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## Negotiating colonial tariff policies. Customs and commerce in the Congo (1886-1914)

### Introduction

This paper is a preliminary draft of a chapter of my PhD which focuses on the issue of customs and contraband in the Congo Free State and Belgian Congo before World War I. The goal of this PhD is to study how customs policies were negotiated on the international, colonial and local level with the different stakeholders so as to meet two key objectives: extract sufficient revenue to pay for rising colonial expenses and shape and boost the colonial export economy. This paper focuses on the interaction between the colonial state and the companies that paid tariffs in the Congo.

It is crucial to study the customs-related interaction between the colonial state and private enterprise as fiscal sociology argues that one of the main constraints on the state's core-objective to maximize revenue is tax compliance. A state can force taxpayers to comply or depend on their consent. Consent produces better results more cheaply but requires bargaining with the taxpayer who expects something in return for his fiscal contribution and depends on the perceived fairness of taxation.<sup>1</sup> This paper therefore studies how the customs regime in the Congo affected the tariff-payer, how this taxpayer responded and how this response in return affected tariff policies. I argue that the interaction between the state and private enterprise was fundamentally determined by: a) the pressure on the colonial administration to maximize customs receipts which forced policymakers to increase the tariff burden and limited the scope to meet the demands of trading and concession companies on the one hand; and

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<sup>1</sup> Margaret Levi, *Of Rule and Revenue* (Berkeley: University of California Press, 1989).

Jurgen Backhaus, "Fiscal Sociology: What For?," *American Journal of Economics and Sociology* 61, no. 1 (2002).

Deborah Bräutigam, "Taxation and state-building in developing countries," in *Taxation and State-Building in Developing Countries. Capacity and Consent*, ed. Deborah Bräutigam, Odd-Helge Fjeldstad, and Mick Moore (Cambridge: Cambridge University Press, 2008).

Isaac William Martin, Ajay K Mehrotra, and Monica Prasad, eds., *The New Fiscal Sociology. Taxation in Comparative and Historical Perspective* (Cambridge: Cambridge University Press, 2009).

b) how private enterprise perceived the weight of the tariff burden and the services that the colonial state provided in return.

This paper builds on the other chapters of my PhD. As a result, the reader will have to take a number of claims for granted. A large part of my argument for example depends on the importance of customs duties as a source of revenue which constrained the colonial state to give in to the demands of tariff-payers. This role of customs duties as a source of colonial income is discussed in the first chapter of my PhD. In short, the colonial state relied heavily on export and import duties to balance its shaky budget during the first decade of colonial rule. The colonial state continuously tried to extract more revenue from international trade to save the Free State and its King from bankruptcy. As soon as the rubber boom started around 1896, the colonial state lost interest in its customs system. Direct taxation became the most important source of revenue. Nevertheless tariffs continued to make up about 15% of colonial revenue. The Belgians reformed Leopold's fiscal system. Customs duties and import tariffs in particular were to become the main source of colonial revenue. However, as the rubber boom continued until 1913, the Belgians were less concerned with maximizing tariff receipts as decision-makers were during the first decade of colonial rule.

The first section of this paper describes how the colonial customs regime affected trading and concession companies that operated in the Congo before World War I. The second section zooms in on the period between 1886 and 1892 when the customs system of the Free State took shape. This period was characterized by fierce disputes between trading firms and the colonial state who was forced to raise the tariff burden to make ends meet. The third section focuses on the customs-related interaction after 1892 when the dispute between private enterprise and the colonial state cooled down.

## 1. The impact of the customs regime on trading and concession companies

This paper focuses on European trading and concession companies as these firms paid the greater part of colonial customs duties. Trading and concession companies imported barter products from Europe to exchange for Congolese rubber and ivory which they exported back to the European market. The biggest players on the Congolese market were trading houses such as *Daumas Béraud et Compagnie* (DBC), the *Nieuwe Afrikaansche Handels-Vennootschap* (NAHV) and *Société Anonyme Belge pour le Commerce du Haut-Congo* (SAB) and concession companies such as Abir, the *Société Anversoise* and the *Compagnie du Kasai* (CK). Trading firms simply bartered imports for exports. Concession companies operated differently: African producers or chiefs were compensated with imports for the effort they put into collecting the ivory and rubber that had to be paid to concession agents who collected direct taxes in the name of the state. Coercion allowed concession agents to compensate African producers or intermediaries below market prices. Nevertheless, coercion required additional imports. *Capitas* and chiefs had to be armed and were paid in imports for their contribution to the tax effort.<sup>2</sup>

A lack of quantitative and qualitative data makes it very difficult to study the impact of customs policies on the performance of trading and concession companies. The NAHV is the only company that was

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<sup>2</sup> Robert Harms, "The end of red rubber: a reassessment," *The Journal of African History* 16, no. 1 (1975).

———, "The World Abir Made: The Margina-Lopori Basin, 1885-1903," *African Economic History*, no. 12 (1983).

Daniël Vangroenweghe, *Rood rubber: Leopold II en zijn Kongo* (Brussels: Elsevier, 1985).

Catherine Coquery-Vidrovitch, *Le Congo au temps des grandes compagnies concessionnaires 1898-1930* (Paris: Ed. de l'Ecole des hautes études en sciences sociales, 2001).

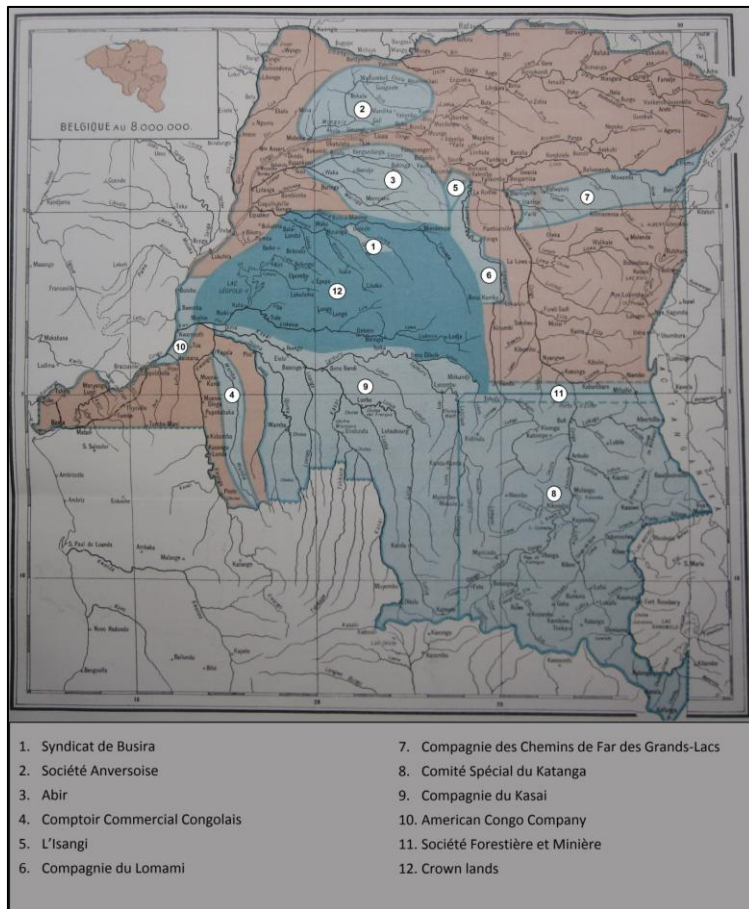
active in the Congo before World War I that left any records. Unfortunately, most of these records deal with the firm's many quarrels with the Free State and are not suited to reconstruct the real impact of taxation. For the majority of other colonial companies we have to rely on the few published documents that remain. At best, companies published annual accounts and reports.<sup>3</sup> However, the annual reports are usually overly concise and contain little information on taxation. Moreover, these documents were published to show shareholders how well the company was doing and are hence inherently biased. Annual accounts generally only report the general costs, receipts and profits of a firm and do not explain how the generic income or expense categories such as "costs in Africa and Europe" or "profits from African trade" were composed.

Two companies published sufficiently detailed accounts in the *Mouvement Géographique* to study the tariff burden and to at least paint an approximate picture of the cost of customs duties. The *Compagnie du Lomami* (CL) was a concession company that was created in 1899 to exploit rubber in the Lomami basin, as Figure 2 shows. The SAB was one of the biggest trading firms in the Congo and had trading posts throughout the colony, as Figure 3 shows, and had large stakes in a number of concession companies as well. These two enterprises are the only firms that published data on the amount of taxes they paid to the Free State and Belgian Congo. Unfortunately, this data lacks detail which produces a number of methodological issues.

**Figure 1: Map of the concession companies in the Congo Free State (1908)**

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<sup>3</sup> These documents can be found in publications such as the *Mouvement Géographique* and the *Recueil financier. Annuaire des valeurs cotées aux bourses de Belgique*.



Source: "Carte foncière de l'Etat Indépendant du Congo." *Le Mouvement Géographique* (1908), Annex.

The first methodological problem is that both the SAB and CL accounts only register the total annual fiscal contribution and do not discern between the different taxes they paid. Fortunately, there are two ways to show that the large majority of the fiscal contribution of the SAB and CL consisted of tariffs. Table 3 measures the weight of customs revenue in the total amount of taxes that the colonial state collected from trading and concession companies. These consisted of import and export duties, direct taxes on the amount of buildings and boats a company owned and the number of people it employed, a cadastral tax, a maritime tax, a tax on the number of porters a company employed, toll to use the road between Matadi and Leopoldville, a wood tax, patents and licenses and a permit to harvest rubber.<sup>4</sup> Customs duties made up the vast majority of total taxes on trade. On average, customs duties made up 84% of the total amount of taxes that the state collected from trading and concession companies. If the colonial administration mostly collected customs duties from trading and concession companies than logically these firms mostly paid tariffs.

<sup>4</sup> Both the Free State and the Belgian Congo continuously introduced new taxes and abolished old ones. Not all these different types of taxes were collected each year.

**Table 1: The total tax burden and tariff burden on Congolese trading and concession companies (1886-1912)**

Year	Total tax burden (1913 francs)	Tariff burden	
		1913 francs	% Total tax burden
1886	40.000	29.000	73%
1887	95.000	88.000	93%
1888	112.000	94.000	84%
1889	156.000	125.000	80%
1890	254.000	195.000	77%
1891	998.000	576.000	58%
1892	1.061.000	819.000	77%
1893	1.233.000	1.055.000	86%
1894	1.415.000	1.228.000	87%
1895	1.549.000	1.367.000	88%
1896	1.496.000	1.335.000	89%
1897	2.602.000	2.432.000	93%
1898	-	-	-
1899	-	-	-
1900	-	-	-
1901	6.442.000	5.620.000	87%
1902	6.183.000	5.401.000	87%
1903	8.014.000	7.145.000	89%
1904	6.898.000	5.983.000	87%
1905	7.505.000	6.539.000	87%
1906	6.980.000	6.007.000	86%
1907	8.679.000	7.539.000	87%
1908	9.186.000	7.719.000	84%
1909	7.934.000	6.623.000	83%
1910	9.195.000	8.228.000	89%
1911	12.233.000	10.553.000	86%
1912	12.343.000	10.452.000	85%

*Source: executed budgets of the Congo Free State and Belgian Congo*

In 1894, the SAB published a more detailed account of the taxes that the company had paid in 1893.<sup>5</sup> This data provides an additional perspective on the composition of the fiscal burden on trading companies. Table 2 demonstrates that in 1893, 77% of the taxes that were paid by the SAB consisted of customs duties. This percentage shows that estimating the composition of the fiscal burden of specific trading companies using the annual amount of taxes that the Free State and Belgians collected from these firms is not that accurate. Nevertheless, this section's claim – namely that a) the vast majority of the fiscal contributions recorded in the CL and SAB accounts consisted of tariffs and that b) the total amount of taxes can be used as an approximation for the tariff burden – still holds.

<sup>5</sup> “Société du Haut-Congo. Assemblée générale ordinaire du 17 octobre 1894.” *Le Mouvement Géographique* (1894), p. 94-96.

**Table 2: The fiscal burden on the SAB (1893)**

Tax type		1913 francs	% total fiscal burden
Customs duties	Export duties	211.000	57%
	Import duties	59.000	16%
	Domanial contribution	15.000	4%
	Total tariff burden	286.000	77%
Porters and workers tax		14.000	4%
Direct taxes		15.000	4%
Wood cutting tax		7.000	2%
Transport licenses		26.000	7%
Various taxes		20.000	5%
Gun permits		1.000	0%
Fines		4.000	1%
Total fiscal burden		372.000	100%

Source: Annual report of the SAB published in the *Mouvement Géographique*

The SAB accounts pose an additional issue. As from 1892 the SAB was active in both the French Congo and the Free State through its acquisition of the DBC.<sup>6</sup> However, most annual accounts do not distinguish between the taxes that the firm paid to the French or to Leopold's administration. Only in 1899 and 1900 more detailed information was published.<sup>7</sup> Table 3 shows that the SAB paid far more taxes to the Free State in 1898 and 1899 than to the French. The SAB paid more to the Free State because most of the SAB's commercial activities were located on the left bank of the Ubangi and the Congo. Map X shows that only 12 of the 68 trading posts were located in the French parts of the Congo basin in 1895. In 1900, the establishment of the concession system in the French Congo presumably ended most of the SAB's direct activities in the French territories and hence must have reduced the company's contributions to the French administration to an even more negligible amount.<sup>8</sup>

**Table 3: The fiscal contribution of the SAB in the Congo Free State and French Congo (1898-1899)**

Year	Total fiscal contribution (1913 francs)	Taxes paid to the Free State		Taxes paid in French Congo	
		1913 francs	% total fiscal contribution	1913 francs	% total fiscal contribution
1898	282.000	228.000	81%	54.000	19%
1899	407.000	382.000	94%	25.000	6%

Source: Annual report of the SAB published in the *Mouvement Géographique*

<sup>6</sup> "Union commerciale des intérêts Belges et Français dans le bassin du Haut Congo." *Le Mouvement Géographique* (1892), p. 31, 32.

<sup>7</sup> "Société Anonyme Belge pour le commerce du Haut-Congo. Rapport du conseil d'administration." *Le Mouvement Géographique* (1899), p. 525-528.

"Société Anonyme Belge pour le commerce du Haut-Congo. Rapport du conseil d'administration." *Le Mouvement Géographique* (1900), p. 512-516.

<sup>8</sup> Coquery-Vidrovitch, *Le Congo au temps des grandes compagnies concessionnaires 1898-1930*, p. 14.

Figure 2: Map of the trading posts of the SAB (1895)



Source: "Société Anonyme Belge pour le Commerce du Haut-Congo." *Le Mouvement Géographique* (1895), p. 288.

Table 4 shows the SAB's total receipts, total expenditure, and net profit per year. The table also includes the amount of taxes that the trading firm paid in Africa in both absolute and relative (% of total expenditure) terms. The table shows that the fiscal burden and hence the tariff burden varied heavily from year to year in both absolute and relative terms. Unfortunately, we lack key data such as the annual volumes and value of imports and exports to compute which factors caused this absolute and relative variation in the fiscal and hence tariff burden. The annual reports of the SAB give some suggestions as to explain the evolution of the tariff burden but explain the evolution of the tariff burden largely remains guesswork.

**Table 4: SAB receipts, expenditure, fiscal contribution and net profits (1889-1912)**

Year	Total receipts (1913 francs)	Total expenditure (1913 francs)	Taxes		Net profit (1913 francs)	Net profit if not for taxes (1913 francs)
			1913 francs	% total expendit ure		
1889	885.000	598.000	0	0%	288.000	288.000
1890	1.126.000	825.000	108.000	13%	302.000	410.000
1891	1.276.000	939.000	155.000	17%	337.000	492.000
1892	2.499.000	1.692.000	282.000	17%	808.000	1.090.000
1893	2.894.000	2.607.000	372.000	14%	288.000	660.000
1894	1.687.000	1.789.000	370.000	21%	-103.000	267.000
1895	2.094.000	2.092.000	412.000	20%	3.000	415.000
1896	1.987.000	1.726.000	172.000	10%	261.000	433.000
1897	2.688.000	1.778.000	390.000	22%	910.000	1.300.000
1898	4.159.000	1.868.000	282.000	15%	2.292.000	2.574.000
1899	3.937.000	1.913.000	407.000	21%	2.024.000	2.431.000
1900	3.789.000	2.276.000	630.000	28%	1.513.000	2.143.000
1901	1.989.000	1.848.000	480.000	26%	141.000	621.000
1902	1.284.000	1.053.000	342.000	32%	231.000	573.000
1903	1.239.000	517.000	94.000	18%	722.000	816.000
1904	1.747.000	342.000	84.000	25%	1.405.000	1.489.000
1905	1.841.000	350.000	83.000	24%	1.491.000	1.574.000
1906	3.802.000	359.000	68.000	19%	3.443.000	3.511.000
1907	1.163.000	373.000	63.000	17%	791.000	854.000
1908	1.021.000	199.000	90.000	45%	821.000	911.000
1909	1.282.000	391.000	69.000	18%	891.000	960.000
1910	840.000	391.000	64.000	16%	449.000	513.000
1911	1.741.000	1.043.000	197.000	19%	698.000	895.000
1912	1.360.000	1.404.000	303.000	22%	-44.000	259.000

Source: Annual report of the SAB published in the *Mouvement Géographique*

What is important to remember from the graph above, is that taxes and hence tariffs made up a considerable share of the expenses of the company. In 1895 for example, taxes made up 20% of the firm's costs. Especially in years such as 1894 and 1912 when the company incurred losses, the tariff burden must have been a bitter pill to swallow. The company could have made profit if not for the tax burden of respectively 21% and 22% of the company's total expenditure. The SAB would have made far larger profits if not for taxes. However, none of the annual reports mention the impact of taxation. The reports mainly link the company's performance to prices for wild rubber on the world market, purchase prices in Africa, Congolese rubber and ivory supply, the speed of transport and the introduction and abolishment of the *régime domanial*. The tariff burden did not seem to bother the firm all that much. The tax burden for example did not withhold the SAB from expanding its activities in the Congo. Though the tariff burden increased heavily during the late 1880s and early 1890s the expenditure increased until 1893 and stagnated from 1894 until 1901. The drop in expenditure between 1902 and 1910 is not due to



any tariff-related changes. In that period the majority of the SAB's activities was sublet to two concession companies, the CK and the *Société du Busira*. When the Belgians gradually abolished the concession system the SAB started expanding once more despite the fact that the Free State substantially increased tariffs on the company's key export, rubber.

Table 5 shows the annual receipts, expenses, tax burden, net profit of the CK as well as the dividend the concession company had to pay to the state. The company seemed to have paid less taxes than the SAB. However, comparing these two firms is like comparing apples and oranges. The CL was a concession company active in the rubber sector in one river basin. When the CL was created, the SAB evolved into a mix between a holding with shares in different concession companies that exploited rubber, ivory and copal throughout the Congo and a trading house that traded rubber, ivory and copal. The only meaningful way to make this kind of comparison is by comparing the total cost and tax costs per kilogram of produced or exported rubber. Unfortunately, there is no data to compute these variables for both companies.

**Table 5: CL receipts and expenditure (1899-1913)<sup>9</sup>**

Year	Total receipts (1913 francs)	Total expenditure (1913 francs)	Taxes		Net profit	25% profit for CFS (1913 francs)
			(1913 francs)	% total expenditure		
1899	411.000	294.000	11.000	4%	116.000	29.000
1900	563.000	421.000	65.000	15%	142.000	35.000
1901	862.000	717.000	77.000	11%	146.000	36.000
1902	935.000	747.000	129.000	17%	188.000	47.000
1903	1.500.000	985.000	148.000	15%	516.000	129.000
1904	1.681.000	1.120.000	181.000	16%	561.000	140.000
1905	1.709.000	1.124.000	145.000	13%	585.000	146.000
1906	1.291.000	1.023.000	127.000	12%	268.000	67.000
1907	1.027.000	1.102.000	146.000	13%	-76.000	0
1908	729.000	994.000	147.000	15%	-265.000	0
1909	1.174.000	1.174.000	128.000	11%	0	0
1910	1.118.000	964.000	126.000	13%	154.000	39.000
1911	781.000	918.000	122.000	13%	-137.000	0
1912	1.017.000	1.209.000	127.000	11%	-192.000	0
1913	644.000	1.200.000	176.000	15%	-556.000	0

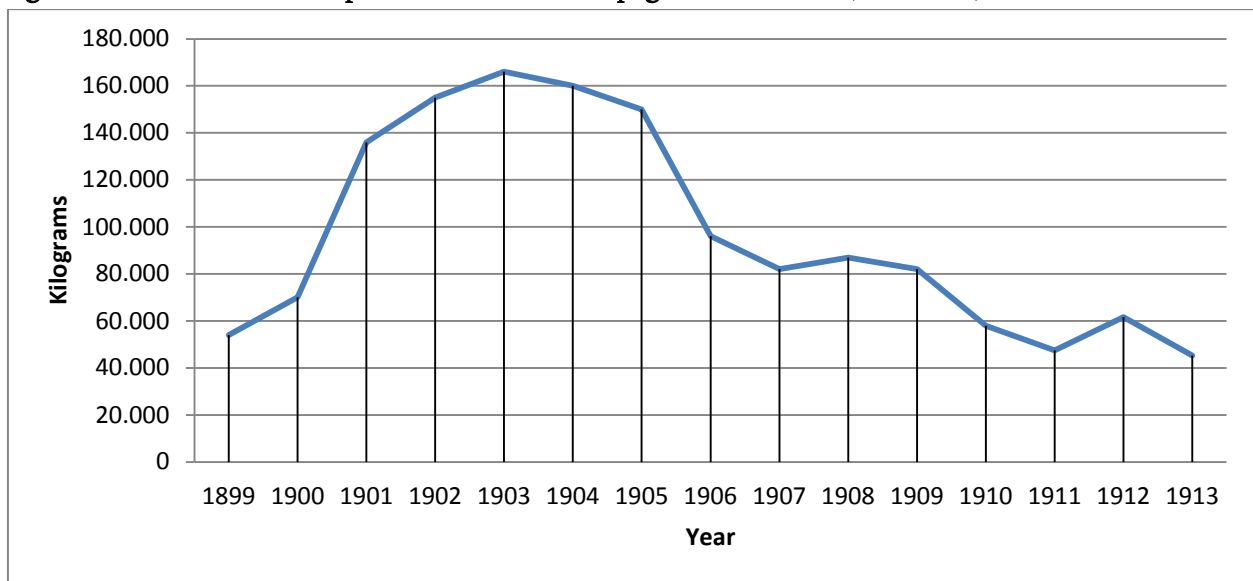
*Source: Annual report of the Compagnie du Lomami published in the Mouvement Géographique*

The CL reported on the amount of rubber it produced on an annual basis as Figure 3 demonstrates. Combining Table 5 and Figure 3 shows that the CL's fiscal history is linked to the amount of rubber it produced. From 1899 till 1903 the company's rubber production increased year after year. The amount of taxes that the company paid increased simultaneously. 1904 marks the start of the CL's gradual demise. From then onwards, annual rubber production declined because local resistance to forced

<sup>9</sup> This table is based on the annual accounts of the CL that were published in the *Mouvement Géographique*, except for the account of 1914.

rubber exploitation grew.<sup>10</sup> The company's fiscal contribution declined accordingly. In 1907, the CL suffered its first loss. Until then, rising rubber prices had partially made up for declining rubber production. In 1907 and 1908 however, European rubber prices plummeted. The firm still had to pay import and export duties but never complained. In addition, the colonial administration and the CL stopped collecting rubber as a direct taxes in kind in 1908. As a result rubber production and the company's fiscal contribution decreased further.<sup>11</sup> In 1909 and 1910 European rubber prices and hence the CL's profits recovered slightly. From 1911 until 1913, demand for Congolese rubber and the company's profits continued to decrease, hitting a record low in 1913. Meanwhile, rubber production continued to decline as did the tax burden due to the "disorder" among the local population and the abolishment of forced exploitation.<sup>12</sup>

**Figure 3: The annual rubber production of the Compagnie du Lomami (1899-1913)**



Source: Annual report of the Compagnie du Lomami published in the *Mouvement Géographique*

The annual reports and accounts of the SAB and CL demonstrate that the tax burden and hence tariff burden substantially raised the costs of trade in the Congo. Companies would have made a much larger profit, if not for taxes. Still neither of the two firms ever complained about the tax burden in their reports. In both cases, the annual performance of the company were mainly explained by global demand for Congolese rubber, African purchase prices and rubber supply, transport costs and the introduction and abolishment of the *régime domanial*. Consequently, his section does more than give a description of the tax burden. It also suggests that there is a difference between the real and perceived

<sup>10</sup> "Compagnie du Lomami. Assemblée générale ordinaire du 5 février 1908. Rapport du conseil d'administration." *Le Mouvement Géographique* (1908), p. 81-84.

<sup>11</sup> "Compagnie du Lomami. Assemblée générale ordinaire du 4 février 1911. Rapport du conseil d'administration." *Le Mouvement Géographique* (1911), p. 81-84.

"Compagnie du Lomami. Assemblée générale ordinaire du 7 février 1912. Rapport du conseil d'administration." *Le Mouvement Géographique* (1912), p. 123-126.

<sup>12</sup> "Compagnie du Lomami. Assemblée générale ordinaire du 4 février 1911. Rapport du conseil d'administration." *Le Mouvement Géographique* (1911), p. 81-84.

"Compagnie du Lomami. Assemblée générale ordinaire du 7 février 1912. Rapport du conseil d'administration." *Le Mouvement Géographique* (1912), p. 123-126.

tariff burden. This perception depended on much more than the amount of taxes a company paid as the next section demonstrates.

## **2. Negotiating customs policies in the face of looming colonial bankruptcy (1885-1892)**

As soon as the Free State was officially created, export duties were introduced to generate revenue. Colonial expenditure however rose much faster than fiscal receipts, bringing the colony on the brink of bankruptcy. Policymakers were forced to increase the tariff burden year after year. Trading firms – there were no concession companies at that time – could respond in several ways. They could simply comply and pay tariffs or try to evade customs procedures and taxes. Trading companies could also try to negotiate and change customs policies. Finally, they could defect by relocating to more business-friendly environments or by focusing on a different Congolese export sector, less burdened by tariffs and customs procedures. The first two parts of this section briefly deal with the more radical responses such as smuggling, relocating and reorienting. The majority of this section focuses on how the DBC, SAB and NAHV – the largest trading firms at the time – tried to get their grievances across to policymakers. Fiscal sociology – which studies why taxpayers comply with fiscal policies – provides a useful framework to study these grievances in a structured way. The different grievances of the SAB, DBC and NAHV also explain why the firms responded so differently to colonial customs policies. Finally, this section ends with studying whether the Free State met the demands of private enterprise.

### **2.1. To comply or not to comply?**

The DBC, NAHV and SAB abided by customs regulations. Unfortunately, it is hard to determine to what extent they complied. As demonstrated below, all three companies had more than enough reason to evade customs regulations. Moreover, these firms could have smuggled on a large scale. In 1912, the Périer report made it quite clear that the customs department never had the capacity to properly monitor and tax international trade. The customs department had always relied heavily on the honesty of trading firms. According to this inspection report fraudulent declarations had always been a rampant problem in the main Congolese ports of Boma and Matadi.<sup>13</sup> However, there is little specific evidence of systematic tax evasion by any of these enterprises.

There is some evidence of specific customs-related offenses. Mostly, it concerns petty crimes such as neglecting registration requirements which can be put down to the ignorance of isolated commercial agents who often seemed to be ill-informed about customs regulations. In 1893, an inspection the Manyanga post of the SAB revealed that a batch of rubber had not been registered according to customs regulations.<sup>14</sup> A similar thing happened in the NAHV post in Ponta Da Lenha where imported guns had not been reported properly.<sup>15</sup> Most colonial records however only contain accusations which cannot be

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<sup>13</sup> AMAEB, AA, CP, 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).

<sup>14</sup> ABMFA.AA.CP.2571 – Letter from the DC of Matadi to the GG (10-11-1893).

<sup>15</sup> ABMFA.AA.DAE.294.375 – The Ponta Da Lenha Affair: Report by the court of appeal (3-10-1891)

NA.BZ. 215A.106H – Letter from the Director of the Justice Department of the Congo Free State to the NAHV (9-10-1891).

validated due to the lack of records. For instance, the NAHV was accused of systematically sending African traders who sold rubber from the Free State to their posts in the French Congo where export duties were not yet introduced. In French Congo NAHV agent bought the rubber and acquired a certificate of origin that stated that the rubber came from the French territories. The rubber was then exported via the main NAHV post in Banana as a transit good which could not be taxed by the Free State.<sup>16</sup> Similarly, the SAB was accused of bypassing the Free State's customs regime by bringing the ivory it bought in the Free State to Brazzaville where lower ivory tariff applied.<sup>17</sup>

## 2.2. Relocation and reorientation

From the onset, the NAHV threatened to shut down its Congolese operations to influence colonial customs policies. When the Free State introduced export duties in 1886, the NAHV claimed it did not want not run down its well-established presence in the Free State but that the combination of an ongoing economic crisis and the tariff burden made trade unprofitable, giving them no choice but to consider relocation.<sup>18</sup> The Dutch trading firm repeatedly complained that the Free State's "hostile fiscal attitude" and the needlessly complex transit procedures forced them to move a part of their activities to Angola.<sup>19</sup> The NAHV used the same relocation threat in its attempts to convince the Free State not to implement import duties.

In 1890, the NAHV put its money where its mouth was and actually relocated. However, the NAHV moved its headquarters in Banana to Cabinda and Brazzaville.<sup>20</sup> The company claimed it moved because import duties made the tax burden unbearable.<sup>21</sup> However, the firm continued to trade and hence pay tariffs in the Free State. Clearly, factors other than the tariff burden were at play. In general, the NAHV was fed up with the economic policies of Leopold which the company invariably interpreted as attempts to thwart their operations in the Congo.<sup>22</sup> Moreover, the French and the Portuguese lured the NAHV to Angola and French Congo with a number of unspecified promises.<sup>23</sup> On top of that the French and Portuguese did not levy direct taxes on trading companies.<sup>24</sup>

The DBC also threatened to leave the Free State to put pressure on the French government who was negotiating common tariffs with the Free State in 1891.<sup>25</sup> The company complained that it could no longer bare the ever increasing fiscal burden.<sup>26</sup> Contrary to the NAHV, the DBC did not relocate. Instead

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<sup>16</sup> ABMFA.AA.DAE.207.55 – Report from the DC of Leopoldville to the GG (27-10-1887).

<sup>17</sup> ABMFA.AA.DAE.204.32.2/132 – Letter from the VGG to the AGDAE (10-02-1891)

<sup>18</sup> ABMFA.AA.DF.863reg1p36 – letter from the NAHV to the AGDF (5-10-1886).

<sup>19</sup> NA.BZ.217A.109 – Letter from the NAHV to the AGDF (6-11-1886).

<sup>20</sup> NA.NAHV.237.631 – September meeting of the board of supervision (20-9-1890).

<sup>21</sup> SAB.AHD.32 – Report of the Proceedings of the Conference of African Merchants on the Congo Free State and Import Duties (4-11-1890).

NA.BZ.215A.106H – Letter from the NAHV to the Dutch Ministry of Foreign Affairs (18-11-1891).

NA.BZ.215A.106H – Letter from the NAHV to the Dutch Ministry of Foreign Affairs (14-1-1893).

<sup>22</sup> Herman Obdeijn, "The New Africa Trading Company and the Struggle for Import Duties in the Congo Free State, 1886-1894," *African Economic History*, no. 12 (1983).

<sup>23</sup> ANOM.FM.SG.AFR.VI.80a – Letter from the French Minister of Foreign Affairs to the French Secretary of State of Colonies (24-12-1890).

NA.NAHV.72.167 – Report of the eleventh fiscal year of the NAHV (5-1891)

<sup>24</sup> NA.NAHV.237.631 – Report of the shareholder's meeting (25-2-1891).

<sup>25</sup> ANOM.FM.SG.AFR.VI.80a – Letter from the DBC to the French Ministry of Foreign Affairs (30-12-1890).

ANOM.FM.SG.AFR.VI.94a – Letter from the DBC to the French Ministry of commerce and colonies (28-1-1891)

Béraud, *Les intérêts du commerce français au Congo belge considérés dans leurs rapports avec la convention franco-congolaise du 9 février 1891* (Paris: Imprimerie Chaix, 1891).

<sup>26</sup> SAB.AHD.32 – Report of the Proceedings of the Conference of African Merchants on the Congo Free State and Import Duties (4-11-1890).

NA.BZ.215A.106H – Petition to the French Senate by Mr. Daumas (25-4-1891)

the management threw in the towel and sold its activities in the Free State and French Congo to the SAB in 1892.<sup>27</sup> The DBC joined the enemy by merging with the company that according to them had always been privileged by Leopold.<sup>28</sup> From the perspective of the SAB, the merger can be interpreted as an attempt to get a foothold in the French territories to escape the fiscal burden in the Free State. However, the SAB did not reduce its presence in the Free State. On the contrary, the company constructed nine new trading posts in 1892.<sup>29</sup> The fact that the SAB expanded its operations despite the growing fiscal burden proves that not all companies found the Free State's tariff policies to be so detrimental.

The tariff regime did not push the main trading firms into exporting different commodities that were tax less. Table 6 shows that the SAB mainly exported ivory and rubber and continued to do so despite the rising tariff burden during the late 1880s and early 1890s. Rubber did not become more important than ivory because of the colonial tariff policy but because Congolese ivory reserves ran out and global demand for wild rubber rose. Unfortunately, there is no data to study the exports of the DBC or the NAHV. However, both companies must have continued to export ivory and rubber regardless of colonial customs policies. The Congo exported little else than ivory and wild rubber as the high fixed and variable costs of trade did not make many other commodities worth exporting.

**Table 6: Annual rubber and ivory purchases of the SAB (1889-1894)**

Year	Ivory (tons)	Rubber (tons)
1889	50.000	0
1890	50.000	32.000
1891	47.000	26.000
1892	90.000	125.000
1893	113.500	167.500
1894	86.250	236.800
1895	74.763	123.872
1896	41.625	190.084
1897	48.820	458.862

*Source: Annual report of the SAB published in the Mouvement Géographique*

The impact of customs tariffs on the types of barter products that trading firms imported is even harder to study as there is hardly any serial data on the merchandise that trading companies bartered for ivory and rubber. We can only assume that little changed as most imported barter products were taxed at the same rate. One exception: the Free State curbed the import of arms and ammunition in large parts of the Congo.<sup>30</sup> This was an especially bitter pill to swallow for the NAHV. Table 7 shows that this firm imported massive amounts of firearms and ammunition to barter for Congolese produce before the arms trade was restricted. Gunpowder made up 8% of the total value of the barter products that the NAHV imported between 1880 and 1889; firearms made up 3%.<sup>31</sup> Gunpowder was so important

<sup>27</sup> SAB.SGB.Finoutremer.483 – Minutes of the meeting of the standing committee (24-3-1892).

AMAEB.AA.ST.1 – Statuts du société Daumas, Béraud et Cie (1887-1892).

<sup>28</sup> Béraud, *Les intérêts du commerce français au Congo belge considérés dans leurs rapports avec la convention franco-congolaise du 9 février 1891* (Paris: Imprimerie Chaix, 1891).

<sup>29</sup> "Assemblée générale de la Société du Haut-Congo." *Le Mouvement Géographique* (1892), p. 117-119.

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<sup>31</sup> NA.BZ.214A.106H – NAHV: Uitvoer naar het Congobekken van 1880 tot 1889 (21-6-1890).

that the firm even owned shares in a gunpowder factory.<sup>32</sup> Guns were a key import to buy ivory in the Congolese interior. Many chiefs simply did not sell tusks in exchange for other barter products.

**Table 7: Annual amount of firearms and gunpowder imported by the NAHV in the Congo Free State (1884-1888)**

Year	Flintlock (n°)	Non-Flintlock (n°)	Gunpowder (kg)
1884	35.414	216	486.000
1885	21.216	192	236.000
1886	19.582	0	216.000
1887	12.030	270	285.000
1888	32.301	89	370.000
Total	120.543	767	1.593.000

Source: NA.NAHV.145.364 – Letter from the NAHV to the Dutch Ministry of Foreign Affairs (18-1-1889)

## 2.3. Different grievances and strategies to negotiate customs policies

### 2.3.1. Participation in policymaking

The NAHV and DBC had similar strategies to influence colonial customs policies. First, the firms contacted the Free State. However, both companies regularly complained that their grievances fell on deaf ears. The NAHV was especially displeased that its voice was not heard. As the biggest trading firm which made the biggest fiscal contribution the company felt it should have a say in policymaking.<sup>33</sup> The next step consisted of contacting the foreign affairs ministry of the Netherlands or France who would then contact the Free State. Via their respective metropolitan foreign affairs departments the NAHV and DBC’s also tried to influence the outcome of the Berlin and Brussels Conferences where the colonial powers negotiated the scope for fiscal policymaking in the Congo basin.

The NAHV maintained strong ties with the Dutch government. NAHV representatives were for example part of the Dutch delegation in the Berlin and Brussels convention which largely copied the company’s discourse and fiercely defended the firm’s interests.<sup>34</sup> The most far-reaching example of the NAHV’s successful attempts to involve the Dutch government was the anchoring of the warship H.M. Sommelsdijck in the Congo estuary. The ship stayed for one month on request of the Dutch consul and head agent of the NAHV in Congo, Frederik de la Fontaine Verwey, who complained that the ever-increasing tax burden ruined Dutch commerce in the Congo and hoped to “encourage the Belgians to moderation” and “protect Dutch trade interests from the Free State’s arbitrary rule”.<sup>35</sup> If the Dutch foreign Ministry and the NAHV would have had their way, other warships would have regularly been sent to continue to pressure the Free State after the departure of the H.M. Sommelsdijck. Nevertheless,

<sup>32</sup> NA.NAHV.771 – report of the 8<sup>th</sup> meeting of the monitoring committee (27-6-1887).

<sup>33</sup> NA.BZ.217A.109 – Letter from the NAHV to the AGDF (6-11-1886).

F. de Bas, *Een advies in het Congo-vraagstuk* (Schiedam: H.A.M. Roelants, 1890), p. 4, 5.

<sup>34</sup>

<sup>35</sup> NA.BZ.215A.106H – Letter from de la Fontaine Verwey to the Dutch Minister of Foreign Affairs (11-12-1890).

NA.BZ.215A.106H – Letter from Captain Steyn to the Dutch Minister of the Navy (13-12-1890).

NA.BZ.215A.106H – Letter from the NAHV to the Dutch Minister of Foreign Affairs (20-1-1891).

the Navy ministry was against such gunboat diplomacy. His preference for a more diplomatic approach ended the military pressure of the Netherlands.<sup>36</sup>

The DBC had a more complex relationship with the French government. Before 1890, the French government simply transferred the firm's complaints to Brussels. However, the DBC managed to influence the French position during the Brussels convention and bilateral talks with the Free State to bring import and export tariffs into line. The French pressured Leopold II to give up the export tax of 25% ad valorem on ivory from the private domain of the state which was introduced in 1891.<sup>37</sup> Moreover, French diplomats managed to convince Leopold to reduce a number of other taxes that trading companies had to pay.<sup>38</sup> The Free State also formally promised not to trade ivory anymore.<sup>39</sup> All these demands were suggested by the DBC.<sup>40</sup> However, the French had their own fiscal interests. Together with the Free State they decided to levy export duties in the Upper Congo in 1890 and to introduce import duties in 1892, against the will of the DBC.<sup>41</sup>

The NAHV and DBC also tried to put pressure on their Metropoles and the Free State by joining forces and developing a common stance; often together with other trading firms that were active in the Congo basin.<sup>42</sup> Moreover, they published numerable pamphlets that substantiated their complaints and suggested alternative policies.<sup>43</sup> Both companies also called in the press to influence the public opinion. As the dispute with the Free State grew fiercer so did the tone of the articles written by company agents.<sup>44</sup> Both the DBC and the NAHV for example regularly accused the Free State of buying and employing slaves to undermine Leopold's argument that the Free State needed import duties to finance the fight against the slave trade in the East.<sup>45</sup>

Contrary to the NAHV and DBC, the SAB never openly challenged the Free State's customs policies. The interaction between this firm and the colonial state mainly remained behind the scenes and never got out of hand like the dispute between the NAHV and Free State did. Thys played a key role in this relationship. As one of the leading men of the SAB and a confidant of the Belgian King, he often managed to reconcile the sometimes opposite interests of the colonial state and the SAB; convincing both sides to make concessions.<sup>46</sup> One of Thys' biggest achievements was to convince the king to drop the 25% export tax on ivory in 1891. Leopold reduced the tax rate to 10% ad valorem as the French suggested during the negotiations of common tariffs. Thanks to Thys, a compromise was reached

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<sup>36</sup> NA.BZ.215A.106H – Letter from the Dutch Minister of Foreign Affairs to the Dutch Minister of the Navy (13-12-1890).

<sup>37</sup> Modifications à certaines lois d'impôts (19-2-1891), BOEIC, 1891, p. 23-26.

<sup>38</sup> ANOM.FM.SG.AFR.VI.80a – letter from the French Ministry of Foreign Affairs to the Belgian ambassador in Paris (13-12-1890)

<sup>39</sup> ANOM.FM.SG.AFR.VI.80a – letter from the French ambassador in Brussels to the French Ministry of Foreign Affairs (24-6-1890)

<sup>40</sup> ANOM.FM.SG.AFR.VI.80a – letter from the French Ministry of Foreign Affairs to the French Secretary of Colonies (9-12-1890)

<sup>41</sup> Droits de sortie (15-6-1890), BOEIC, 1890, p. 81-83.

Protocole signé à Lisbonne, le 8 avril 1892, entre les Gouvernements de l'Etat 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 (8-4-1892), BOEIC, 1892, p. 111, 112.

<sup>42</sup> See for example: ABMFA.AA.CP.2571 – Letter from De Bloem (NAHV), Mac Creadie (Hatton & Cookson), Lasthou (Daumas Béraud et Cie), Frazer (British Congo Company), d'Oliveira, de Ribeiro, Abseio (Companhia Portuguesa do Zaïre), de Souza, Lopo, Borges, Valle et Azevedo, Ferreira d'Acosta, Real, de Freitas et da Sylva to the AG in Congo (10-6-1886).

<sup>43</sup> See for example publications such as: *l'Etat du Congo et son avocat. Réponse à la brochure: "l'Etat Indépendant du Congo et la Compagnie de Rotterdam par un Ami de la Vérité" par un négociant hollandais* (Rotterdam: M. Wyt & Zonen, 1890).

Béraud, *Les intérêts du commerce français au Congo belge considérés dans leurs rapports avec la convention franco-congolaise du 9 février 1891* (Paris: Imprimerie Chaix, 1891).

<sup>44</sup> See for example: ABMFA.AA.AE.207.53 – "Oeconomische en Financieele Mededeelingen. Kongo." *Nieuwe Rotterdamsche Courant* (8-7-1887)

<sup>45</sup> See for example: NA.BZ.206A – "Lettre d'un employé d'une maison française au Congo." *Le Temps* (13-6-1892).

<sup>46</sup> APR.AKL.DE – Correspondence with Albert Thys.

MRAC.PAT. 60.9.1 – Correspondence between Leopold II and Albert Thys.

between the interests of the French, the SAB – who wanted a lower tax burden – and the King’s desire to maximally tax the ivory trade in an attempt to save his colony and himself from bankruptcy.<sup>47</sup>

Thys did not manage to reconcile the SAB and the Free State when Leopold fully implemented the *régime domanial*, a direct tax system which also introduced a state monopoly on rubber and ivory exploitation in the majority of the colony. In 1892 and 1893, the Belgian trade firm took the same steps to change colonial policy as the NAHV and DBC had taken in their battle against customs duties. The company contacted the metropolitan government to have the Belgian prime minister defend their interests while increasing the pressure on Leopold through pamphlets and the media.<sup>48</sup> The fact that the SAB waged a full-on campaign against colonial policies when the company felt wronged but did not join the efforts of the DBC and NAHV against customs duties is important. This indicates that the SAB did not mind the Free State’s tariff policies as much as the other two firms did.

### 2.3.2. The fiscal burden

Every time the Free State increased the tariff burden, the NAHV and the DBC complained loudly that customs duties made international trade unprofitable. Initially, both firms were okay with Leopold’s plans to introduce export tariffs. The DBC called the burden of the new tax “minimal”.<sup>49</sup> According to the NAHV, export duties did not seem excessive.<sup>50</sup> However, the resistance of trading firms grew once colonial customs policies really took shape. In 1886, the NAHV and DBC joined forces with a number of other trading houses and wrote an open letter to the Free State. The companies complained that the tariff burden was too high because European prices for African commodities had dropped substantially. 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. If the high transport and insurance cost were added to the equation, tariffs made trade unprofitable.<sup>51</sup> Trading firms clearly had a different conception of a bearable tariff burden than the Free State. The NAHV suggested to lower copal tariffs from the existing rate of 0,08 to 0,01 francs per kilogram and palm oil tariffs from 0,025 to 0,01 francs.<sup>52</sup>

The Free State exempted exports from the Upper Congo, the region east of Stanley-Pool, from 1888 till 1890.<sup>53</sup> In 1890 this exemption was abolished as the state needed to increase customs revenue. From then onwards, rubber and ivory exports were taxed at a rate of respectively 0,5 and 2 francs per kilogram.<sup>54</sup> The DBC called the rubber tariff “exorbitant” and the new ivory taxes “ruinous”. Moreover,

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<sup>47</sup> APR.AKL.DE – Correspondence with Albert Thys..

<sup>48</sup> SAB.AEVE.T035.152 – Interventions du Ministre Beernaert en faveur des compagnies commerciales (1892).

SAB.AHD.I 410.37 – Lettres & documents ayant trait aux réclamations formulées en 1892 par le Société Anonyme Belge pour le Commerce du Haut-Congo relativement à l’exploitation du domaine de l’Etat (1893).

See for example the many articles dedicated to the dispute between the SAB and the FREE STATE in the *Mouvement Géographique* of 1892.

<sup>49</sup> ABMFA.AA.DF.A12.863reg1p33 – Letter from Daumas, Béraud et Cie to the AGDF (17-9-1886).

<sup>50</sup> ABMFA.AA.CP.2571. Secrétariat d’Etat EIC Douanes/Commerce – dossier droits de sortie et droits d’entrée – Letter from the AGDF to the AG in Congo (23-7-1886).

<sup>51</sup> ABMFA.AA.CP.2571. Secrétariat d’Etat EIC Douanes/Commerce – dossier droits de sortie et droits d’entrée – Letter from De Bloem (NAHV), Mac Creadie (Hatton & Cookson), Lasthou (Daumas Béraud et Cie), Frazer (British Congo Company), d’Oliveira, de Ribeiro, Abseio (Companhia Portugueza do Zaire), de Souza, Lopo, Borges, Valle et Azevede, Ferreira d’Acosta, Real, de Freitas et da Sylva to the AG in Congo (10-6-1886).

<sup>52</sup> ABMFA.AA.DF.A12.863reg1p46 – Letter from the NAHV to the AGDF (27-8-1886).

SAB. Archief Huber Droogmans.I 410.2 – Letter from the AGDF to the AG in Congo (24-08-1886).

<sup>53</sup> Droits de sortie (19-10-1887), BOEIC, 1888, p. 1-4.

<sup>54</sup> Droits de sortie (15-6-1890), BOEIC, 1890, p. 81-83.



the new tariffs did not take into account that ivory prices depended on the size and shape of a tusk. The tariff burden was especially heavy on smaller tusks. The new tariffs made trade in the Upper Congo impossible.<sup>55</sup> In 1891 Leopold introduced the ivory tariff of 25% ad valorem. Once more the DBC claimed this “monstrous” tariff rate made commerce unprofitable and would prevent companies from establishing a presence in large parts of the Upper Congo.<sup>56</sup> Contrary to the DBC, the NAHV welcomed the introduction of export duties on products from the Upper Congo. The Dutch firm hoped that Leopold’s agents would stop buying ivory in the *Haut Congo* if the state could extract sufficient revenue through tariffs.<sup>57</sup> However, tariff rates were excessively high according to the NAHV and did not take into account European price fluctuations and the large price differences between specific tusks or batches of rubber.<sup>58</sup>

When the Free State unveiled its plans to introduce import duties, the DBC and NAHV did everything in their power to stop Leopold. Import duties seemed to be the final straw for both trading firms. In their eyes, import duties would increase the already excessive tax burden to an even more unbearable level. Once more, they argued that the burden of import duties made trade unprofitable.<sup>59</sup> The commercial sector was still in its infancy and could not yet bare such a heavy tax burden.<sup>60</sup> Interestingly enough, the DBC and NAHV were rather inconsistent in their complaints about the tariff burden. When the Free State introduced export duties both firms pleaded for the implementation of direct taxes instead. In 1890, the DBC and the NAHV urged the Free State to abolish direct taxes on trading firms and to not implement import duties. Both companies suggested that the state could only collect export tariffs instead.<sup>61</sup>

The DBC and NAHV did not only complain about the financial burden of the Free State’s tariff measures. Both companies took the entire tax burden into account when evaluating the financial impact of customs reforms. The patent tax on ivory trade and direct taxes on trading companies that were implemented in 1890 were an especially bitter pill to swallow.<sup>62</sup> The NAHV and DBC were also dissatisfied with the “torturous”, “impractical” and “nit-picking” customs procedures which slowed down trade.<sup>63</sup> Each new customs measure increased the level of red tape. The DBC even suspected the

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<sup>55</sup> NA.BZ.214A.106H – Letter from DBC to the French Minister of Colonies (16-8-1890).

ANOM.FM.SG.AFR.VI.80a – Letter from DBC to the French Minister of Foreign Affairs (21-8-1890).

<sup>56</sup> ANOM.FM.SG.AFR.VI.94a – Letter from the DBC to the Ministry of commerce and colonies (28-1-1891)

APR.Archives du kabinets du roi Leopold II. Documents relatifs au développement extérieur de la Belgique. Correspondance avec Albert Thys – Letter from Thys to Leopold II (6-6-1891).

<sup>57</sup> NA.BZ.213A – Letter from the NAHV to the Dutch Minister of Foreign Affairs (5-10-1889).

<sup>58</sup> NA.BZ.214A.106H – Letter from the NAHV to the Dutch Minister of Foreign Affairs (18-8-1890).

<sup>59</sup> SAB. Archief Hubert Droogmans. I 410.32 – Report of the Proceedings of the Conference of African Merchants on the Congo Free State and Import Duties (4-11-1890).

<sup>60</sup> de Bas, F. Een onpartijdig advies in het Congo-vraagstuk. Schiedam: H.A.M. Roelants, 1890, p. 4.

<sup>61</sup> ABMFA.AA.CP.2571. Secrétariat d'Etat EIC Douanes/Commerce - dossier droits de sortie et droits d'entrée – Letter from the AG in Congo to the AGDF (10-7-1886).

SAB. Archief Hubert Droogmans. I 410.31 – Letter from Hatton & Cookson, Valle & Azevedo, Companhia Portuguesa do Zaire, DBC and the NAHV to the signatories of the Berlin Act (4-11-1890).

SAB. Archief Hubert Droogmans. I 410.32 – Report of the Proceedings of the Conference of African Merchants on the Congo Free State and Import Duties (4-11-1890).

ANOM.FM.SG.AFR.VI.80a. Affaires diplomatiques: Conférence de Bruxelles. Dépêches du Ministre des Affaires Etrangères – Letter from DBC to the French Minister of Foreign Affairs (30-12-1890)

ANOM.FM.SG.AFR.VI.94a – Letter from the DBC to the Ministry of commerce and colonies (28-1-1891)

<sup>62</sup> ANOM.FM.SG.AFR.VI.80a. Affaires diplomatiques: Conférence de Bruxelles. Dépêches du Ministre des Affaires Etrangères – Letter from DBC to the French Minister of Foreign Affairs (30-12-1890)

<sup>63</sup> NA.BZ.214A.106H.Handelsbelangen in de Congostaat II. Juli-November – Letter from the NAHV to the Dutch Minister of Foreign Affairs (18-8-1890).

ANOM.FM.SG.AFR.VI.80a. Affaires diplomatiques: Conférence de Bruxelles. Dépêches du Ministre des Affaires Etrangères – Letter from DBC to the French Minister of Foreign Affairs (30-12-1890)

Free State of making customs procedures extra complex to hinder its activities.<sup>64</sup> The DBC and NAHV were for example displeased with the fact that the 1890 regulations obliged all steamers to stop at the first customs post they encountered on their journey downstream to declare their merchandise.<sup>65</sup>

The SAB stroke a different, far more positive note. When Leopold II informed the management of his plans to introduce import duties, the company responded that this would increase the total tax burden to about 125% of the firm's profits. However, the company stressed that it accepted the principle of taxation and was "happy" to comply.<sup>66</sup> The SAB welcomed import duties because it hoped these taxes would serve as an alternative for the direct taxes that had recently been implemented and which it found far more burdensome.<sup>67</sup> Contrary to the NAHV, who did not fail to attribute poor performance to the tax burden in the Free State, the SAB never blamed the high tariff burden as the first section of this paper established.<sup>68</sup> It is not that the SAB never blamed the Free State for anything in its annual reports. For instance, the company attributed the disappointing rubber and ivory acquisitions in 1891 to the fact that the firm's activities in the Mongalla, Stanley-Falls and Equateur regions had been obstructed by the Free State's "administrative measures", meaning the introduction of the *régime domanial*.<sup>69</sup>

The NAHV, DBC and SAB did agree on one important matter. All three companies repeatedly demanded more fiscal stability. The NAHV and SAB continuously repeatedly denounced the rapidly changing fiscal policies which made the investment climate unpredictable.<sup>70</sup> The two companies also complained that the Free State did not give them the time to adapt to new fiscal measures and communicated poorly about fiscal changes.<sup>71</sup> The SAB expressed the desire that the introduction of the *régime domanial* and import duties would be the last major fiscal change.<sup>72</sup>

### 2.3.3. The free-rider issue

Initially, the SAB never complained about any free-riding, contrary to the NAHV and DBC which regularly protested that not all traders were burdened as heavy by the customs system. The NAHV and the DBC mainly denounced the unfair competition of the Free State. Leopold's agents also bought ivory

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<sup>64</sup> ANOM.FM.SG.AFR.VI.80a. Affaires diplomatiques: Conférence de Bruxelles. Dépêches du Ministre des Affaires Etrangères – Letter from DBC to the French Minister of Foreign Affairs (30-12-1890)

<sup>65</sup> ABMFA.AA.AE.204.35.5/17-18 – Letter from the DBC to the French Minister of Foreign Affairs (10-09-1889).

NA.BZ.214A.106H.Handelsbelangen in de Congostaat II. Juli-November – Letter from DBC to the French Minister of Colonies (16-8-1890).

NA.NAHV.246.656 – Letter from the NAHV to the Dutch Ministry of Foreign Affairs (4-4-1891).

<sup>66</sup> ARP.Archives du cabinet du roi Leopold II. Documents relatifs au développement extérieur de la Belgique. Correspondance avec Emile Banning – Letter from Thys to the King (..-.-1890)

<sup>67</sup> "Société Belge du Haut-Congo". Le Mouvement Géographique (1890), p. 101.

<sup>68</sup> NA.NAHV.72.167. Balansen 1880 - 1907, benevens jaarverslagen 9e t/m 27e boekjaar – Verslag over het twaalfde boekjaar der Nieuwe Afrikaansche Handels-Vennootschap te Rotterdam (..-5-1892)

NA.NAHV.72.167. Balansen 1880 - 1907, benevens jaarverslagen 9e t/m 27e boekjaar – Verslag over het dertiende boekjaar der Nieuwe Afrikaansche Handels-Vennootschap te Rotterdam (30-6-1893)

NA.NAHV.72.167. Balansen 1880 - 1907, benevens jaarverslagen 9e t/m 27e boekjaar – Verslag over het veertiende boekjaar der Nieuwe Afrikaansche Handels-Vennootschap te Rotterdam (..-6-1894).

<sup>69</sup> "L'assemblée générale de la Société du Haut-Congo". Le Mouvement Géographique (1892), p. 117-119.

<sup>70</sup> NA.NAHV.246.656 – Letter from the NAHV to the Dutch Minister of Foreign Affairs (18-8-1890).

ANOM.FM.SG.AFR.VI.94a – Letter from the DBC to the French Ministry of Foreign Affairs (7-11-1891).

<sup>71</sup> ABMFA.AA.AE .207.53 – Letter from the NAHV to the Dutch Ministry of Foreign Affairs (12-11-1886).

NA.NAHV.246.656 – Letter from the NAHV to the Dutch Minister of Foreign Affairs (18-8-1890).

Nieuwe Afrikaansche Handels-Vennootschap. Réplique à l'Africain, auteur de la brochure: Réponse au mémorandum, publié par la Nieuwe Afrikaansche Handersvennootschap sur les récents décrets de l'Etat-Indépendant du Congo. Rotterdam: D. Van Sijn & Fils, 1890, p. 3.

NA.NAHV.145.364 – Note (26-5-1891).

<sup>72</sup> "L'assemblée générale de la Société du Haut-Congo". Le Mouvement Géographique (1892), p. 117-119.

and rubber in the Upper Congo but could operate at a lower cost as they did not pay tariffs while private enterprise was heavily taxed.<sup>73</sup> The DBC calculated that the imposition of export tariffs on ivory, direct taxes on trading firms and import duties allowed the Free State to operate 40% cheaper than regular companies.<sup>74</sup> In 1893, the SAB also started to denounce this unfair competition from the state during the dispute about the introduction of the *régime domanial*.<sup>75</sup>

In the eyes of the NAHV, the SAB abused its close connection with the Free State to free-ride. The company was convinced that Leopold gave the Belgian firm preferential treatment and that customs policies were not only designed by the Free State to benefit its own commercial activities but also those of this Belgian firm.<sup>76</sup> According to the NAHV, the SAB never complained about the colonial customs policies because Leopold bribed them with privileges.<sup>77</sup> Some NAHV agents even thought that the King repaid customs duties to the SAB.<sup>78</sup> In fact, these NAHV agents might not have been that far off. The annual budget of 1889 recorded a sum of 22.900 francs that was spent as a “subsidy to the CCCI (contract of 26 march 1887, credit limited to 20% of the export duties that should have been collected from the first of July 1888 until the 27<sup>th</sup> of July 1889)”.<sup>79</sup> The NAHV also feared that Free State would abuse the fact that import duties were collected *ad valorem* to give preferential treatment to the SAB.<sup>80</sup>

Another frustration of the NAHV was that not all merchants abided by customs regulations. The company often complained that the excessive tax burden and strict regulations only played in the advantage of “dishonest” trading companies that did not abide by commercial law.<sup>81</sup> The Free State was not capable of curbing contraband which allowed dishonest merchant to unfairly compete with the NAHV.<sup>82</sup> The Dutch firm was for example very unhappy that import duties depended on the declaration that the importer made to the customs department. This played in the advantage of “dishonest” merchants who would under-declare the true value of their imports.<sup>83</sup>

Finally, the NAHV felt that trading firms were always the ones that had to pay for the state’s expenses.<sup>84</sup> When import duties were implemented, allegedly to enable the Free State to combat slave

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<sup>73</sup> NA.BZ.213A.106H - Letter from the Dutch consul in the Free State to the Dutch Ministry of Foreign Affairs (5-9-1889)  
ANOM.FM.SG.AFR.VI.94a - Letter from the DBC to the Ministry of commerce and colonies (28-1-1891)

<sup>74</sup> ANOM.FM.SG.AFR.VI.80a - Letter from the DBC to the Ministry of commerce and colonies (26-12-1890)

<sup>75</sup> SAB.AHD. I 410.37 - Lettres & documents ayant trait aux réclamations formulées en 1892 par le Société Anonyme Belge pour le Commerce du Haut-Congo relativement à l’exploitation du domaine de l’Etat (1893).

<sup>76</sup> l’Etat Indépendant du Congo et le commerce. Réponse à la brochure "La Conférence de Bruxelles et les Pays-Bas" par "Un ami de la Vérité". Rotterdam: D. Van Sijn & Fils, 1890, p. 30, 31.

<sup>77</sup> NA.BZ.213A.106H - Letter from the Dutch consul in the Free State to the Dutch Ministry of Foreign Affairs (5-9-1889)

<sup>78</sup> NA.BZ.215A.106H - Extract: Letter from de la Fontaine Verwey to the NAHV management in Rotterdam (18/21-11-1890).

<sup>79</sup> *Décrets de l’Etat Indépendant du Congo non publiés au Bulletin Officiel. 1886-1895*. Bruxelles: Ministerie van buitenlandse zaken en buitenlandse handel, 1967.

The CCCI was the holding company that owned the SAB.

<sup>80</sup> NA.NAHV.246.656 - Letter from the NAHV to the Dutch Minister of Foreign Affairs (28-2-1891)

<sup>81</sup> l’Etat Indépendant du Congo et le commerce. Réponse à la brochure "La Conférence de Bruxelles et les Pays-Bas" par "Un ami de la Vérité". Rotterdam: D. Van Sijn & Fils, 1890, p. 13.

NA.BZ.217A.109 - Letter from the NAHV to the AGDF (6-11-1886).

NA.BZ.217A.109. "Nieuwe Afrikaanse Handelsvereniging.", 1884-1887.

AAB.AE.294.375. "Conférence de Berlin. Commerce des Armes.", 1885-1892.

ARA. I 410.2. "Correspondance Hubert Van Neuss - Administrateur Général au Congo (24-08-1886)." Bruxelles, 1886.

NA.BZ.214A.106H. "Handelsbelangen in de Congostaat II. Juli-November." 1890.

<sup>82</sup> ABMFA.AA.A12.863reg1p27 - Réclamations de la NAHV au sujet des contrats de vente, mesurage des propriétés et droits de sortie.(5-6-1886).

<sup>83</sup> La conférence anti-esclavagiste et les droits d’entrée dans l’Etat du Congo par un négociant hollandais. Rotterdam: D. Van Sijn & Fils, 1890, p. 12.

<sup>84</sup> La conférence anti-esclavagiste et les droits d’entrée dans l’Etat du Congo par un négociant hollandais. Rotterdam: D. Van Sijn & Fils, 1890, p. 15, 16.

traders, the company complained: "What more do they want from the small group of traders in the Congo? Why exactly does the money always have to come from their pockets [...]?"<sup>85</sup>

### 2.3.4. Legitimacy and a broken fiscal contract

From the perspective of trading companies, the fiscal contract between them and the state was laid down in article 1, 3, 4 and 5 of the Berlin Act to which they often specifically referred in their complaints about the Leopoldian customs regime.<sup>86</sup> In short, these articles state that the Free State had to provide security to merchants and promote the development of free trade in exchange for a modest fiscal contribution from trading firms. Both DBC, the NAVH and the SAB felt that the Free State had broken this contract. The DBC and the NAHV both acknowledged the right of the Free State to tax and were willing to contribute to the colonial effort. Nevertheless, they felt that Leopold's administration did the exact opposite of what was promised to them in 1885: the Free State overburdened trading firms with customs procedures and tariffs to the point where commerce became unprofitable, while the state traded itself and eventually even monopolized commerce.<sup>87</sup>

The NAHV also felt that Leopold's men failed to protect commercial agents. The NAHV was for example very angry when the *Force Publique* had shown up too late with too little soldiers when its Malella post was attacked by a local chief.<sup>88</sup> An NAHV pamphlet clearly stated: "who is protecting the small group of Europeans and negros that man trading posts? The few state posts that are established here and there at large intervals? No!"<sup>89</sup> In fact, the NAHV felt that the Free State often did the opposite of protecting merchants and even preferred the Free State not to intervene to secure the safety of its agents as Leopold's agents generally behaved very violently which often lead to retaliations against Europeans.<sup>90</sup> Moreover, NAHV-agents were often the victim of state-violence. Leopold's agents for example opened fire at the SS Frederiksen when it failed to anchor in Bangala to have its cargo checked.<sup>91</sup>

The SAB also felt the Free State broke the fiscal contract. The company for example carefully noted that the introduction of import duties substantially changed the economic context that existed when the company was created.<sup>92</sup> Nevertheless, the tariff regime was never the real issue for the SAB. In the eyes of the Belgian firm, the Free State broke the fiscal contract by competing with trading firms. Contrary to the NAHV and DBC, the SAB saw a higher tariff burden as the solution for this issue. The

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<sup>85</sup> 'l'Etat Indépendant du Congo et le commerce. Réponse à la brochure "La Conférence de Bruxelles et les Pays-Bas" par "Un ami de la Vérité". Rotterdam: D. Van Sijn & Fils, 1890, p. 17.

<sup>86</sup> See for example: La conférence anti-esclavagiste et les droits d'entrée dans l'Etat du Congo par un négociant hollandais. Rotterdam: D. Van Sijn & Fils, 1890.

<sup>87</sup> ABMFA.AA.AE.204.35.5/17-18 - Letter from the DBC to the French Minister of Foreign Affairs (10-09-1889).

ANOM.FM.SG.AFR.VI.77a - Letter from the DBC to the French Minister of Foreign Affairs (19-7-1889)

NA.BZ.214A.106H - Letter from the DBC to the French Minister of Colonies (16-8-1890).

NA.NAHV.246.656 - Letter from the NAHV to the Dutch Minister of Foreign Affairs (18-8-1890)

NA.BZ.215A.106H - Adresse à Mm. les sénateurs et Mm. les députés par DBC (25-4-1891)

<sup>88</sup> NA.BZ.217A.109 - the NAHV to the Dutch Ministry of Foreign Affairs (10-3-1887).

<sup>89</sup> 'l'Etat Indépendant du Congo et le commerce. Réponse à la brochure "La Conférence de Bruxelles et les Pays-Bas" par "Un ami de la Vérité". Rotterdam: D. Van Sijn & Fils, 1890, p. 23.

<sup>90</sup> 'l'Etat Indépendant du Congo et le commerce. Réponse à la brochure "La Conférence de Bruxelles et les Pays-Bas" par "Un ami de la Vérité". Rotterdam: D. Van Sijn & Fils, 1890, p. 23.

Nieuwe Afrikaansche Handels-Vennootschap. Réplique à l'Africain, auteur de la brochure: Réponse au mémorandum, publié par la Nieuwe Afrikaansche Handersvennootschap sur les récents décrets de l'Etat-Indépendant du Congo. Rotterdam: D. Van Sijn & Fils, 1890, p. 7.

<sup>91</sup> NA.NAHV.145.364 - Note (26-5-1891).

<sup>92</sup> "Une lettre de Georges Brugmann à Monsieur Van Eetvelde" Le Mouvement Géographique (1892) p. 75-76.

company acknowledged Leopold's need to extract revenue and understood that a lack of income forced the Free State to trade and compete with private enterprise. The SAB figured that if the colonial administration collected more taxes, it would no longer need to trade.<sup>93</sup> This is one of the main reasons why the company never denounced Leopold's tariff measures. Once the SAB realized that a higher tax burden went hand in hand with more direct exploitation of the Congo's riches by the state and concession companies, the firm broke with the Free State.<sup>94</sup>

Another important reason why the SAB responded so differently to Leopold's tariff policies, is because the firm had a different perception on the legitimacy of taxation and Leopold's colonial state. The NAHV and DBC acknowledged the Free State's right to tax, but clearly considered Leopold's administration more as a competitor than as a state. Tariffs were not considered as taxes but as instruments that Leopold used to outcompete trading firms at first and later as a tool to outright monopolize trade by making free trade unprofitable, forcing companies out of the Congo.<sup>95</sup> The Free State was often compared to a chartered company or called the "state-competitor" or "government-merchant".<sup>96</sup> The SAB was annoyed by the NAHV's particular tendency to interpret each new colonial measure as an attempt to thwart their commercial interests.<sup>97</sup> Thys and his men seemed more convinced of the legitimacy of the Free State fiscal policies, accepting that the Free State needed to extract revenue in order to stick to its part of the fiscal contract, promoting trade.<sup>98</sup>

## 2.4. Taking into account the voice of the trading firms (1885-1892)

Though the NAHV and DBC often complained about not being heard, the Free State did pay attention to the grievances of trading firms. For instance, the introduction of export tariffs was postponed twice, from the 25<sup>th</sup> of March to the 15<sup>th</sup> of May, and eventually to the 1<sup>st</sup> of July 1886 to meet the demands of trading firms who persistently complained they had not been given sufficient time to adapt to the new fiscal regime.<sup>99</sup> The colonial administration also made an arrangement with the NAHV about transit goods in the Congo estuary. The 1886 export regulations interfered with NAHV activities in *Bas Congo* where the firm centralized all the imports destined for its posts in Angola, French Congo and the Free State and all the exports from the three colonies.<sup>100</sup> The French and Portuguese did not issue the certificates of origin that the transit procedure in the Free State required which made it impossible for

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<sup>93</sup> "Société Belge du Haut-Congo". Le Mouvement Géographique (1890), p. 101.

<sup>94</sup> SAB.AHD. I 410.37 – Lettres & documents ayant trait aux réclamations formulées en 1892 par le Société Anonyme Belge pour le Commerce du Haut-Congo relativement à l'exploitation du domaine de l'Etat (1893).

<sup>95</sup> ANOM.FM.SG.AFR.VI.94a – Letter from the DBC to the Ministry of commerce and colonies (28-1-1891)

<sup>96</sup> ABMFA.AA.AE.204.35.5/4 – Letter from the SGDAE to the French ambassador in Brussels (28-06-1890).

<sup>97</sup> L'Etat Indépendant du Congo et le commerce. Réponse à la brochure "La Conférence de Bruxelles et les Pays-Bas" par "Un ami de la Vérité". Rotterdam: D. Van Sijn & Fils, 1890.

<sup>98</sup> SAB.AHD. I 410.31 – 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 (1890).

<sup>97</sup> SAB.FOM.483 – Procès-verbal de la reunion du Comité Permanent (31-10-1888).

<sup>98</sup> "Société Belge du Haut-Congo". Le Mouvement Géographique (1890), p. 101.

<sup>99</sup> AMAEB, AA, CP, 2571, Correspondance du Gouverneur Général à l'Administrateur Général du Département des Finances, 11-5-1886. ;

AMAEB, AA, CP, 2571, Correspondance de l'Administrateur Général du Département des Finances au Roi, 15-6-1886.

<sup>100</sup> AAB.A12.863reg1p36 – letter from the NAHV to the AGDF (5-10-1886).

ABMFA.AA.AE.207.53. Correspondance échangée avec les puissances étrangères - Pays Bas. Réclamation au sujet du libre transit des marchandises d'origine étrangère et de la restitution des frais de mesurage perçus en Congo – Letter from the NAHV to the Dutch Minister of Foreign Affairs (12-11-1886)

the NAHV to comply with regulations.<sup>101</sup> The Free State therefore allowed the NAHV to use other documents to proof that exports came from Angola and French Congo.<sup>102</sup> The Free State also introduced different tariffs for white and the more valuable red copal, as the NAHV asked.<sup>103</sup> Similarly, the Free State also listened to the DBC and NAHV and introduced different export duties on ivory in proportion to the size and hence value of individual tusks.<sup>104</sup>

The above-mentioned changes were of minor importance. The Free State could not make any major concessions to trading companies. Despite persistent complaints from the private sector, the revenue imperative forced Leopold to continuously increase the tariff burden while his agents competed with trading firms and gradually monopolized trade in the majority of the Congo basin. Other constraints, the revenue imperative in particular, had a far bigger impact on Leopold's customs policies than the response of taxpayers.

Leopold only made one large concession to the private sector. Trading companies lobbied strongly against the introduction of the 25% ivory tariff. Lucky for the commercial sector, Leopold and French were negotiating a customs treaty. The French were not keen on the idea of higher export tariffs in the Upper Congo; partly influenced by the relentless complaints of the DBC. In the end, Leopold gave in to the French request to only tax tusks at a rate of 10% ad valorem.<sup>105</sup> The SAB had also influenced this decision. Thys negotiated the Lisbon Protocol on behalf of the Free State and did everything in his power to convince the King to abolish the 25% tax rate.<sup>106</sup> Nevertheless, it would be wrong to fully attribute this victory to the lobby efforts of the SAB and DBC. Leopold mainly caved to this demand of private enterprise because he wanted to bring tariffs in the Congo in line at all costs in order to reduce smuggle incentives.

Constraints other than the interest of trading firms predominated fiscal policymaking. However, unlike the DBC, NAHV and later on the SAB often claimed, Leopold was not out to get private enterprise. The minor changes to the tariff regime proofs that the Free State was willing to meet the demands of trading firms if it was able to. In addition, policymakers continued to stress the importance of a good relationship between the state and commerce, claiming both parties needed each other. The Free State wanted to develop trade to increase the colonial tax base it could draw on.<sup>107</sup> Decision-makers argued that the Congo and its riches were large enough for both parties to thrive.<sup>108</sup> Once the fiscal regime of the Free State had definitely taken shape in 1892, the Free State tried to straighten things out with the NAHV and SAB. Both companies were for example offered a concession but refused Leopold's offer.<sup>109</sup> The Free State also tried to convince the NAHV not to relocate.<sup>110</sup>

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<sup>101</sup> NA.BZ.217A.109 – Letter from the NAHV to the AGDF (6-11-1886).

<sup>102</sup> NA.BZ.217A.109 – Ordonnance n°10 (1-10-1886)

<sup>103</sup> SAB.AHD. I 410.2 – Letter from Hubert Van Neuss to the AG in Congo (27-11-1886)

SAB.AHD. I 410.3 – Letter from Hubert Van Neuss to the AG in Congo (28-10-1887)

<sup>104</sup> NA.BZ.214A.106H – Letter from DBC to the French Minister of Colonies (16-8-1890).

NA.BZ.214A.106H – Letter from the NAHV to the Dutch Minister of Foreign Affairs (18-8-1890)

ANOM.FM.SG.AFR.VI.80a – Letter from DBC to the French Minister of Foreign Affairs (21-8-1890).

<sup>105</sup> ANOM.FM.SG.AFR.VI.80a – Affaires diplomatiques: Conférence de Bruxelles. Dépêches du Ministre des Affaires Etrangères (1889-1890).

ANOM.FM.SG.AFR.VI.94a – Affaires diplomatiques: Congo indépendant. Tarifs douaniers: Convention du 9 février 1891 (1890).

ABMFA .AA.AE.326.458 – Letter from the AGDF to the AGDAE (24-6-1891).

<sup>106</sup> APR.Archives du kabinat du roi Leopold II. Documents relatifs au développement extérieur de la Belgique. Correspondance avec Albert Thys – Letter from Thys to Leopold II (6-6-1891).

<sup>107</sup> ARA. I 410.2. "Correspondance Hubert Van Neuss - Administrateur Général au Congo (23-07-1886)." Bruxelles, 1886.

<sup>108</sup> EvE - Albert Thys 04/06/1892 (copie)

<sup>109</sup> NA.NAHV.237.631 – Notulen van de commissie van toezicht van de Nieuwe Afrikaansche HandelsVennootschap (11-11-1891)

NA.BZ.215A.106H. "Handelsbelangen in de Congostaat." 1890-1894.

<sup>110</sup> AAB.A7.723.72(17-09-1891). "Janssen au Roi." 1891.

The rather uncompromising position of the Free State towards trading companies was not only fueled by other constraints on policymaking such as the fact that the colonial state was forced to raise the tariff burden to balance the annual budget. Another important explanation is that the Free State did not trust the trading firms that operated in its territories. The colonial administration was convinced that trading companies exaggerated when they complained about the tariff burden. Answering the trading firm's complaints about the burden of the newly introduced export duties in 1886, the financial department argued that ivory tariffs were far from excessive and consisted of but 2% of the European prices of tusks; other export were taxed at a rate of only 4 to 5% ad valorem.<sup>111</sup> Leopold was convinced that import duties would not harm private enterprise as much as trading firms claimed. The King suspected companies of keeping profits artificially low by increasing their depreciation expenses and transferring money to their ever-growing reserve funds.<sup>112</sup> In 1892, Van Eetvelde wryly remarked that despite all the ways in which the Free State allegedly hindered trading firms the SAB still managed to pay "abundant" dividends.<sup>113</sup> Policymakers also argued that the fiscal contribution of the trade sector effort paled in comparison to his own investments in the colony.<sup>114</sup>

The Free State was not only convinced that trading firms could bare the rising tariff burden, the administration also firmly believed that it was the duty of private enterprise to contribute to the colonial effort. Cleverly, the Free State reversed the arguments of trading firms. When export duties were introduced the Free State argued that it was only fair that trading companies contributed to the colonial effort to open up and pacify the Congolese interior which allowed firms to extend their commercial activities.<sup>115</sup> When Leopold tried to get approval to introduce import duties, the Free State argued that the state lacked the funds to stick to its part of the fiscal contract. The state lacked the funds to continue to expand its rule and to protect merchants and needed an additional contribution from the commercial sector that benefited most from state activities.<sup>116</sup> In fact, the companies had not paid for the for them very lucrative but for the Free State very expensive opening-up of the Upper Congo until 1890 when exports from this region were first taxed.<sup>117</sup>

Van Eetvelde nicely summarized the position of the Free State in an angry letter to the president of the SAB: "You know that the annual deficit of the state is large. We cannot let it exceed three million francs. Belgium gives two million, the King one million. We want to, and have to, extract from Africa whatever revenue that covers the remainder of our recurrent expenses which largely exceed four million. [...] If we have been patiently running considerable annual deficits, [...] is it reasonable that the trade sector does not understand that it has to temporarily make a little effort too [...]? The ivory trade alone already allows you to reimburse your capital. You have just paid out a dividend of 12% to your shareholders. [...] Until now you have only exploited ivory [...] you can create other revenue streams [...] Do not forget that the possibility to penetrate Central Africa, which has allowed the extension of commerce, has been created thanks to the millions that have been generously spent by the state."<sup>118</sup>

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<sup>111</sup> AAB.CP.2571 – Letter from the AGDF to the AG in Congo (23-7-1886)

<sup>112</sup> APR. Archives du kabinets du roi Leopold II. Documents relatifs au développement extérieur de la Belgique. Correspondance avec Emile Banning – Letter from Leopold II to Emile Banning (1-12-1890).

<sup>113</sup> SAB.PVE.T035.152 – Letter from Van Eetvelde to Beernaerts (1892)

<sup>114</sup> Rapport au roi (14-7-1890), BOEIC, 1890, p. 101-105.

<sup>115</sup> ABMFA.AA.FIN.A12.863reg1p28 – Letter from the AGDF to the NAHV (1886).

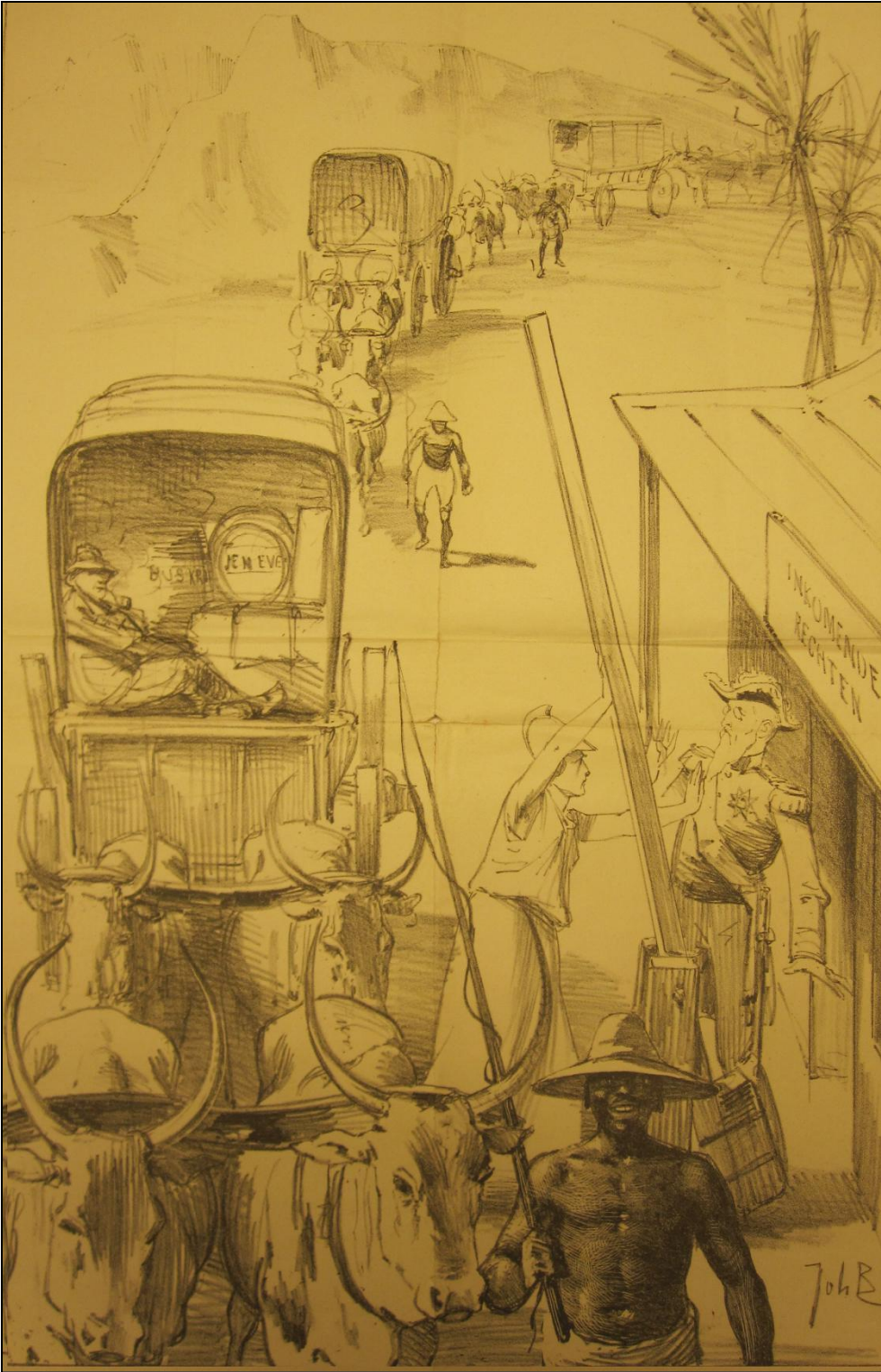
<sup>116</sup> SAB.AHD. I 410.32 – Report of the Proceedings of the Conference of African Merchants on the Congo Free State and Import Duties (4-11-1890).

<sup>117</sup> NA.BZ.213A.106H – Letter from the Dutch Consul in the Congo Free State to the Dutch Minister of Foreign Affairs (5-10-1889)

ABMFA.AA.AE.204.35.5/4 – Letter from the SGDAE to the French ambassador in Brussels (28-6-1890).

<sup>118</sup> SAB.AEVE.157 – Letter from Van Eetvelde to George Brugmann (n.d.)

Figure 4: The virgin and the toll collector



Source: NA.BZ.214A.106H - Handelsbelangen in de Congostaat II. Juli-November (1890)



### 3. Negotiating customs policies after the reforms of the late 1880s and early 1890s

#### 3.1. 1892-1908: fiscal stability

In 1892, the dispute between the Free State and the NAHV and DBC about the implementation of import duties and the ever-increasing tariff burden made way for an even more fierce row about the implementation of the *régime domanial* which made large parts of the Congo off-limits to the companies that were active in the Upper Congo at the time. The quarrel over the *régime domanial* only cooled down in 1894.<sup>119</sup> The disagreements about the colonial tariff policies were however not resurrected. From 1894 till 1908, trading firms hardly complained about the customs policies of the Free State; nor did the newly established concession companies. This while export tariffs on rubber were raised in 1899, 1906 and 1907 and while general import tariffs were raised in 1902 while liquor tariffs were raised in 1900 and 1907.<sup>120</sup> I came across only one reference to displeased merchants. In 1902, the Free State was hesitant to agree with the French proposition to increase import tariffs from 6% to 10% ad valorem. Policymakers were afraid such a tax raise would provoke wide scale protest among enterprises, especially in the lower Congo. These firms who had recently petitioned the state to reduce the tax burden when the direct taxes on companies were raised in 1901.<sup>121</sup>

The absence of large new tariff disputes has many causes. First of all, there might be a source bias. The period between 1892 and 1908 might simply be less documented than the previous one. Secondly, customs policies did not change all that much in comparison to the fundamental changes that were introduced during the late 1880s and early 1890s when the customs system took shape. Little changed apart from the occasional tariff increase. Companies got exactly what they wanted: fiscal stability. Secondly, the DBC, NAHV and SAB were strongly imbedded in Leopold's exploitation system. The DBC was absorbed by the SAB. The SAB and NAHV evolved into holding companies that had large stakes in the same concession companies in which the Free State participated.<sup>122</sup> Greshoff, infamous NAHV agent and arch-nemesis of the Free State even received a medal in 1901.<sup>123</sup> The link between the SAB and the Free State became so strong that they even exploited a number of posts in the Ubangi region together and joined forces to organize a transport service in the Upper Congo.<sup>124</sup> Local officials were instructed to

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<sup>120</sup> Caoutchouc – taxe – date de perception (29-8-1898), BOEIC, 1898, p. 346.

Droits d'entrée et de sortie (5-5-1898), BOEIC, 1898, p. 141, 142.

Droits d'entrée sur les spiritueux (12-6-1900), BOEIC, 1900, p. 115, 116.

Droits d'entrée (28-6-1902), BOEIC, 1902, p. 135, 136.

Caoutchouc des herbes – taxe (3-6-1906), BOEIC, 1906, p. 285, 286.

Droits de sortie (2-7-1907), BOEIC, 1907, p. 384, 385.

Droits d'entrée sur les spiritueux (12-11-1907), BOEIC, 1907, p. 523, 524.

<sup>121</sup> AMAEB.AA.CP.617.3 – Note (1902)

<sup>122</sup> The SAB for example had an important share in the Anversoise, the CK and the CL. The NAHV was a key shareholder of the CK. The Free State owned between 25 and 50% of the shares of all three concession companies.

<sup>123</sup> AMAEB.AA.ST.1.NAHV – Note (17-7-1901)

<sup>124</sup>

do everything in their power to help the SAB exploit rubber in the Bangala and Equateur regions and to “persuade” the Africans to sell rubber and ivory to the company.<sup>125</sup> Finally, the Free State had a bigger scope to take the demands of private enterprise into account once the rubber boom had alleviated the pressure of the revenue imperative. In 1907 for example, the French suggested to increase rubber tariffs. The Free State agreed – rubber prices had risen considerably – but managed to convince its neighbor to postpone the introduction of this measure to give companies more time to adapt.<sup>126</sup>

The main reasons why the period between 1892 and 1908 was so calm was because the tariff burden was not as intolerable as private enterprise let it out to be during their disputes with the Free State during the late 1880s and early 1890s. The rubber boom created more than enough wealth for both private enterprise and the state to enrich themselves, whereas both actors had competed over the scarce Congolese wealth in the 1880s and early 1890s. In addition, the customs department adopted a tolerant attitude towards importers and exporters as the Périer report revealed.<sup>127</sup> Moreover, most rubber was produced by concession companies and not by trading firms in a context of surging demand for wild rubber. It was much easier to allocate the tariff burden to African producers or buyers on the world market than during the previous period.

### 3.2. 1908-1914: consent between private enterprise and colonial policymakers

The Belgian administration significantly changed the fiscal system of its predecessor and substantially raised rubber tariffs. However, there is no sign of any large disputes about the customs system. In part, this might be a skewed interpretation caused by the general lack of sources to study the brief Belgian era before World War I. However, looking at this period through the lens of fiscal sociology demonstrates that the private sector had little to complain about.

By abolishing the *régime domanial* the Belgians restored the fiscal contract. The crux of the Belgian reforms was rather straightforward: the state would scale down its commercial activities and open up the Congo basin to all traders, the ensuing loss of income would be compensated by an increased fiscal contribution from the private sector that would expand as companies took over commerce in those parts of the Congo basin that had been off-limits till then.<sup>128</sup> This is exactly what trading firms had asked for: a) the abolishment of the concession system and trade monopolies; b) a government that extracted revenue through taxation and not through direct exploitation or commercial activities; and c) a state that spent tax receipts to facilitate trade.<sup>129</sup> The restoration of the fiscal contract largely explains why trading companies did not seem to mind the rising tariff burden. The SAB for example called the new export tariffs “reasonable”.<sup>130</sup>

The new fiscal system clearly worked in the advantage of trading firms. Tariffs were to become the main source of colonial revenue. To increase customs revenue the Belgians wanted to expand the tax base by stimulating trade. “more trade equals more tax revenue” became the colonial credo. The

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<sup>125</sup> AMAEB.AA.ST.1.SAB – Letter from the Governor General to the State Secretary (3-11-1905).

<sup>126</sup> AMAEB.AA.CP.617.3 – Modification à l'article 2 du protocole du 8 avril 1892 (1907).

<sup>127</sup> AMAEB, AA, CP, 543.20.1-LB1 – Rapport sur le service des douanes de la colonie par le Directeur des Finances a.i. Périer (18-9-1912).

<sup>128</sup> SAB.AHD. I 410.149 – Discours prononcé par M. Renkin Ministre des Colonies (15- 1909).

<sup>129</sup> “Compagnie du Congo pour le Commerce et l'Industrie. Assemblée générale ordinaire du 18 décembre 1905.” *Le Mouvement Géographique* (1905), p. 653-659.

Thys, Albert. “L'oeuvre africaine du Roi Léopold II. Conférence du Colonel Thys”, MG (1910), p. 403-412.

<sup>130</sup> RMCA.PF. HA.01.038.225 – Letter from the GG to the Chambre of Commerce (12-8-1912).

ABMFA.AA.CP.543.20.1-L.C1 – Instructions from the MC to the GG: organization of the customs service (30-1-1913).

Belgians tried to limit the tariff burden as much as they could because they were afraid that excessive taxation and time-consuming procedures would hinder international trade which would affect customs receipts.<sup>131</sup> In addition, the Belgians tried to make customs procedures more effective and efficient. More effective customs procedures meant more tariff receipts and reduced the free-rider issue as smugglers would get caught more easily, making it harder for them to unfairly compete with “honest” firms. More efficient procedures would save companies time.<sup>132</sup>

The colonial scope to meet the demands of private enterprise and to listen to their voice was far bigger than during the other period of great fiscal change before 1892 as the Belgians were less pressured by the revenue imperative. Decision-makers for example dealt with the issue of decaying merchandise caused by slow customs procedures because the CK and the Chamber of Commerce of Boma had complained about this issue.<sup>133</sup> Another example of the influence of the business sector is the reduction of tariff on fuels. The SPAC and powerful UMHK complained that fuels and coal were too expensive in the Congo and asked for an exemption from import duties.<sup>134</sup>

Just like during the previous phase from 1892 until 1908, the rubber boom played an important part in explaining the good relations between the colonial administration and the corporate taxpayer. A booming export economy reduced the competition between the state and private enterprise over colonial rents. However, economic growth does not explain everything. In 1913, the rubber crisis hit both the state and private enterprise. Rubber tariffs were reduced in 1913 to come to the aid of trading and concession companies who could not cope with the substantial drop in rubber prices and appealed to the state for help.<sup>135</sup> Policymakers estimated that the first tax cuts would cost 2,5 million, almost a third of the customs revenue it extracted in 1912 and more than 15% of the local revenue the state extracted.<sup>136</sup> Belgian customs policies were more pro-business as decision-makers believed that helping out companies would boost economic growth.<sup>137</sup>

Finally, it was clear to both private enterprise and the colonial administration that mining was the future and that wild rubber exploitation had become unsustainable and unprofitable. Investments grew fast. The rapidly growing mining sector was hardly burdened by tariffs. Gold and copper exports were not taxed nor were imported machinery and spare parts and fuels.

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<sup>131</sup> Rapport du Conseil Colonial sur un projet de décret portant réduction de divers droits d'entrée (29-11-1913), BOCB 1913, p. 1021-1022.

<sup>132</sup> RMCA.PFF. HA.01.038.225 – Letter from the GG to the Chambre of Commerce (12-8-1912).

ABMFA.AA.CP.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).

ABMFA.AA.CP.543.20.1-I.C1 – Instructions from the MC to the GG: organization of the customs service (30-1-1913).

ABMFA.AA.CP.544.20.3-I – Letter from the DG of the 4<sup>th</sup> DG to the MC (6-2-1913).

<sup>133</sup> ABMFA.AA.CP.1233 – Letter from the CK to the MdC (30-9-1909).

RMCA.PFF. HA.01.038.225 – Letter from the GG to the Chambre of Commerce (12-8-1912).

AMAEB.AA.CP.543.20.1-I.B1 – Note of the Directeur de la Marine et des Travaux Publics to the Governor General (23-9-1912).

<sup>134</sup> ABMFA.AA.CP.2047 – Finances/Douanes. Droits d'entrée houille charbon et huiles minérales (1911-1914).

<sup>135</sup> « La taxe sur le caoutchouc et l'avenir de notre colonie. » Le Mouvement Géographique (1913), p. 376-378.

AP.CR. Scéance du 1 janvier 1914 (n° 5). Budget des recettes et de dépenses du Congo Belge pour l'exercice 1914, p. 37, 65.

<sup>136</sup> CC. Compte rendu analytique des scéances. 1912-1913, p. 427-441, 507-509.

<sup>137</sup>

## Conclusion:

Fiscal sociology argues that tax compliance is one of the main constraints on a state's ability to tax. Taxpayers can either be coerced into paying or can do so voluntarily if they feel they get something in return for their contribution. As compliance produces better results more cheaply, states tend to listen to the demands of taxpayers and provide public goods in exchange for tax receipts. Therefore this paper studies the negotiation process between the tariff-payer, European trading and concession companies, and the colonial state. The first section of this paper tried to paint a picture of the actual tariff burden and its impact on trading and concession companies by taking a look at the data in the annual account of the SAB and CL. Tariffs made up considerable part of these companies' expenses and reduced profits. Still, annual reports never mentioned taxation as a factor that had influenced the yearly performance. In line with fiscal sociology, this section suggests that the perceived tariff burden is far more important than the real one.

Section two focuses on the interaction between trading firms and the colonial state during the period between 1885 and 1892. The colonial state was forced to raise the tariff burden to make ends meet and companies responded by simply complying, smuggling, relocating, restructuring or lobbying for change depending on how they perceived the tariff burden. The NAHV and DBC felt that tariffs were excessively high, hindered commerce and were unfair as there were free-riders. They also felt the colonial state did not take their voice into account and staged large-scale media-campaigns as a result. In the end the NAHV relocated and the DBC threw in the towel. The SAB was okay with the rising tax burden and never complained about any unfairness. Interaction with the state was kept privately and compromise rather than conflict was the rule. The main reasons why companies responded so differently and differed in their perceptions of the tariff burden was their conception of legitimate taxation and the fiscal contract. Both the SAB, NAHV and DBC felt the Free State had broken this contract by trading itself. The SAB however believed that higher tariffs would enable the Free State to rely on tax receipts alone and would no longer be forced to trade itself and compete with trading firms. The NAHV and DBC saw the Free State as a competitor, as a merchant-state who used tariffs to outcompete regular trading firms.

The Free State did not take the major demands of trading firms into account and continued to raise tariffs and introduces new types of customs duties while its agents continued to trade and decision-makers gradually monopolized trade in large parts of the Congo. The colony needed to maximize tariff receipts to balance its shaky budget and could only make small concession to the private sector. However, other constraints do not only explain the colonial position in the negotiation process. There was a clear lack of trust from the side of the state who did not believe that companies could not pay tariffs. Moreover, policymakers felt that trading firms also had to contribute to the colonial effort to open up the Congo to trade.

The next two periods were marked by more harmonious relations between private enterprise and the state. Trading and concession companies did not complain about customs policies after 1892. From 1892 till 1908, there were hardly any complaints because most companies were embedded in the colonial apparatus. Moreover, little changed apart from tariff increases in line with surging rubber prices. Most importantly, the rubber boom reduced the competition between the state and private enterprise over the Congo's scarce economic rents. This last factor also partly explains the harmonious relations between the Belgian bureaucracy and the private sector. The Belgians made substantial

changes to Leopold's customs system and once more increased the tariff burden. Companies did not complain. The tariff burden rose but in line with European prices. Moreover, the Belgians used tax revenue to promote free trade. In addition, they involved firms in policymaking, put in a considerable effort to reduced free-rider issues by tackling fraud in the Congo's Atlantic ports and made sure tariffs did not overburden commerce. The fiscal contract and state legitimacy were hence restored.

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