (1886-1914)

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**Abstract**
This article deals with a key constraint on the ability of African colonial states to tax international trade. In the Congo Free State and Belgian Congo, tariff policies were always the result of a difficult balancing act. On the one hand, the colonial state depended on customs receipts to make ends meet. On the other hand, policymakers feared the counterproductive effect of tariff policies: excessive taxation would cause customs receipts to decline because it slowed down commerce and encouraged traders to smuggle or to relocate. Sometimes, this fear held back policymakers from increasing the tariff burden – even when the colony was in dire financial straits. On other occasions, budgetary necessity forced policymakers to implement customs measures which they believed would cripple the colonial economy and jeopardized future fiscal revenue.

## 1 Introduction

Taxation played a key role in African colonial history[1]. Metropolitan governments were reluctant to invest in the colonial endeavor, forcing colonial administrations to financial self-sufficiency.[2] As a colonial state could only spend what it extracted locally, taxation limited the financial scope for policy-

1 I would like to thank Stijn Van De Perre and Frans Buelens for the helpful comments and suggestions. I would also like to thank Els Develtere for editing the article.
2 Crawford Young, *The African colonial state in comparative perspective* (London, 1994).

making and thus fundamentally determined colonial state-building and impact.[3] Moreover, taxation was one of the most important fields of interaction between the colonial state and African societies. The way the administration taxed colonial societies determined to a large extent how the state dealt with its citizens and subjects and how the latter responded to colonialism.[4]

Tariffs – taxes on the volume or value of exported or imported goods – played a key role in the colonial project because customs duties were such an important source of revenue for colonial administrations; if not the most important. Catherine Coquery-Vidrovitch argues that indirect taxes on international trade were the main revenue source in French Africa.[5] Ewout Frankema demonstrates that tariff returns made up about 20 to 30% of total colonial receipts in landlocked British colonies where the options to base public finances on international trade were limited. The financial weight of customs revenue was much higher in British West Africa. Tariff receipts for example made up about 60% of total state income in the Gold Coast and Nigeria.[6]

Scholars agree that it is crucial to examine colonial taxation in order to fully understand African colonialism and also stress the important role of tariffs. Nevertheless, only a few publications specifically deal with colonial customs systems in Africa.[7] Until now, most research on colonial taxation has focused on direct taxes such as the hut, head or poll tax.[8] Recently,

3 Leigh Gardner, *Taxing colonial Africa. The political economy of British imperialism* (Oxford, 2012).

4 Odd-Helge Fjeldstad and Ole Therkildsen, 'Mass taxation and state-society relations in East Africa', in: Deborah Bräutigam, Odd-Helge Fjeldstad and Mick Moore (eds.), *Taxation and state-building in developing countries. Capacity and consent* (Cambridge 2008) 114-134.

5 Catherine Coquery-Vidrovitch, 'Le régime fiscal dans les colonies françaises, 1900-1960', in: Comité pour l'histoire économique et financière de la France (eds.), *La France et l'outre-mer. Un siècle de relations monétaires et financières. Colloque tenu à Bercy les 13, 14 et 15 novembre 1996* (Paris 1998) 109-132.

6 Ewout Frankema, 'Raising revenue in the British empire, 1870-1940: how "extractive" were colonial taxes?', *Journal of Global History* 5: 3 (2010) 447-477, 465.

7 See for example: Idrissa Kimba, 'Histoire des douanes nigériennes: la première expérience d'une administration douanière ou l'échec d'une politique économique, 1898-1918', in: Comité pour l'histoire économique et financière de la France (eds.), *La France et l'outre-mer. Un siècle de relations monétaires et financières. Colloque tenu à Bercy les 13, 14 et 15 novembre 1996* (Paris, 1998) 133-176. ; Deborah Bräutigam, 'Contingent capacity: export taxation and state-building in Mauritius', in: Bräutigam, Fjeldstad and Moore (eds.), *Taxation and state-building*, 135-159.

8 See for example: Andrew Burton, '"The eye of authority': 'native' taxation, colonial governance and resistance in inter-war Tanganyika.' *Journal of Eastern African Studies* 2:1 (2008) 74-94.

scholars have also started to examine colonial spending and extraction patterns.[9] This new focus on the general fiscal policies of African colonies pays quite a bit of attention to tariffs, as this type of tax was a key sources of colonial revenue. This new approach has contributed significantly to the understanding of colonial customs regimes by arguing that export and import duties were relatively easy and cheap to implement. This claim was first made by a set of general studies on the nature and impact of the African colonial state and was further developed in a series of more specific studies on colonial spending and extraction in Africa – as the next two paragraphs explain.

According to Jeffrey Herbst, the fundamental logic of colonial state-building – how to rule over the vast and sparsely populated African hinterland with a minimal administration – made direct taxation unprofitable. The cost of direct taxation, which required the broadcasting of power throughout the entire colony, exceeded the financial returns due to the generally low population density in the African hinterland. Consequently, colonies relied on tariffs to finance their operations.[10] Frederick Cooper argues that customs duties were the main source of colonial revenue in Africa because the administration lacked the capacity to levy direct taxes. In his view, colonial states were gatekeeper states whose power was based on the ability to guard the gates to the outside world and 'had weak instruments for entering into the social and cultural realm over which they presided'.[11]

Recently, the general claims of Cooper and Herbst have been put in perspective by scholars such as Leigh Gardner, Philip Havik, Ewout Frankema and Marlous van Waijenburg who specifically focus on colonial extraction and spending policies.[12] According to these researchers, the budgetary weight of direct taxes and tariffs – the main sources of colonial revenue – was determined by the local economic context. Instead of trying to maximize revenue extraction, colonial states tried to minimize the tax effort. Tariffs were easier and cheaper to collect than direct taxes as they were only collected at central points of entry or exit and only directly

9 See for example: Philip Havik, 'Colonial administration, public accounts and fiscal extraction: policies and revenues in Portuguese Africa (1900-1960).' *African Economic History* 41:1 (2013) 159-221.

10 Jeffrey Herbst, *State and power in Africa: comparative lessons in authority and control* (Princeton 2000).

11 Frederick Cooper, *Africa since 1940: the past of the present* (Cambridge 2002) 5.

12 Ewout Frankema and Marlous van Waijenburg. 'Metropolitan blueprints of colonial taxation. Lessons from fiscal capacity building in British and French Africa, c. 1888-1940.' *The Journal of African History* 55:3 (2014) 371-400. Gardner, *Taxing colonial Africa*.

affected a small segment of colonial society: European companies and elite consumers. Direct taxes on the other hand instigated widespread resistance among the African population and required a certain level of state-presence throughout the colonial territory. As a result, colonial states tried to rely on tariff income as much as the local context allowed. Direct taxes were only an important revenue source in landlocked colonies with little international trade and potential tariff income.

This article does not question that colonial states preferred tariffs because they were less burdensome and expensive to collect than direct taxes. Instead, I want to add to the recent literature on colonial extraction by pointing out an often overlooked constraint that considerably limited the scope for fiscal policymaking and made it far less evident for colonial states to rely on tariff receipts. This study focuses on the difficult balancing act that policymakers in the Congo Free State and Belgian Congo had to perform when developing tariff policies. On the one hand, customs duties were implemented to extract sufficient revenue in order to balance the shaky colonial budget. On the other hand, policymakers were convinced that a tariff increase or the introduction of a new import or export tax could produce a counterproductive effect by triggering a commercial slowdown or by driving away enterprises and commerce, causing tax returns to drop. The business lobby of course cleverly stimulated this fear. Oftentimes, policymakers found themselves stuck between a rock and a hard place: budgetary necessity forced them to implement tariff measures which they believed were likely to cripple the economic performance of the colony and would hence jeopardize future fiscal revenue.

Customs policies were influenced by many factors other than business interests and served more objectives than revenue extraction alone. Nevertheless, this article only studies how the early colonial administration in the Congo tried to balance budgetary and private interests when implementing customs policies. To do so, this contribution examines two key periods: the period between 1885 and 1892 when customs tariffs were first implemented and the final years before World War I when the Belgians reformed Leopold's fiscal system. It is important to keep in mind that this contribution only focuses on tariff policies and not on customs practices, which were also adapted to fit business interests.[13] In addition, this case study does not take the regulation of liquor and arms imports into con-

13 See for example: Archives du Ministère des Affaires Etrangères Belge (AMAEB), Archives Africaines (AA), Classement Provisoire (CP), inv. no. 543.20.1-I.B1, Rapport sur le service des douanes de la colonie par le Directeur des Finances a.i. Périer, 18-9-1912.

sideration. Guns, ammunition and liquor were subjected to a special set of customs regulations and international agreements and fell largely outside the general tariff system.

A quantitative analysis – usually based on the annual colonial budgets – is an important tool to study fiscal policymaking in colonial Africa. This article does not include such an analysis for two reasons. First of all, there is little data we can use. The Free State only published a couple of annual budgets which were to convey an image of normality to the outside world and are far from reliable.[14] More importantly, most relevant documents were destroyed. In 1906, Leopold ordered the systematic destruction of the Free State's budgetary records.[15] On the eve of the Belgian assumption of power over his colony, the King is said to have burned the archives of the financial department of the Free State and his personal accounts in an attempt to cover his tracks.[16] During World War I, German soldiers were quartered in the Belgian Ministry of Colonies, destroying and scattering what was left of the colonial records.[17] Neglect by the Belgian Foreign Affairs Department only made things worse.[18] For the Belgian period, only the budgets for the period between 1909 and 1912 exist.[19]

Secondly, this is a qualitative study of fiscal policy based on the correspondence between policymakers – found in the records of the fiscal and foreign affairs departments of the Congo Free State and Belgian Congo and the private archives of some of its key administrators – that studies how the highest echelons of the colonial administration thought about tariffs and customs-related issues and that analyzes which motives drove the

14 Jean Stengers, 'La dette publique de l'Etat Indépendant du Congo', in : *La dette publique aux 18e et 19e siècles: son développement sur le plan local, régional et national* (Bruxelles 1980) 297-312.

15 AMAEB, AA, Décrets de l'Etat Indépendant non publiés au Bulletin Officiel. Deuxième partie : 1896-1908, Destruction des archives, 23-6-1906.

16 Guy Vanthemsche, 'The historiography of Belgian colonialism in the Congo', In: Csaba Lévai (ed.), *Europe and the world in European historiography* (Pisa 2006) 89-119, 95.

17 Archives de l'Etat en Belgique (AEB), Ministerie van Financiën - Administratie Thesaurie, Voorlopige administratie voor de financiële aangelegenheden van Kongo en Ruanda-Urundi, inv. no. 723, Verriest S. 'Ce que le Congo à couté au Belgique', 28-3-1944.

18 Large parts of the colonial archives have still not been properly inventoried yet. A lot of the records that are used in this paper were found almost by accident in the unofficial "temporary classification" section which apparently contains a large part of the fiscal records that were allegedly destroyed by Leopold II – a striking example of the poor management by the records department of the Belgian Foreign Affairs Department.

19 In the course of my PhD-research I have been able to retrieve budget data for most fiscal years in the different Belgian colonial archives and relevant private archives. However, the reconstruction of the colonial accounts is not finished yet and requires so much explaining that it would take over this entire publication.

pursuit of certain customs policies. This article does not analyze whether customs duties were a major source of colonial revenue, nor does it study business relocation and its relation to the tariff burden. My approach is different: I point out that policymakers regarded export and import taxes as an indispensible source of revenue but were at the same time convinced that unilateral tariff increases triggered massive commercial relocation. This article argues that the fear for this counterproductive effect had a considerable impact on tariff policies. Scared to stimulate commercial relocation, policymakers did not implement the customs policies that most suited the state's budgetary needs.

## 2 Case selection: The curious case of the Congo Free State

This article focuses on two key periods in the development of the colonial customs system in the Congo: the period between 1886 and 1892 and the period between 1908 and 1914. Unlike the Belgian Congo the Congo Free State is often considered to be an anomaly from a fiscal point of view. Therefore, my argument either requires some proof that the Free State can be compared to other colonies or some clarification as to how the exceptional case of Leopold's Congo contributes to the broader debate about colonial taxation in Africa. Ideally, a comparison of taxation in the Free State and other African colonies would determine whether Leopold's Congo is an exceptional or representative case. Nevertheless, such an exercise is far beyond the scope of this article.[20] Instead, I opted to use existing literature to contradict four arguments that are too easily quoted to claim that Leopold's Congo is an exceptional case. Let it be clear that this article does not argue that the Free State is a representative case. This section simply tries to anticipate a number of recurrent critiques.

A first reason why the Free State is considered to be exceptional, is because the colony was the property of a European king.[21] The colonial treasury and the royal fortune were therefore one and the same.[22] However, this particularity did not make the Free State that exceptional from a

20 Moreover, such a comparison would require the missing quantitative data discussed in the introduction.

21 See for example: Jean Stengers, 'The Congo Free State and the Belgian Congo before 1914', in: L.H. Gann and Peter Duignan (eds.), *Colonialism in Africa 1870-1960. Volume 1: The history and politics of colonialism, 1870-1914* (Cambridge 1969) 261-292.

22 Jean Stengers, 'Notes sur l'histoire des finances congolaises', *Bulletin des Scéances de l'Institut Royal Colonial Belge* 25:1 (1954) 153-195.

fiscal point of view. Leopold II was reluctant to use his private funds to pay for colonial expenses because it drove him to the edge of bankruptcy. As a result, he pushed his officials to rule and exploit his colony at the lowest possible cost.[23] British and French colonies also tried to minimize expenditure because the metropolitan exchequer was reluctant to pay for overseas spending.[24]

The Free State is also considered to be an exception because colonial surplus was siphoned off to the royal account.[25] In other African colonies, money only flowed from the metropole to the colony and not the other way around.[26] Three counterarguments can be made. First of all, scholars are currently challenging the idea that colonialism always resulted in a net loss for the metropole.[27] Secondly, the amount of surplus that was transferred from Congo to Brussels should not be exaggerated.[28] For almost half of its existence, the Free State depended heavily on metropolitan funds and loans;[29] just like many other African colonies.[30] Soaring rubber prices eventually allowed the king to rebuild his fortune and to construct a number of megalomaniac projects in Belgium. Nevertheless, most of this money was obtained through loans that Leopold was able to negotiate on behalf of the Free State once the Congo's economic future was starting to look brighter and not by extracting revenue from the colony.[31] Thirdly and more importantly, the transfers from colony to metropole did not change the basic objective of the Free State's extractive system. The colony continued to be ruled and exploited at the lowest possible cost – just like other

23 Aldwin Roes, 'Towards a history of mass violence in the Etat Indépendant du Congo, 1885-1908', *South African Historical Journal* 62: 4 (2010) 634-670.; Jan Vansina, *Being colonized. The Kuba experience in rural Congo, 1880-1960* (Madison 2010).

24 Frankema and van Waijenburg, 'Metropolitan blueprints'; Gardner, *Taxing colonial Africa*.

25 The above-mentioned lack of data makes it hard to determine how much Leopold II invested in his colonial project and how much money he siphoned off to Belgium. A lot of contradictory estimates exist. Summarizing this debate would take us too far away from the actual objectives of this article. Therefore, this paragraph contains no estimates.

26 Leigh Gardner, 'The fiscal history of the Belgian Congo in comparative perspective', in: Ewout Frankema and Frans Buelens (eds.), *Colonial exploitation and economic development. The Belgian Congo and the Netherlands Indies compared* (New York 2013) 130-153.

27 See for example: Elise Huillery, 'The black man's burden: the cost of colonization of French West Africa', *The Journal of Economic History* 74:1 (2014) 1-38.

28 Jean Stengers, 'The Congo Free State'.

29 Jean Stengers and Jan Vansina, 'King Leopold's Congo 1886-1908', in: J. D. Fage and Roland Oliver (eds.), *The Cambridge History of Africa* (Cambridge 1985) 315-358.

30 Young, *The African colonial state*.

31 Jean Stengers, 'La dette publique'.

African colonies – because surpluses were transferred to Belgium, leaving the colonial administration deprived of much needed revenue.[32]

Thirdly, the Free State is considered to be exceptional because its ruthless extractive system was designed to maximize revenue, contrary to other colonies where the fiscal effort – and spending in general – had to be reduced to a minimum.[33] Aldwin Roes however argues that a lack of revenue forced the Free State to rule and exploit its territory at the lowest possible cost.[34] This is exactly why Leopold's infamous exploitation system was set up in the first place. A regular fiscal system, based mainly on tariff income, failed to produce sufficient revenue to balance the colonial budget.[35] Consequently, Leopold II gradually established a direct exploitation system. Because the Free State lacked the necessary funds and capacity to exploit the state domain directly, Leopold outsourced the rule and exploitation of the large majority of his territory to local rulers and concession companies.[36] On top of that, this was not so exceptional. The French for example implemented almost exactly the same system in Gabon, Moyen Congo and Oubangui-Chari.[37]

Lastly, there seems to be some misunderstanding among academics about the impact of the Berlin Conference on the Congolese fiscal system. Many prominent scholars claim that the Free State did not levy tariffs because the Berlin Act did not allow this form of taxation in the Congo basin.[38] This would have made the Congo an exceptional case indeed. However, article three of the Berlin Act authorized the colonies in the Congo Free Trade Zone to levy export tariffs.[39] In addition, the Brussels

32 Roes, 'Towards a history of mass violence'.

33 See for example: Gardner, 'The fiscal history of the Belgian Congo'.

34 Roes, 'Towards a history of mass violence'.

35 Mutwale-Muyimbe, Mutwale-Muyimbe, *Les sources publiques de financement de l'Etat Indépendant du Congo, 1885-1907* (Brussels, 1973).

36 Frans Buelens, *Congo 1885-1960. Een financieel-economische geschiedenis* (Berchem 2007) 63-70.

37 Catherine Coquery-Vidrovitch, *Le Congo au temps des grandes compagnies concessionnaires 1898-1930* (Paris 2001). ; Daniël Vangroenweghe, 'The 'Leopold II' concession system exported to French Congo with as example the Mpoko Company', *Belgisch Tijdschrift voor Nieuwste Geschiedenis* XXXVI: 3-4 (2006) 323-72.

38 See for example: Vansina, *Being colonized*, 59.; Frankema and van Waijenburg, 'Endogenous colonial institutions', 25.; Ewout Frankema and Frans Buelens, 'Conclusion', in: Ewout Frankema and Frans Buelens (eds.), *Colonial exploitation and economic development*, 274-280.; Piet Clement, 'The land tenure system in the Congo, 1885-1960: actors, motivations, and consequences', in: Ewout Frankema and Frans Buelens (eds.), *Colonial exploitation and economic development* 88-108, 90.

39 *Protocoles et acte général de la conférence de Berlin, 1884-1885* (Bremen 1885)

Act amended article four of the Berlin Act and authorized the imposition of import duties in 1890.[40] The Free State introduced export duties in 1886 and import duties in 1892.[41] More importantly, the free trade clauses in the Berlin act applied to a whole range of colonies and not to the Free State alone.[42]

After briefly discussing these four critiques that often come up when talking about taxation in the Congo Free State, we can continue with the actual aim of this article: to study two key phases in the Congo's fiscal history to focus on an issue that made it hard for colonial administrations to rely on tariffs to pay for colonial expenses. This article demonstrates that policymakers had to continually balance colonial and private interests, fearing that an excessive tax burden would slow down international trade or drive away companies and commerce to other colonies with more accommodating customs policies, which would result in decreasing fiscal returns.

## 3 1886-1892: introducing export and import duties in times of financial distress

By 1885, Leopold II had already spent 11,5 million francs on his Congo project.[43] A fiscal system had to be developed as soon as possible because the king already had trouble financing his colonial endeavor. On the 15th of December 1885, the newly born Congo Free State implemented export duties on peanuts, coffee, rubber, copal, ivory, palm oil, palm nuts and sesame.[44] Initially, Leopold II had envisioned higher export tariffs. However, prices for Congolese exports had dropped considerably in 1885. The king had therefore decided to reduce tariff rates so as not to provoke too much resistance against the new tax.[45]

Before implementing the above-mentioned export duties, the colonial

40 *Actes de la Conférence de Bruxelles, 1889-1890* (Bruxelles 1890)

41 'Droits de sortie. 15 décembre 1885', Bulletin Officiel de l'Etat Indépendant du Congo (BOEIC) (1885) 40-42. ; 'Établissement des droits d'entrée. 9 avril 1892', BOEIC (1892) 113-115.

42 *Protocoles et acte général de la conférence de Berlin, 1884-1885* (Bremen 1885)

43 Stengers, 'La dette publique'.

44 'Droits de sortie. 15 décembre 1885', BOEIC (1885) 40-42.

45 AMAEB, AA, CP, inv. no. 2571, Correspondance de l'Administrateur Général du Département des Finances à l'Administrateur Général au Congo, 30 December 1885. ; AMAEB, AA, CP, inv. no. 2571, Correspondance de l' Administrateur Général du Département des Finances au Gouverneur Général, 23-7-1886.

administration had consulted the trading firms that operated in its territory. The response had been mildly positive. However, once announced, the commercial sector fiercely denounced the new fiscal measures. The most important trading houses complained that tariffs were too high because prices on the European market had dropped. Moreover, trading companies had to pay more to African producers and middlemen because an exceptionally heavy raining season had reduced the supply of many tropical goods.[46] In addition, the commercial sector complained that it had not been given sufficient time to adapt to the Free State's new fiscal policies. Many companies still had large stocks of exports, bought at a price that did not take into account the additional cost of tariffs. If they were to pay taxes on these goods, their profit margins would drop considerably.[47] Lastly, trading firms strongly recommended the Free State to postpone the introduction of tariffs until the Portuguese implemented export duties too. If not, the natives would sell their produce in the Portuguese parts of the Congo estuary, forcing companies to follow them and relocate.[48]

The fierce resistance against the new export policies clearly alarmed the higher echelons of the Free State. To meet the persistent protest of trading companies, the implementation of the customs decree was postponed twice, from the 25th of March to the 15th of May, and eventually to the 1st of July 1886.[49] The administration also decided to lower tariffs if the economic situation that trading companies complained about worsened or if the relocation problem got out of hand.[50] Though the new state badly needed revenue straight away, the administration did not want to antag-

46 AMAEB, AA, CP, inv. no. 2571, Correspondance de De Bloem (NAHV), Mac Creadie (Hatton & Cookson), Lasthou (Daumas Béraud et Cie), Frazer (British Congo Company), d'Oliveira, de Ribeiro, Abseio (Companhia Portugueza do Zaïre), de Souza, Lopo, Borges, Valle et Azevede, Ferreira d'Acosta, Real, de Freitas et da Sylva au Gouverneur Général, 10-6-1886.

47 AMAEB, AA, CP, inv. no. 2571, Correspondance du Gouverneur Général à l'Administrateur Général du Département des Finances, 11-5-1886.

48 AMAEB, AA, CP, inv. no. 2571, Correspondance de De Bloem (NAHV), Mac Creadie (Hatton & Cookson), Lasthou (Daumas Béraud et Cie), Frazer (British Congo Company), d'Oliveira, de Ribeiro, Abseio (Companhia Portugueza do Zaïre), de Souza, Lopo, Borges, Valle et Azevede, Ferreira d'Acosta, Real, de Freitas et da Sylva au Gouverneur Général, 10-6-1886.

49 AMAEB, AA, CP, inv. no. 2571, Correspondance du Gouverneur Général à l'Administrateur Général du Département des Finances, 11-5-1886. ; AMAEB, AA, CP, inv. no. 2571, Correspondance de l'Administrateur Général du Département des Finances au Roi, 15-6-1886.

50 AMAEB, AA, CP, inv. no. 2571, Correspondance de l'Administrateur Général du Département des Finances au Gouverneur Général, 19-10-1886. ; AEB, Archive Hubert Droogmans (HD), inv. no. 2, Correspondance de Hubert Van Neuss à l'Administrateur Général au Congo, 23-7-1886. ; AEB, HD, inv. no. 2, Correspondance de Hubert Van Neuss à l'Administrateur Général au Congo, 20-10-1886.

onize trading houses.[51] Clearly panicking, the financial department started thinking up a plan B only a few weeks after the actual implementation of export duties. Replacing tariffs by a new tax was already under serious consideration, though only as a last resort.[52]

In the end, export tariffs were not abolished. However, Leopold's administration realized that it faced a big problem. Fiscally, the colony was outcompeted by its neighbors. The Portuguese kept putting off the implementation of export duties.[53] The French only introduced export duties in 1887. However, French tariffs were lower than those of the Free State. Leopold's financial department was not afraid that a higher fiscal burden would push firms to move their trading posts to the neighboring colonies to deal in French and Portuguese exports. What policymakers feared was that a tariff difference would create incentives for producers, middlemen and trading companies to smuggle produce from the Free State to the French and Portuguese parts of the Lower and Upper Congo. In this way, smuggled Congolese products would be exported as French or Portuguese goods, causing the Free State to lose out on tariff income.[54] This is what Leopold's administration meant by '*émigration du commerce*'[55] or '*déplacement commercial*'[56].

The administration was convinced that the above-mentioned relocation of commerce occurred on a large scale. They felt the problem could not be contained because the state was unable to effectively monitor and tax transborder trade. Effective border control was thought to be unprofitable and even impossible.[57] The fear of provoking more business relocation – in fact a form of contraband – strongly influenced export policies. In

51 AMAEB, AA, CP, inv. no. 2571, Correspondance de l' l'Administrateur Général du Département des Finances à l'Administrateur Général au Congo, 30-6-1886.

52 AMAEB, AA, CP, inv. no. 2571, Correspondance de l'Administrateur Général du Département des Finances au Gouverneur Général, 19-10-1886. ; Archives de l'Etat en Belgique (AEB), Archive Hubert Droogmans (HD), inv. no. 2, Correspondance de Hubert Van Neuss à l'Administrateur Général au Congo, 23-7-1886. ; AEB, HD, inv. no. 2, Correspondance de Hubert Van Neuss à l'Administrateur Général au Congo, 20-10-1886.

53 AEB, HD, inv. no. 3, Correspondance de Hubert Van Neuss au Gouverneur Général, 22-10-1887.

54 Archives du Palais Royal (APR), Archives du cabinet du roi Léopold II (CRL), Documents relatifs au développement extérieur de la Belgique sous le règne de Léopold II (DE), Correspondance avec Camille Janssen (CJ), inv. no. 65.4, Janssen au roi, n.d. (June 1890 ?).

55 AEB, HD, inv. no. 4, Correspondance du Secrétaire Général du Département des Finances au Gouverneur Général, 17-10-1891.

56 AEB, HD, inv. no. 2, Correspondance de Hubert Van Neuss à l'Administrateur Général au Congo, 29-9-1886.

57 APR, CRL, DE, CJ, inv. no. 65.4, Janssen au roi, n.d. (June 1890 ?).

1887, the administration for example decided to exempt exports from the Upper Congo from taxation. This decision was taken to counter massive business relocation to the French side of the Congo and Ubangi rivers.[58] It is important to note that 'the Upper Congo' comprised all the land east of the Stanley Pool and virtually encompassed the entire colony. Leopold's administration was less concerned with illicit trade to Angola because the Portuguese finally taxed exports at the same rate as the Free State in 1888.[59]

By 1889, the financial situation of the Free State and its king had become disastrous. Edmond Van Eetvelde, Leopold's main advisor on colonial affairs, summarized the situation as follows: export tariffs were the only significant source of income. Nevertheless, customs revenue was largely insufficient to cover the Free States recurrent costs that continued to increase despite drastic austerity measures. The state only managed to collect about 200.000 francs on a yearly basis. Despite the annual royal grant of 920.000 francs, the colonial deficit still amounted to a yearly 2 million francs. Increasing tariffs was not an option as trading companies would relocate their operations if exports were taxed excessively. The only option was to wait until the export sector had fully developed. This would provide the administration with a sufficiently large tax-base that could support colonial expenditure. Van Eetvelde was positive that exports and tariff revenue would increase once the railway between Matadi and the Stanley-Pool was finished. In the meantime, additional funds had to be found.[60]

In 1889, Leopold appealed to the Belgian state for help. Belgium lent its king 25 million francs to balance the annual budget of the Free State the coming ten years, on the condition that he would straighten out his colonial finances by 1900. If Leopold failed to solve the financial troubles of his colony, Belgium would take over power.[61] The possibility of losing the colony added to the already high pressure on Leopold and his administration to extract more revenue in the Congo. To increase colonial income, the king wanted to tax ivory and rubber that came from the Upper Congo and was exported in ever-growing quantities by large trading companies. These ex-

58 AEB, HD, inv. no. 3, Correspondance de Hubert Van Neuss au Gouverneur Général, 22-10-1887. ; 'Droits de sortie. 19 octobre 1887', BOEIC (1888) 1-4. ; APR, CRL, DE, CJ, inv. No. 65.4, Janssen au roi, n.d. (June 1890 ?).

59 AEB, HD, inv. no. 3, Correspondance de Hubert Van Neuss au Gouverneur Général, 29-3-1888. ; AEB, Archives Edmond Van Eetvelde (EVE), inv. no. 71, Note au Roi, 1888.

60 AEB, EVE, inv. no. 171., Rapport général sur la situation au Congo, 1889, rédigé par Van Eetvelde, 1889.

61 'Séance du 9 juillet 1890. Approbation d'une convention avec l'Etat Indépendant du Congo', Annales Parlementaires. Chambre des Représentants (Bruxelles 1890).

ports had been exempted till then.[62] However, Leopold's administrators persistently warned him about the detrimental effects of this measure: a tariff increase would drive away commerce even more and cause a considerable drop in state revenue.[63] The king was encouraged to postpone his plans until an agreement was concluded with the French to bring tariffs into line. The French had also exempted exports from their part of the Upper Congo. Consequently, the unilateral decision to impose tariffs on products from this region would put the Free State in great fiscal disadvantage.[64]


*Figure 1: Leopold and the Congo (John Grand-Carteret,* Popold II: roi des Belges et des belles devant l'objectif caricatural (*Paris 1908) 223.*

Despite the many warnings of his close associates and main administrators, Leopold proceeded with the introduction of tariffs on exports from the Upper Congo in 1890.[65] The same discussion arose when the French

62 'Droits de sortie. 19 octobre 1887', BOEIC (1888) 1-4.

63 AEB, EVE, inv. no. 71, Note au Roi, 1888.

64 AMAEB, AA, Affaires Etrangères de l'Etat Indépendant du Congo (AE), inv. no. 326.458, Correspondance de Van Eetvelde au Gouverneur Général, 28-5-1889.

65 'Droits de sortie sur les produits du Haut-Congo. 10 mai 1890', BOEIC (1890) 83-90.

decided to tax exports from the Upper Congo as well.[66] As from April 1891, all French exports were taxed at a rate of 7% ad valorem. Leopold saw his chance to increase export taxes on ivory from the Upper Congo from 10% to 25%. Again his associates tried to convince the King not to raise tariff rates. Nevertheless, Leopold ordered the implementation of the new customs measure.[67] The new tax rate for ivory exports was to take effect once import duties were levied.[68]

Desperate for more revenue, the Free State realized it could not rely on export duties alone and that it needed to tax imports as well.[69] Leopold used the anti-slavery conference in Brussels to receive permission from the signatories of the Berlin Act to levy import duties. This time, commercial firms went berserk. Lead by the *Nieuwe Afrikaansche Handelsvennootschap* (NAHV), trading companies tried to put pressure on the Free State and attempted to influence the negotiations in Brussels. They organized a conference and wrote open letters to all colonial powers.[70] The NAHV mobilized the Dutch government to try and stop the Free State.[71] *Daumas Béraud et Compagnie* (DBC) tried to do the same in France.[72] However, by playing the anti-slavery card Leopold II and his diplomats skillfully sidelined the business lobby and got permission to levy import duties.[73] Lucky for the Free State, the French and Portuguese also wanted to implement import duties to shore up the budgets of Angola and French Congo.[74]

66 'L'arrêté de 14 janvier 1891 est rapporté, 28 mars 1891', Journal Officiel du Congo Français (5-4-1891) 7.

67 AEB, HD, inv. no. 4, Correspondance de Hubert Van Neuss au Gouverneur Général, 17-10-1891. ; AMAEB, AA, Institut Royal Coloniale Belge (IRCB), inv. no. 723.72, Correspondance du Camille Janssen au roi, 14-10-1891.

68 'Modifications à certains lois d'impôts. 19 février 1891', BOEIC (1891) 23-26.

69 For instance: in a letter to the King, Emile Banning calls import duties an assured and large source of revenue and even the salvation and future of the Free State. See : APR, CRL, DE, Correspondance avec Emile Banning (EB), inv. no. 9.13, Banning au Roi, 1-12-1890.

70 AEB, HD, inv. no. 31, Publicatie met klachten van verschillende handelsorganisaties met betrekking tot het schenden van de vrijhandel in de Onafhankelijke Congostaat zoals werd vastgelegd tijdens de conferentie van Berlijn in 1885, 4-11-1890.; AEB, HD, inv. no. 32, Verslag van de "Conference of African Merchants on the Congo Free State and Import Duties", 4-11-1890.

71 Herman Obdeijn, 'The New Africa Trading Company and the struggle for import duties in the Congo Free State, 1886-1894', *African Economic History* 12 (1983) 195-212.

72 Nationaal Archief (NA), Ministerie van Buitenlandse Zaken: A-dossiers (MBZ-A), inv. no. 214A.106H, Correspondance du Daumas au Ministre du Commerce et des Colonies, 16-8-1890.

73 APR, CRL, DE, Correspondance avec Emile Banning (EB), inv. no. 9.12, Le Roi au Banning, 12-10-1890.

74 NA, MBZ-A, inv. no. 214A.106H, Brief van de Ambassadeur in Lissabon aan de Minister van Buitenlandse Zaken, 31-10-1890.; NA, MBZ-A, inv. no. 214A.106H, Brief van de Ambassadeur in Parijs aan de Minister van Buitenlandse Zaken, 31-10-1890.

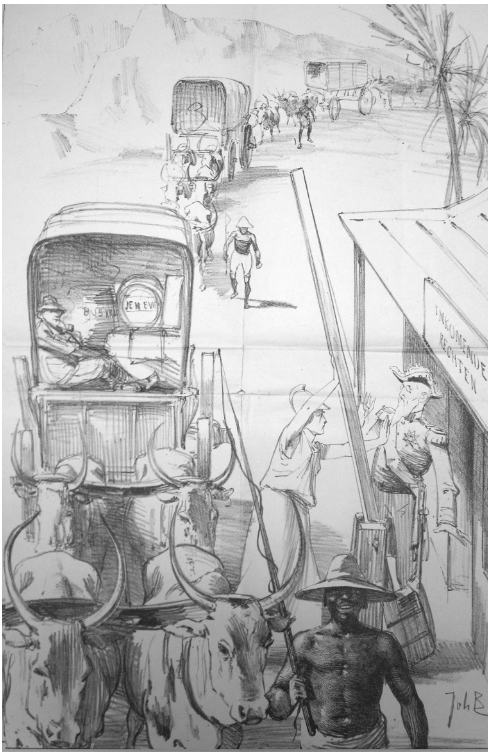


*Figure 2: The virgin and the toll collector* (*NA, MBZ-A, inv. no. 214A.106H*)

An annex to the Brussels Conference Act, amending the Berlin Act, allowed the imposition of import duties in the Congo Free Trade Zone.[75] On the 8th of April 1892, France, Portugal and the Congo Free State signed the Lisbon Protocol. By signing the protocol, the three colonial powers committed to impose the same import and export tariffs until 1902.[76] This customs treaty was very important to the Free State as it significantly reduced the incentives for trading companies to engage in trafficking and to relocate. The Lisbon Protocol was the result of the relentless attempts of Leopold's administration to convince the Portuguese and French governments to bring customs tariffs into line. The Lisbon Protocol was renewed in 1902, 1905 and 1907 only to be abolished by the Belgian government in 1912.[77] The fact

75 *Actes de la Conférence de Bruxelles*

76 'Protocole signé à Lisbonne, le 8 avril 1892, entre les Gouvernements de l'État Indépendant du Congo, de la France et du Portugal, et réglant les tarifs des droits d'entrée et de sortie dans la zone occidentale du bassin conventionnel du Congo', BOEIC (1892) 111, 112.

77 Commission des XVII du Chambre des Représentants de Belgique, 'Rapport fait au nom de la Commission des XVII (Bruxelles 1908) Annexe B. ; AMAEB, AA, CP, inv. no. 544.20.5-I, Note, 1912.

that the Free State kept renewing the treaty shows that its administration continued to be concerned with the issue of business relocation.

The much-coveted Lisbon agreement came at a price for Leopold. Again, the Free State had to make compromises. The king was forced to give in to the French demand that ivory from the Upper Congo and Ubangi basins would be taxed at a rate of 10% ad valorem instead of the 25% rate that applied in the Free State. Albert Thys of the *Société Anonyme Belge de Commerce du Haut Congo* (SAB) negotiated the Protocol in name of the Free State and played an important role in convincing the king to reduce the ivory tariff. His key argument consisted of the same old threat that commerce would relocate to the French side of the river if the king decided to impose higher export duties than French Congo. A tariff increase would hence reduce customs revenue.[78] The Free State was not only forced to reduce export tariffs. Leopold calmed down the private sector by abolishing and reducing a series of taxes on trade such as the liquor license tax, the ivory patent tax and a tax on the number of buildings, ships and staff that trading companies owned and employed.[79]

This section demonstrates that the Free State had a hard time balancing colonial and private interests when devising customs policies. On the one hand, the cash-strapped colonial administration was forced to increase the fiscal burden on international trade in order to extract more revenue. On the other hand, policymakers were convinced that an excessive tax burden would boost illicit trade, causing commerce to relocate to neighboring colonies. At first, policymakers implemented tariff policies that yielded a suboptimal amount of revenue for fear of this perverse incentive of customs duties. Nevertheless, growing financial troubles gave the Free State and its royal financier no other choice but to implement fiscal measures that maximized short-term gain but undermined tax income in the long run.

78 APR, CRL, DE, Correspondance avec Albert Thys, inv. no. 106.99, Thys au Roi, 6-6-1891.

79 'Modifications à certains lois d'impôts. 19 février 1891', BOEIC (1891) 23-26. ; AMAEB, AA, CP, inv. no. 2571, Correspondance du Vice Gouverneur Général, Wahis, pour le Gouverneur Général, à l'Administrateur Général du Département des Finances, 20-4-1891.

## 4 1908-1914: Belgian reforms to Leopold's fiscal system

The Free State had increasingly been relying on the direct exploitation of Congolese riches by state officials, local rulers and concession companies to extract revenue.[80] The Belgian government wanted to stimulate private initiative and free trade to simultaneously boost economic growth and fiscal revenue.[81] One of the first major Belgian reforms was the gradual abolishment of the dreaded *régime domanial*, set up by Leopold II to exploit the Congo's natural resources directly.[82] Export and import duties were to compensate for the considerable loss of income that ensued from the repeal of this system.[83] A good illustration of the importance that the Belgian government attributed to tariff revenue is the appointment of a special commission that was to reform the entire customs system to make it more effective and efficient.[84] Another example is the establishment of about 30 new customs posts between 1912 and 1914 – more posts than the Free State ever created.[85]

The Belgians faced the same dilemma as the Congo Free State. Tariffs were seen as a key source of revenue, as the previous paragraph established. Nevertheless, the colonial administration was careful not to harm private interests and hence fiscal revenue by overtaxing exports and imports. Policymaking remained a difficult balancing act, as the next paragraphs demonstrate. Belgian tariff policies however differ from those of its predecessor in two ways. First of all, the Belgians were less focused on smuggle and business relocation to French Congo and Angola. The administration understood that the Belgian Congo not only had to compete with its neighbors in the Congo basin, but also with colonies throughout the entire world. The Belgians were afraid that the tariff regime would harm the Congolese position in the world market.

The Belgian rubber tariff policy is a clear example of this broader geo-

80 Mutwale-Muyimbe, *Les sources publiques*, 24.

81 AMAEB, AA, Conseil Colonial, inv. no. 732, Exposé des motifs du Ministre des Colonies, 1-2-1913.

82 'Récolte de produits végétaux. 22 mars 1910', *Bulletin Officiel du Congo Belge* (As from now BOCB) (1910) 334-344.

83 AEB, HD, inv. no. 149, Discours prononcé par M. Renkin Ministre des Colonies, 15-12-1909. ; AMAEB, AA, CP, inv. no. 543.20.1-I.C1, Correspondance du Ministre des Colonies au Gouverneur Général. Organisation du service des douanes, 30-1-1913.

84 'Réorganisation des services douaniers du Congo Belge. - Institutions d'une Commission. 15 juin 1912', BOCB (1912) 612-614.

85 For a full list of the customs posts that were officially established by the Belgians and the Congo Free State check the BOEIC and the BOCB.

graphical perspective. In 1910, the Belgians increased the export duties on rubber to compensate for the loss of revenue caused by the abolishment of the *régime domanial*.[86] By increasing rubber tariffs, the administration circumvented the customs agreement with the French and the Portuguese, designed specifically to reduce incentives for contraband and business relocation in the Lower and Upper Congo basin. Three years later, the Belgians were forced to decrease rubber tariffs twice in two months time.[87] The arrival of cheap Asian rubber on the world market had triggered a significant drop in the rubber price.[88] Tariffs had to be adjusted accordingly. Tariffs were also reduced to make Congolese gum more competitive and give a boost to this key colonial sector.[89] However, the clearest sign that the Belgians were less focused on business relocation to neighboring colonies but more on the global competitiveness of the Congolese economy was the decision not to renew the Lisbon protocol.[90]

Rubber tariffs were not the only export taxes that were reduced right before World War One. In 1914, the Belgians abolished export duties on sesame, palm oil, palm nuts, groundnuts and coffee.[91] The government had been envisioning this measure since 1910. The Belgians had noticed that the production of palm nuts, sesame, groundnuts and coffee was booming in other African colonies. This success was attributed to the more accommodating customs policies in these territories. Tariffs were abolished to give a boost to the Congolese cash crop sector. Nevertheless, the administration kept budgetary constraints in mind when exempting sesame, palm oil, palm nuts, groundnuts and coffee exports. The loss of customs revenue would be small as the export volumes of these cash crops were limited. Moreover, the loss of tariff income would be compensated by an increase

86 'Rapport du Conseil Colonial sur le projet de décret relatif à l'impôt sur le caoutchouc. 19 mars 1910', BOCB (1910) 325-334.

87 'Droits de sortie sur le caoutchouc – Modifications. 4 juillet 1913', BOCB (1913) 598-561. ; 'Droit de sortie et taxes sur le caoutchouc – modifications. 20 août 1913', BOCB (1913) 783-785. ; 'Caoutchouc – tarification. 20 août 1913', BOCB (1913) 785-786.

88 L.H. Gann and Peter Duignan, *The rulers of Belgian Africa* (New Jersey 1979), p. 142.

89 'Rapport du Conseil Colonial sur un décret, pris d'urgence le 14 juillet 1913, en vue de réduire les taxes sur le caoutchouc ', BOCB (1913) 658-662. ; Musée Royal de l'Afrique Centrale (MRAC), Archives Historiques Privées (AHP), Papiers Félix Fuchs (FF), inv. no. HA.01.038.507, Documents concernant la crise du caoutchouc (1913), les causes et les remèdes préconisés, 1913-1915.

90 AMEAB, AA, AE, Inv. No. 329.472, Traités, Conventions, Conférences Internationaux. Protocole douanier signé à Lisbonne le 8 avril 1892, 1910-1913.

91 'Droits de sortie sur les arachides, l'huile de palme, les noix palmistes, le sésame et le café – Suppression. 3 juin 1914', BOCB (1914) 774, 775.

in other tax revenue once the palm, groundnut, coffee and sesame sectors would boom.[92]

A second difference between policymaking in the Congo Free State and the Belgian Congo is that the Belgians studied the impact of customs measures on the broader economic performance of the colony, whereas Leopold's administrators mainly tried to avoid stepping on the toes of big trading companies such as the SAB and NAHV. A good example of this broader focus are the policies for fuel imports. The *Société Anonyme des Pétroles du Congo* and the powerful *Union Minière du Haut-Katanga* (UMHK) complained that fuels and coal were too expensive in the Congo. In other colonies these imports were exempted from import duties while excessively high tariffs had to be paid in Congo. According to these companies, the high cost of fuels threatened the economic development of the colony. Moreover, the UMHK tried to put pressure on the colonial administration by claiming that it had access to cheaper coal from neighboring Rhodesia. In the end, the administration decided not to abolish import duties on fuels. Otherwise, the state would lose out on a stable source of revenue in harsh financial times.[93] Nevertheless, the administration did reduce tariffs on imported fuels to meet commercial demands.[94]

The Belgian administration had a different view on how a colony should be governed and exploited. When it came to customs policies, Leopold's successor however faced the same difficulties as the Free State and took similar decisions – though the Belgians approached tariff issues from a broader point of view, focusing on the competitiveness of the Congolese economy in the world market instead of on the activities of trading companies in the Congo basin alone. On the one hand, customs duties continued to be perceived as a key source of revenue on which the state depended to balance its shaky budget. On the other hand, policymakers remained afraid that an excessive tax burden would cause commerce to relocate to other parts of the world, which would trigger a drop in fiscal revenue. Tariff policies continued to be the outcome of a difficult balancing act.

92 AMAEB, AA, CP, inv. no. 1599, Finances/Douanes suppression des droits de sortie sur les arachides, l'huile de palme, les noix palmistes, le sésame et le café, 1910-1914.

93 AMAEB, AA, CP, inv. no. 2047, Finances/Douanes. Droits d'entrée houille charbon et huiles minérales, 1911-1914. ; AMAEB, AA, CC, inv. no.732, Séance du 18 Octobre 1913. ; 'Rapport du Conseil Colonial sur un projet de décret portant réduction de divers droits d'entrée. 29 novembre 1913', BOCB (1913) 1021-1022.

94 'Droits d'entrée sur la houille, etc. – Modifications. 11 décembre 1913', BOCB (1913) 1023-1025.

## 5 Conclusion

Though tariffs were a key source of colonial revenue, little research has been conducted about customs systems in African colonies. Publications on the broader topic of colonial extraction and spending in Africa provide important information about export and import policies. Gardner, Havik and Frankema and Van Waijenburg have rightly argued that colonies tried to rely on export and import duties because these taxes on international trade were easier and cheaper to collect than direct taxes. This article adds to the literature on colonial taxation by focusing on an often overlooked constraint that limited the scope for policymakers by making it less evident for colonies to tax international trade.

The case of the Congo demonstrates that colonial administrations were cautious to impose new export or import duties or to increase tariffs whenever budgetary necessity required such measures. Tariff policies were always the result of a difficult balancing act. On the one hand, customs revenue was considered to be a crucial source of income necessary to avoid budgetary deficits. On the other hand, the administration feared the counterproductive effect of tariff policies: an excessive tax burden would slow down trade and would provide incentives for commercial relocation which would cause a decrease in customs receipts. This article has shown that the colonial administration often refrained from increasing the tariff burden because of this fear, even when the colony was in dire financial straits. Nevertheless, policymakers often found themselves stuck between a rock and a hard place: budgetary necessity forced them to implement tariff measures which they believed would cripple the economic performance of the colony and hence jeopardized future fiscal revenue.

The policymakers of both the Congo Free State and the Belgian Congo performed a similar balancing act despite their opposite ideas about how a colony should be governed and exploited. The approach of both administrations however differed in two respects. First of all, the Free State was mainly careful not to thwart trading companies when implementing tariff measures. Belgian policymakers focused more on the general economic situation and also cared about the interest of companies other than trading houses. Secondly, Leopold's policymakers mostly focused on the Congo basin. The Free State feared that an excessive tax burden would trigger the illegal relocation of commerce to French Congo and Angola. Leopold's successors taxed with the global context in mind. The Belgians feared that tariff policies would make the Congolese economy less competitive and that, as a result, commerce would move to other parts of the world with more accommodating customs regulations.

## About the author

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