

# INDONESIANISASI

Politics in a Changing Economy, 1940-1955

JOHN O. SUTTER



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Volume I



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INDONESIANISASI

Politics in a Changing Economy, 1940-1955

Volume 1

The Indonesian Economy at the Close  
of the Dutch Period and under the Japanese

by

John O. Sutter

Data Paper Number 36-I  
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Department of Far Eastern Studies  
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This is  
Volume I of a four volume set of  
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The Table of Contents  
includes the contents  
of all four volumes







## FOREWORD

This study constitutes the first comprehensive coverage of politico-economic developments in postwar Indonesia. While it provides a substantial description of the broad context of Indonesia's economic history from 1940 to 1955, its particular focus is on the Indonesianization of the economy. This is a phenomenon of importance, not only because of its substantive impact on the nation's postwar economic life, but also because it reflects some of the major currents of Indonesian political ideology, including significant insights into the nature of post-revolutionary nationalism.

Mr. Sutter spent three years in Indonesia between 1950 and 1954 with the American Consulate at Surabaya and the American Embassy in Djakarta, and another year working on Indonesian affairs in Washington. Following his resignation from the Foreign Service, he undertook two years of intensive research on the subject of this study while at Cornell University. Possessing fluency in the Indonesian language and a reading knowledge of Dutch, he has been able to make extensive use of the substantial holdings in the Cornell Library pertinent to this topic.

Mr. Sutter's study was made possible primarily by a fellowship from the Ford Foundation, but it should be made clear that neither the Foundation nor members of the faculty of Cornell University are in any way responsible for the views expressed in it.

With a view to possible future revision of this study, Mr. Sutter invites, and indeed welcomes, criticisms which readers may feel inclined to send to him.

George McT. Kahin

Ithaca, New York  
October 30, 1956

## TABLE OF CONTENTS

INTRODUCTION . . . . .

### VOLUME I

#### Part 1: THE INDONESIAN ECONOMY AT THE CLOSE OF THE DUTCH PERIOD

I: AGRICULTURE AND LANDHOLDINGS . . . . .	11
Rice and Other Staple Foods . . . . .	12
Copra and Kapok . . . . .	14
Sugar . . . . .	15
Upland Estate Products . . . . .	16
Rubber . . . . .	18
Forest Products, Spices, etc. . . . .	20
Livestock and Fisheries . . . . .	21
Alien Landholdings . . . . .	23
Government states . . . . .	24
Private Lands . . . . .	25
<u>Erfpachts</u> . . . . .	27
Other Leases . . . . .	29
Agricultural Concessions . . . . .	30
Land Utilization . . . . .	31
II: MANUFACTURING AND MINING . . . . .	34
Estate Factories . . . . .	36
Food Processing and Beverages . . . . .	37
Weaving . . . . .	40
<u>Batik</u> . . . . .	45



## II Continued:

<u>Krettek</u> and Other Tobacco Products . . . . .	48
Woodworking and Rubber Wares . . . . .	51
Other Manufacturing . . . . .	53
Printing, etc. . . . .	57
Industrialization Plans . . . . .	58
Indies Mining Law . . . . .	62
Petroleum . . . . .	64
Coal . . . . .	66
Tin . . . . .	68
Precious Metals and Stones . . . . .	70
Other Metals . . . . .	73
Salt . . . . .	74
Other Mineral Products . . . . .	75
III: THE ECONOMIC SERVICES . . . . .	80
Public Utilities . . . . .	80
Land Transport . . . . .	81
Railways . . . . .	83
Shipping and Harbor Facilities . . . . .	84
Aviation . . . . .	86
Banking . . . . .	87
The A.V.B. and Other Credit . . . . .	90
Insurance . . . . .	94
The Dutch in Trade . . . . .	95
The Chinese in Trade . . . . .	97
Other Asians in Trade . . . . .	99

## III Continued:

Indonesians in Trade . . . . .	100
IV: DICHOTOMY IN AN ADOLESCENT ECONOMY AND POLITICAL REACTION. . .	107
Alien Investments. . . . .	107
Indonesians and Business . . . . .	110
S.I. and P.S.I.I. . . . .	113
P.K.I. . . . .	116
P.N.I. No. 1 . . . . .	117
P.N.I. No. 2 . . . . .	119
Moderate Parties . . . . .	120
Dr. Soetomo and the Indonesische Studieclub. . . . .	121
P.B.I. and Parindra. . . . .	122
Soepomo. . . . .	124
Gapi . . . . .	125



## VOLUME I

Part 2: REORGANIZATION OF THE INDONESIAN ECONOMY UNDER THE JAPANESE

V: A NEW CUSTODIAN FOR THE INDIES . . . . .	132
Fall of the Indies . . . . .	132
Japanese Military Control . . . . .	136
Emergency Economic Measures . . . . .	138
VI: THE ECONOMY DURING THE FIRST YEAR UNDER MILITARY ADMINISTRATION (1942/1943) . . . . .	146
Military Administration . . . . .	146
Estate Control . . . . .	151
New Crops . . . . .	156
Private Lands . . . . .	158
Manufacturing and Mining . . . . .	160
Public Utilities and Transport . . . . .	164
Banking and Credit . . . . .	167
Minorities and the Economy . . . . .	171
Indonesians and the Economy . . . . .	173
VII: "NEW JAVA", "NEW SUMATRA", AND THE ECONOMY (1943/1944) . . .	177
New Voices in the Administration . . . . .	177
<u>Roomusha</u> and <u>Roekoen Tetangga</u> . . . . .	187
Local Autarky and New State Controls . . . . .	188
Other Production . . . . .	195
Public Utilities and Transport . . . . .	197
Banking and Capital . . . . .	200
New Organizations . . . . .	205

## VII Continued:

<u>Djawa Hookookai</u> . . . . .	206
VIII: THE NEW ECONOMIC ORDER (1944/1945) . . . . .	209
New Agencies For the People's Economy . . . . .	212
Work and More Work . . . . .	215
Decentralization of Estates and Smallholder Problems . . . . .	219
Industrial and Mineral Production . . . . .	222
Transportation . . . . .	225
Inflation and Savings . . . . .	228
A Promise of Independence . . . . .	230
Call for a New Mass Movement . . . . .	234
IX: PREPARATIONS FOR A PEOPLE'S ECONOMY IN A FREE INDONESIA . . . . .	237
Independence Preparations . . . . .	237
Fund Drives and Economic Training . . . . .	249
Investigating the People's Economy . . . . .	251
Department of Economic Affairs . . . . .	255
Indonesian Business Activity . . . . .	257
Bandung Conference of Businessmen . . . . .	260
The Japanese Period in Indonesia . . . . .	265

TABLE OF CONTENTS

## VOLUME II

Part 3: THE INDONESIAN ECONOMY SPLIT BY REVOLUTION

X:	A NEW STATE AND NEW PROPRIETORS FOR THE ECONOMY . . . . .	274
	<u>Dwitunggal</u> . . . . .	274
	1945 Constitution . . . . .	275
	The Ministries. . . . .	278
	KNIP. . . . .	280
	P.N.I. No. 3. . . . .	282
	B.K.R. and B.P.K.K.P. . . . .	283
	The First Cabinet . . . . .	285
	Indonesian Business . . . . .	288
	P.T.E. . . . .	289
	Information Media . . . . .	290
	Japanese enterprises moribund . . . . .	292
	Transport . . . . .	293
	B.B.I. . . . .	296
	Legal Tender. . . . .	298
	Cooperative Policy. . . . .	299
	P.M.R. and Commodity Control. . . . .	300
	Alien Minorities . . . . .	302
	Take-over of Foreign Enterprises. . . . .	304
	Ministry of Prosperity Policy towards Foreign Enterpriseso. . .	308
	Proclamation on Alien Property of 12 October 1945 . . . . .	311
	Foreign Policy Manifesto of 1 November 1945 .o. . . . .	311
XI:	REVOLUTION: POLITICAL PARTIES AND ECONOMIC PROGRAMS. . . . .	315
	Working Committeeo. . . . .	315



## XI: Continued:

<u>Perdjoeangan Kita</u> . . . . .	315
Masjoemi. . . . .	317
P.K.I. No. 3. . . . .	318
P.B.I. . . . .	319
Pesindo . . . . .	320
Parsit. . . . .	322
The First Sjahrir Cabinet . . . . .	322
Partai Sosialis . . . . .	324
Masjoemi Fighting Program . . . . .	326
Serindot. . . . .	328
P.N.I. No. 4. . . . .	329
Persatoean Perdjoeangan . . . . .	331
Tan Malaka. . . . .	333
Second Sjahrir Cabinet. . . . .	336
P.K.I. No. 4. . . . .	339
Konsentrasi Nasional. . . . .	340
XII: PSEUDO ANARCHO-SYNDICALISM. . . . .	343
Money Problems. . . . .	344
Banking . . . . .	346
Bank Rakjat Indonesia . . . . .	349
Economic Plan . . . . .	351
Economic Publicationst. . . . .	352
Business and Professional Associations. . . . .	353
January regroupings . . . . .	356
Central Java Pamong Pradja Conference . . . . .	358

XII Continued:

Land Transport . . . . .	350
Marine Organizations . . . . .	360
ERRI/ENRI. . . . .	362
B.T.I. . . . .	365
P.B.I.--R.B.I. Syndicates. . . . .	368
Gasbi. ". . . . .	375
Anti-Syndicalism . . . . .	377
Sjamsoe Harja Udaya. . . . .	381

XIII: STATE TRUSTS . . . . . 385

Jogjakarta Economic Conference . . . . .	385
<u>Ekonomi Indonesia di Masa Datang</u> . . . . .	388
Solo Economic Conference . . . . .	395
B.P.P.G.N. . . . .	396
P.P.N. . . . .	399
1946 National Loan and Monetary Restrictions . . . . .	400
Bank Negara Indonesia. . . . .	405
State of Emergency . . . . .	406
Emergency Transportation . . . . .	409
Rationalization and training of technicians. . . . .	413
Indonesian--Chinese Conference . . . . .	417
Third Sjahrir Cabinet. . . . .	424
ORI. . . . .	425
Reorganization of the Ministry of Prosperity . . . . .	427
Prawoto Soemodilogo. . . . .	429
Indonesian Business Enterprise . . . . .	434

XIII Continued:

B.T.C. . . . .	443
B.T.N. . . . .	445
Badan Industri Negara . . . . .	448
B.E.T.N. . . . .	451
P.P.R.I. . . . .	451
Honet. . . . .	453

XIV: ARTICLE 14, THE SAJAP KIRI, AND GANI . . . . . 456

Article 14 . . . . .	456
Immediate reaction to Linggardjati . . . . .	457
P.B.I. Revamped. . . . .	459
SOBSIt . . . . .	462
Sarboepri". . . . .	468
Other Unions and Farmers Organizations . . . . .	472
Sajap Kiri . . . . .	475
KNIP and its Working Committee Reorganized . . . . .	478
Hatta on Article 14. . . . .	484
Foreign enterprise . . " . . . . " . . . . .	485
<u>Martin Behrmann</u> . . . . .	490
Gani . . . . .	493
Planning Board and Plan. . . . .	495
Republican Policy towards Foreign Property . . . . .	499
Indonesian Business . . . . .	503
Perssi . . . . .	505
Sugar Commission . . . . .	506
Breakdown of Negotiations . . . . .	507



XV: SCORCHED EARTH . . . . .	15
First Military Action . . . . .	516
Sjarifudding Cabinets . . . . .	518
P.N.I. Statement of Principles . . . . .	522
Fox Contract . . . . .	524
<u>Politik dan Revolusi Kita</u> . . . . .	526
First Hatta Cabinet . . . . .	530
Conversion lands . . . . .	536
C.T.C., IFCO, and other Businesses. . . . .	548
Partai Sosialis Indonesiat. . . . .	551
F.D.R. . . . .	552
Delanggu . . . . .	556
National Program . . . . .	558
P.K.I. No. 4 and the Madiun Rebellion . . . . .	563
<u>Kepada Bangsakut</u> , . . . . .	571
National Communistst. . . . .	573
Other Party and Union Reorganizationst. . . . .	577
Second Military Action . . . . .	580
XVI: THE DUTCH RETURN . . . . .	584
NICA . . . . .	585
Nigieo and A.I.O. . . . .	588
Middenstand . . . . .	592
Coprafonds . . . . .	593
Mirub . . . . .	594
Estate Products and Export Controlst. . . . .	596
Money and Banking . . . . .	599
Minerals . . . . .	602
Transportation . . . . .	605

## XVI Continued:

M.K.S.S./NOCEMOe . . . . .	609
Industrial recovery . . . . .	611
Industrial Policy 19473 . . . . .	614
Nadjanoeddin Daeng Malewa and the M.I.T. . . . .	616
Dutch Enterprises and the Police Actions. . . . .	619
Private lands . . . . .	621
Smith and Sugar . . . . .	622
Reconstruction financing. . . . .	626
New Enterprises . . . . .	629
Gindo". . . . .	632
Indonesian Banks". . . . .	634
Chinese Business. . . . .	635
 XVII: RESTORATION AND SOVEREIGNTY. . . . .	 638
<u>Dari Ekonomi Kolonial ke Ekonomi Nasional</u> . . . . .	638
Inter-Indonesian Conference". . . . .	648
Second Hatta Cabinet. . . . .	652
Round Table Conference". . . . .	655
Financial and Economic Agreement. . . . .	657
RIS Constitution. . . . .	661
Reactions in Indonesia . . . . .	662
All-Indonesia Farmers" Conference . . . . .	669
Inter-Indonesian Economic Conference and DEIP . . . . .	671
S.P.S. . . . .	674
Demise of the State Trusts . . . . .	675
G.K.D.I. . . . .	679
Union and Party Mutations . . . . .	680
Parties, the Economic Millenium, and Business . . . . .	687

## TABLE OF CONTENTS

iv

### VOLUME III

#### **Part 4: SOVEREIGN INDONESIA STRIVES FOR A NATIONAL ECONOMY**

XVIII: AGRICULTURAL ESTATES . . . . .	595
Restoration of Estates . . . . .	595
P.P.N. No. 2 . . . . .	702
Sugar Estates . . . . .	704
Debates over Sugar Land Rentals". . . . .	707
Private Lands . . . . .	712
Ahem Erningpradja Motions . . . . .	715
East Sumatra Land Problems. . . . .	720
Tandjung Morava Incident . . . . .	736
The "North Sumatra Land Distribution Problem" in Parliament .	740
Sidik Kertapati Motion . . . . .	753
Agrarian Commission . . . . .	756
The Middle Course: Tauchid and Singgih . . . . .	757
State Commission for East Sumatra Estate Lands Distribution .	762
More Attempts to Solve Land Disputes . . . . .	766
XIX: MANUFACTURING . . . . .	772
Economic Urgency Program . . . . .	774
Industrialization and Foreign Investment . . . . .	778
Bank Industri Negara . . . . .	782
Major New Industries . . . . .	786
New Private Indonesian Industries . . . . .	791
Construction Industry . . . . .	796
Indonesianization of Existing Factories . . . . .	799

## XIX Continued:

<del>Ethnic Distribution</del> of Some Industries . . . . .	802
Indonesianization of Rice Milling . . . . .	805
Industrial Promotion Schemes . . . . .	808
XX: MINERAL PRODUCTION . . . . .	814
P.T.M.R.I. . . . .	815
Teuku Hasan Motion . . . . .	819
State Commission on Mining Affairs . . . . .	820
Large Petroleum Producers . . . . .	826
North Sumatra Oil: to Nationalize or not to Nationalize? . . .	831
North Sumatra Petroleum Coordinator . . . . .	837
Indonesianization of Tin Production . . . . .	846
Salt Monopoly . . . . .	850
Abulhajat Motion . . . . .	853
Other Mining . . . . .	860
XXI: PUBLIC UTILITIES . . . . .	867
Kobarsjih Motion, etc." . . . . .	871
Saddak Motion . . . . .	883
Nationalization of Electricity Companies ." . . . .	885
XXII: TRANSPORTATION . . . . .	892
Garuda Indonesian Airways . . . . .	892
Pioneer Aviation Corporation" . . . . .	900
The Railways . . . . .	902
P.P.D. . . . .	905
Bus Transportation" . . . . .	907
Truck Companies . . . . .	924



## XXII Continued:

DAMRI . . . . .	926
Hotels . . . . .	929
Shipping Policy . . . . .	932
Pepuska . . . . .	936
National Shippingo. . . . .	940
Pelni . . . . .	947
Harbor Facilities . . . . .	953
XXIII: FINANCE . . . . .	956
Indonesianization of Java Bank Officers . . . . .	958
Nationalization of the Java Bank . . . . .	961
Bank Indonesia . . . . .	965
Bank Negara Indonesia . . . . .	973
B.N.I. Subsidiarieso. . . . .	981
Bank Rakjat Indonesia . . . . .	983
Jajasan Kredit . . . . .	989
Private Indonesian Banks . . . . .	992
Bank Umum Nasionalt . . . . .	997
Stock Exchanget . . . . .	1001
Insurance Companies . . . . .	1002
Company Tax . . . . .	1004
Djaswadi Amendment . . . . .	1007
XXIV: TRADE . . . . .	1016
Benteng Importers . . . . .	1017
National Importers . . . . .	1021
P. 41 and the Distribution of Exchange . . . . .	1029
Gapindo . . . . .	1035

CONTINUED:

The Moscow Economic Conference and BAKUNA . . . . .	1039
IKINI . . . . .	1046
Eatik and Kretek. . . . .	1048
Importing and the P.S.I.. . . . .	1052
N.V. Suez . . . . .	1055
Tjikwan Interpellation . . . . .	1060
Tjikwan Motion and Special Licenses . . . . .	1067
P.T. Interkertas . . . . .	1075
Exit Iskaq . . . . .	1079
Margono Resolution . . . . .	1081
Other Commercial Indonesianization . . . . .	1089
Pharmacies . . . . .	1096
Jajasan Kopra . . . . .	1101

TABLE OF CONTENTS

## VOLUME IV

Part 4, Continued

XXV	POLITICAL ATTITUDES TOWARDS THE ECONOMY, FOREIGN INVESTMENT AND NATIONALIZATION: THE MASJUMIE ERA . . . .	1106
	The RIS Period . . . . .	1106
	Halim Cabinet . . . . .	1112
	The 1950 Constitution . . . . .	1118
	Natsir Cabinet . . . . .	1126
	Sukiman Cabinet . . . . .	1146
	Wilopo Cabinet . . . . .	1160
XXVI	POLITICAL ATTITUDES TOWARDS THE ECONOMY, FOREIGN INVESTMENT AND NATIONALIZATION: THE P.N.I. ERA	
	Sjafruddin and the Means of Production . . . . .	1184
	N.U. . . . .	1190
	Wibisono and the Masjumi Program . . . . .	1191
	Mangunsarkoro and Marhaenism . . . . .	1193
	Sidik and the P.N.I. Program . . . . .	1197
	Foreign Investment Policy Preparations . . . . .	1202
	First Ali Sastroamidjojo Cabinet . . . . .	1212
	Statement of Foreign Investment Policy . . . . .	1218
	Two Eras . . . . .	1225
XXVII	INDONESIANIZATION AND ITS FUTURE t. . . . .	1230
	GLOSSARY . . . . .	1249
	APPENDICES . . . . .	1250

## LIST OF TABLES

1. Value of Catch from Sea Fisheries of the Netherlands Indies by Nationality of Fishermen, 1930 and 1937 . . . . .	23
2. Estate Agricultural Landholdings on Java by Type of Property, 1930 and 1940 . . . . .	24
3. Estate Agricultural Landholdings in the Outer Islands by Type of Property, 1930 and 1940 . . . . .	24
4. Private Lands on Java, 1940 . . . . .	26
5. Productive Worth of Categories of Industry in the Netherlands Indies, 1936 . . . . .	35
6. Weaving Industry in the Netherlands Indies by Nationality of Owners, 1942 . . . . .	42
7. Batik Enterprises on Java by Nationality of Owners, 1931 . . . . .	47
8. Kretek Enterprises in Central and East Java by Nationality of Operators, 1933/1934 . . . . .	50
9. Projects of the Netherlands Indies" <u>Industrieplan</u> , 1941 . . . . .	61
10. Mineral Rights Granted in the Netherlands Indies, 1939 . . . . .	63
11. Petroleum Producers in the Netherlands Indies, 1940 . . . . .	66
12. Coal Producers in the Netherlands Indies, 1940 . . . . .	68
13. Producers of Precious Metals in the Netherlands Indies, 1940 . . . . .	72
14. Common Carrier Motor Vehicles in the Netherlands Indies by Nationality of Operators, 1941 . . . . .	82
15. Japanese Sales Outlets on Java, 1933 . . . . .	100
16. Registered Native Cooperatives in the Netherlands Indies, 1940 . . . . .	102
17. Direct Investments in the Netherlands Indies by Nationality, 1937 . . . . .	107
18. Investments of Dutch Capital in the Netherlands Indies, ca. 1940 . . . . .	108
19. Founder-Officers of <u>Persatoean Tenaga Ekonomi</u> . . . . .	
20. Ministers with a Role in the Economy of Indonesia: Presidential Cabinet (2 September--14 November 1945) . . . . .	207
21. Ministers with a Role in the Economy of Indonesia: First Sjahrir Cabinet (14 November 1945--12 March 1946) . . . . .	323
22. Ministers with a Role in the Economy of Indonesia: Second Sjahrir Cabinet (12 March--2 October 1946) . . . . .	337



23.	Ministers with a Role in the Economy of Indonesia: Third Sjahrir Cabinet (2 October 1946--3 July 1947) . . . . .	424
24.	Organization of the Ministry of Prosperity, December 1946 . . .	429
25.	Potential Industrial Projects in the 1947 Provisional Economic Plan	498
26.	Ministers with a Role in the Economy of Indonesia: Sjarifuddin Cabinets (3 July 1947--29 January 1948) . . . . .	518
27.	Ministers with a Role in the Economy of Indonesia: First Hatta Cabinet (29 January 1948--4 August 1949) . . . . .	531
28.	Ministers with a Role in the Economy of Indonesia: Emergency Government (19 December 1948--13 July 1949) . . . . .	581
29.	Department Heads with a Role in the Economy of Netherlands Indies (October 1945--March 1948) . . . . .	586
30.	Department Heads with a Role in the Economy of Pre-Federal Indonesia (March 1948--December 1949) . . . . .	588
31.	Private Lands on Java, 31 December 1949 . . . . .	622
32.	Ministers with a Role in the Economy of Indonesia: Second Hatta Cabinet (4 August--20 December 1949). . . . .	652
33.	Indonesian Membership on the Financial and Economic Affairs Committee at the Round Table Conference . . . . .	657
34.	Founder-Officers of <u>Dewan Ekonomi Indonesia</u> . . . . .	674
35.	Status of Estates on Java and Sumatra at end of 1952 . . . . .	702
36.	Private-Land Ownership on Java by Ethnic and Legal Categories, 1953 . . . . .	714
37.	Repurchase of Private Lands by Indonesian Government, 1950-1955 . . . . .	715
38.	Short-term Large-scale Industrial Projects, Sumitro Plan. . . .	776
39.	Long-term Large-scale Industrial Projects, Sumitro Plan . . . .	776
40.	Financing Activities of Bank Industri Negara, 1951-1955 . . . .	784
41.	The Weaving Industry in Indonesia by Nationality of Owners, 1951	804
42.	Disposition of Bus Franchise Applications, November 1952--December 1953 by Ethnic Group . . . . .	922
43.	Bank Rakjat Indonesia Credits, 1950--1955 . . . . .	987
44.	B.R.I. Credits Outstanding, by Category of Borrowers, 1951-1955	988

## APPENDICES

A.	<u>Estate Agricultural Lands under Cultivation in Indonesia, by Type of Land Title</u> . . . . .	1267
B.	<u>Djawa Tyuuoo Sangi-In, 1943--1945</u> . . . . .	1268
C.	<u>Panitia Persiapan Oentoek Membentoek Soesoenan Perekonomian Baroe, 1944</u> . . . . .	1270
D.	<u>Badan Oentoek Menjelidiki Oesaha-oesaha Persiapan Kemerdekaan, 1945</u> ..	1271
E.	<u>Gerakan Rakjat Baroe, 1945</u> . . . . .	1273
F.	<u>Bada Pembangkit Fonds Perang dan Kemerdekaan!, 1945</u> . . . . .	1275
G.	<u>Panitia Penjelidikan Perekonomian Rakjat, 1945</u> . . . . .	1276
H.	Leading Indonesian Officials in Economic Positions, 17 August 1945..	1277
I.	Foreign Policy Manifesto of 1 November 1945 . . . . .	1279
J.	Proposed Ten Year Reconstruction Plan of the Republic of Indonesia, 1947 . . . . .	1281
K.	National Program, 1948 . . . . .	1282
L.	Ministers with a Role in the Economy of <u>Negara Indonesia Timur, 1947--1950</u> . . . . .	1285
M.	Decisions of the Inter-Indonesian Conference, 1949 . . . . .	1287
N.	Financial and Economic Agreement, 2 November 1949 . . . . .	1290
O.	Constitution of the Federal Republic of Indonesia, 1949.. . . .	1294
P.	Ministers with a Role in the Economy of Indonesia, 1950--1955 . .	1296
Q.	Provisional Constitution of the Republic of Indonesia, 1950 . . .	1298
R.	Nasjumi Righting Program, 1952 . . . . .	1300
S.	P.N.I. Fighting Program, 1952 . . . . .	1302
T.	Government Policy Statement on Foreign Investment, 15 February 1951..	1304
U.	Ethnic Distribution of New Corporations, 1951 and 1953 . . . . .	1307
V.	Regulations Affecting Government Officials in Business . . . . .	1309
W.	Business Interests of Members of the Provisional Parliament of the Unitary Republic who served before 1955 . . . . .	1311

## INTRODUCTION

Until World War II, Indonesia (Netherlands Indies) was the world's most populous country without an important indigenous business group. Within a decade not only were Indonesians staffing their government's commercial enterprises, but a dynamic group of Indonesian businessmen was arising to challenge the dominant position held by aliens.

A new step in the process of Indonesianisasi<sup>1</sup> (Indonesianization) took place in December 1957 when the Government of Indonesia began taking sanctions against businesses belonging to nationals of the Netherlands. In some instances Marxist and ultra-nationalist labor groups attempted with varying degrees of success to establish their control over certain Dutch enterprises, and the Government found itself expanding its own intervention in such businesses partly to prevent further syndicalist action. The immediate cause of this sudden outburst was ascribed to retaliation against the continued Dutch control over West New Guinea.

Yet such Indonesianization, the approbation of the more vocal members of the Indonesian population, as well as some of the excesses by certain groups against alien property, had origins which went much deeper than the question of whether or not West New Guinea should or should not come under the jurisdiction of Indonesia. Moreover, much of the process of Indonesianization had been of a peaceful nature.

Since Indonesia renounced colonial status and declared its political independence on 17 August 1945 and then fought a revolution for four more years to secure its recognition, Indonesianization beyond the political sphere continued to receive considerable attention from the government, political parties, and other segments of the population.

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<sup>1</sup> A secondary variant is Indonesiasi.

In its general economic sense<sup>2</sup> as used in this study, Indonesianization entails a conscious effort to increase the participation and elevate the role of the Indonesian--and more particularly the "indigenous" Indonesian--in the more complex business sectors in his economy. Such a concept, which is correlated to a policy of greater autarky but not necessarily one of exclusion, includes forms of nationalization or socialization, and encompasses at least the nine following types of institutional change:

- (a) transfer to the Government of Indonesia of state economic enterprises established by the colonial governments;
- (b) establishment by the Government of Indonesia of new State enterprises;
- (c) transfer to the Government of Indonesia of private alien enterprises;
- (d) increased governmental control over alien businesses;
- (e) transfer to Indonesians and their organizations of private alien enterprises;
- (f) establishment by Indonesians and their organizations of new enterprises in fields of the economy virtually closed to Indonesians in the past;
- (g) increased Indonesian stock-ownership in corporations established by aliens;
- (h) increased Indonesian participation in the executive and administrative staffs of alien companies; and
- (i) return of landholdings by alien enterprises to the Indonesian community.

Indonesianization may imply not only transition (either permanent or provisional) in those sectors of the economy once controlled by foreigners (part-time residents) or other aliens (i.e., lifetime residents of Indonesia) and their gradual replacement by Indonesians, but, in some instances parallel

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2. In its narrow sense, Indonesianization has usually referred to the process in point (h) listed on this page.

to the points last cited above, even the replacement of non-indigenous Indonesians by Indonesian citizens of more "indigenous" (autochthonous) ancestry.

As an endeavor to further the understanding of current and future movement in the direction of Indonesianization, this survey in four parts examines the background and antecedents as well as the origins and phenomena of Indonesianization during the period from 1940 to 1955. It traces the emergence of Indonesians out of those sectors in the static, "subsistence" level of what has been called the "dual" or "plural" economy--in which Indonesians were historically predominant (e.g. smallholder agriculture, handicraft, small-scale retailing, domestic service, and labor)--into the country's more highly developed, business sphere. Political-economic movements of the former sectors are discussed only in so far as they have been organized in order to take action in confronting the more developed, or business, sectors.

This study's parallel concern is the status of the other occupant--at one time virtually the sole occupant--of the developed business sphere in Indonesia: foreign enterprise, a basic act governing which was finally passed by Parliament in September 1958.

In addition, to complement the portrayal of the oscillating course of economic Indonesianization, the experience, attitudes, and ideologies of

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3. The factor of "indigenous"-ness, anthropologically speaking, is of course only relative! The "indigenous" Indonesians who have become active in politics and are becoming active in the business sphere themselves appear to become the peranakans (residents of foreign descent) when compared to the more indigenous groups (e.g., the so-called "Kubu" of Sumatra, the "Badui" and "Tengger" people of Java, the various "Dajak" tribes of Borneo, and the Melanesian groups in East Indonesia), few members of which have risen to national prominence in politics or more than local importance in business.



politicians and economists,<sup>4</sup> and the political organizations and other institutions--and, of course, their programs--which have influenced that course, are surveyed.

The four parts of the study cover the end of the Dutch Period, the Japanese Period, the Revolutionary Period, and the first half dozen years of the Period of Indonesian Sovereignty, respectively. In the extremes, which deal with two periods of peaceful "normalcy", developments are analysed principally according to economic sector. In contrast, the means spanned the decade of the forties with its war and revolution, when external events often compelled simultaneous modifications in institutions throughout the economy, and when it was difficult for any consistent policy in a certain commercial sector to be carried out for a period as long as two years. Accordingly, presentation in Parts Two and Three is primarily chronological.

For over three centuries trade in the archipelago had generally followed the Dutch flag. By the twentieth century, consequently, not only the government of the islands but the operation of their economy as well was under the effective control of the Dutch. Where Dutch business did not penetrate from lack of interest or numbers, there the Chinese were induced to go. Thus, largely as a heritage of monopoly leases and rights granted their ancestors by the Vereenigde Oost-Indische Compagnie (V.O.C.--United East India Company) and its successor, the Government of Netherlands Indies, intermediate trade by the twentieth century--particularly on Java--was largely in the hands of Chinese merchants. In addition to these two dominant alien groups, small numbers of Britishers and other Europeans, Americans, Arabs, Indians, and Japanese arrived in the archipelago and prospered from favorable positions in the dual (or plural) economy.

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<sup>4</sup>. Persons skilled or experienced in business or economics; cf. tenaga ekonomi.

So long as the archipelago was controlled by a foreign metropolitan power, Indonesianization of the economy, as defined above, was virtually impossible. The colonial government recognized a simple "native business sphere", and most of the limited assistance provided it was of a relief, rather than a developmental, nature. Part One--"The Indonesian Economy at the Close of the Dutch Period"--undertakes a survey of the economy around 1940 and 1941, providing a descriptive background against which subsequent steps of the Indonesians to improve their position in the economy of their country should gain meaning. An indication is given of the role of alien business in each primary sector of the economy--which automatically might later become fields for potential Indonesianization--and of several of the enterprises of the Netherlands Indies Government, to most of which the Indonesian Government would subsequently fall heir. Wherever possible, the few leading Indonesian economic practitioners are identified. Finally, a brief sketch is provided of the economic thinking during the period by Indonesian political groups which served as media for political action and training for most of the political or economic leaders who during the following periods would play a role in Indonesianization.

The Dutch period apparently came to an end with the arrival of Japanese forces in the Indies early in 1942. Within three months after it had embarked on the Greater East Asian War, Japan controlled the major part of the archipelago, and mopping-up operations soon subjugated the rest of the country, except for an enclave in West New Guinea. The military campaign not only brought an end to Dutch political control over the archipelago, but it quite naturally ended Dutch economic hegemony as well.

Part Two--"Reorganization of the Indonesian Economy under the Japanese"--is a historical survey of the fractured economy of the Indies during the

occupation, with emphasis on Indonesianization where it was able to appear. The "de-Hollandization" and consequent "Nipponization" of the commercial sphere is a parallel concern. This was the period not only of extreme hardships but also of the gestation of Indonesian independence, which was intended eventually to bring economic autonomy. Consequently, not only general political events of the period are pictured to set the scene for economic changes, but the new experiences of Indonesians rising to positions of leadership--the broadening of horizons of politicians by incursions into the economy and of economists into the political arena--are traced.

In August 1945, Indonesians declared their independence and soon afterward had acquired effective control of most parts of the archipelago. However, actions which began as a series of regional coups d'etat against the Japanese grew into a revolution and a defense against the return of another foreign power, whether British or Dutch. Not until the end of 1949 did Indonesians acquire complete political control over their country.

Part Three--"The Indonesian Economy Split by Revolution"--describes efforts at rehabilitation from war destruction and deterioration by two governments in the archipelago. The Republic, which by early 1946 was limited to Java, Madura, and Sumatra, wished on the one hand to proceed with expanding and Indonesianizing the underdeveloped economy, and on the other hand, apparently, to restore to their proprietors foreign properties but with necessary safeguards to the population. It was, of course, hindered in accomplishing this so long as all of its energies were principally occupied in attempting to maintain its existence in the face of the returning Dutch. The Dutch Realm was most concerned with restoring the pre-war economy and the Dutch role therein (Chapter XVI), but with a growing realization of a need for finding a

more important place for the Indonesian in that economy. Meanwhile, much economic recovery and new development was held in abeyance and economic destruction prolonged as fighting continued, interspersed with truces. During this period, political and economic developments were closely intertwined. Consequently, the major political institutions and occurrences are identified, and the attitudes of politicians and parties towards the ideal economy in general, and Indonesianization and foreign investment in particular, are examined.

By 1950, Indonesia had apparently become the master of its own fate, for with the "transfer" or "recognition" of sovereignty by the Netherlands, that country ceased to be an immediate official force in the Indonesianization picture. Nevertheless, pending the elections, which finally came in 1955, the Constitution and much of the political structure of the independent nation remained provisional. Yet, despite the lack of a consensus on the future form of the state and of the economy, the scene was set for active Indonesianization in the economy.

Part Four--"Sovereign Indonesia Strives for a National Economy"--follows the process of Indonesianization in each primary economic sector, indicating where possible its political origins and also political reactions. Other political issues involving alien enterprises in these sectors are also discussed. To complement this analysis of Indonesianization and related developments by specific economic sector, two chapters (~~XXV~~ and ~~XXVI~~) have been added to trace the changing political attitudes on the general subject of the preferred economy, foreign investment (which led to a statement of policy in 1954 and a regulatory statute in 1958), and nationalization. Most complete coverage is given to these subjects as they evolved in the programs of the successive cabinets and as they were debated in the country's principal forum,

the Parliament, in Djakarta. Accordingly, for a fuller picture of Indonesianization of a certain economic institution, it may be helpful to refer also to the description of political-economic attitudes voiced during the appropriate cabinet's incumbency.

Throughout the study, in addition to the numerous speeches and statements covered, leading books concerned entirely or partly with the subjects of this study are reviewed, including those by Aidit, Hatta, Mangunsarkoro, Singgih, Sjafruddin, Sjahrir, Soejono Hadinoto, Soekarno, and Tan Malaka. Appendices have been added which contain, in addition to tables which are too bulky for inclusion in the text, translations of the most important documents which have a bearing on the trinity of the ideal economy, Indonesianization, and foreign investment. The principal exceptions are the comparatively short sections in the 1945 Constitution and the Linggardjati Agreement, which may be found in Chapters IX and XIV., respectively.

Whenever an Indonesian, Japanese, or Dutch term or name has been cited the first time, an attempt has been made to give an appropriate translation in English, plus its common abbreviation (or initials). To facilitate identification of such words or terms when repeatedly used, a glossary has been added. Contemporary spelling and use of names is followed. Accordingly, it should be noted that until early 1945 for most geographic names and early 1947 for most other names, Indonesian oe's (derived from Dutch phonetics) were regularly used; afterwards they generally (but not always consistently) became u's. After the official changeover both spellings would frequently be encountered, and so in following his sources, the writer, while trying to utilize the spelling preferred by the possessor of the name, occasionally allowed other versions to creep in. If Dutch spellings appear to lack consistency, it may also be due to the fact that they also underwent changes in



the late forties. Moreover, although an attempt has been made to standardize Japanese names, they may appear in a variety of Romanized versions, some approaching English transliterations and others, Dutch-Indonesian phonetics (depending on the sources). The first time reference is made to an Indonesian, his full name and title will appear with his principal name (if not evident) indicated in block letters. Afterwards, the customary abbreviated form will ordinarily be used. The following abbreviations of titles are also used:

#### Nobility

A.A.	Adipati Ario	R.	Raden
K.	Kan(g)djeng	R.M.	Raden Mas
P.	Pangoran	T.	Toemenggoeng

#### Religious

H.	Hadji	K.H.	Kia(j)i Hadji
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#### Academic

dr.	dokter (M.D.)	Ir.	Ingenieur (B.E.)
Dr.	Doctor (Ph.D.)	Mr.	Meester in de Rechten (LL.B.)
DR.	Doctor-dokter (M.D.--Ph.D.)		
Drs.	docterandus (doctoral candidate, equiv. to M.A. without thesis)		

#### Other

Nj.	Njonja (Mrs.)
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I N D O N E S I A N I S A S I

PART ONE

TPE INDONESIAN ECONOMY AT THE CLOSE OF THE DUTCH PERIOD



## CHAPTER I: AGRICULTURE AND LANDHOLDINGS

The principal role of the indigenous Indonesian in the dual or plural economy<sup>1</sup> of the Netherlands Indies was that of farmer. There were some Chinese vegetable farmers in the Deli-Serdang uplands in the East Coast of Sumatra Residency, and smaller numbers near the important cities of West and East Java, where Bataks, Sundanese, and Javanese, respectively, also had truck gardens. Chinese rice and truck farmers were also scattered throughout the northwest portion of the Department of West Borneo and around Tangerang to the west of the country's capital (Batavia) and Bekasi, to the east. However, except for these relatively few Chinese,<sup>2</sup> virtually all of the farmers in the subsistence section of the economy of the Indies--producers of such staple foods as rice, corn, soybeans, cassava, and sweet potatoes, as well as other vegetables and fruits for domestic consumption--were indigenous Indonesians.<sup>3</sup>

Most of the trade in the food crops, and the large majority of food processing plants, especially in Java and West Borneo--areas where

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1. For broad studies on the economy around 1940, see Julius Herman Boeke, The Structure of Netherlands Indian Economy, (New York: Institute of Pacific Relations, 1942); Boeke, Economics and Economic Policy of Dual Societies as Exemplified by Indonesia, (Haarlem: H.D. Tjeenk Willink & Zoon, 1953); Jan Otto Marius Broek, Economic Development of the Netherlands Indies, (New York: Institute of Pacific Relations, 1942); and John Sydenham Furnivall, Netherlands India, a Study of Plural Economy, (Cambridge, England: University Press, 1939).

2. For general studies on the Chinese in the economy, see Writser Jans Cator, The Economic Position of the Chinese in the Netherlands Indies, (Oxford: Basil Blackwell & Mote, 1936); and Ong Eng Die, Chineez in Nederlandsch-Indie, (Assen, Netherlands: Van Gorcum, 1943).

3. For an excellent compilation of data on the archipelago's crops and their production, see C.J.J. van Hall and C. van de Koppel (eds.), De Landbouw in den Indischen Archipel, 4 vols., ('s-Gravenhage: W. van Hoeve, 1946-1950). For a description of Indonesian subsistence agriculture, see C.J.J. van Hall, Insulinde: De Inheemsch Landbouw, (Deventer, Netherlands: n.p., 1946).

competition from indigenous commercial population was quite weak--were in Chinese hands. Much of this trade in food surplus areas of Java came under the idjon<sup>4</sup> system, in which by a judicious distribution of advances the tengkulak (commission agent or other collection merchant) or the miller's agent was able to assure himself of the output of numerous farmers, and thus often appear virtually to control their livelihood.

### Rice and Other Staple Foods

Before the Depression, almost all Javanese rice was consumed locally, as was the product of such other rice centers as Bali, Lombok, southern Celebes, and the West Coast Residency of Sumatra. Customarily rice was pounded (beras tumbuk) for home consumption or milled by local, usually indigenous, millers. To supply the rice-deficit areas of the archipelago, hundreds of thousands of tons were imported annually from Rangoon, Bangkok, and Saigon by Chinese importers. In 1933, when the price of domestic rice was threatened by the competition of cheap foreign rice, the government instituted import controls and encouraged the sale of rice from surplus areas in Java to the outer islands. This policy induced the erection of numerous rice mills on Java by Chinese, many of whom had been in the rice trade. Soon all of the rice mills in the Djember area of East Java, numbering around twenty, most of those around Indramajoe, and 67 of the 70 in the rich Krawang rice center of West Java were Chinese-owned. In addition to the farms of the indigenous population in the latter area, Batavia Residency had a number of Chinese rice estates. However, government action after the outbreak of World War II placed restrictions on the

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<sup>4</sup>. The term, from the Javanese word for "green" (Indonesian: hidjau), arose from the practice of buying up rice and other crops while still green in the field.



free hand of the Chinese rice millers and merchants. In 1940, application of the Industrial Central Ordinance to rice mills with a capacity of  $2\frac{1}{2}$  H.P. or more brought a system of licensing and supervision to the rice milling industry. Meanwhile, under the Department of Economic Affairs, a Voedingsstoffenfonds (Foodstuffs Fund) was set up to control the sale of rice between surplus and deficit areas.<sup>5</sup>

The cassava (ubi kaju) farmer, usually an Indonesian, pounded his product into gaplek (crude manioc) and sold any surplus to Chinese tengkulaks and millers, who produced tapioca flour. In addition to the thousands of smallholders concentrated in Priangan and around Solo (Soerakarta) and Pekalongan, there were thirty-nine cassava estates in 1939. Sago was harvested as a staple food by the population in the Moluccas and the central and eastern Lesser Sundas. However, in Central Sumatra, it was cultivated by Chinese on small plantations scattered from ~~Bengkalis~~ to Djambi and processed in numerous Chinese sago-washing plants along the coast, especially around Selat Pandjang. Cultivation of another important food crop, soybeans (kedelai), steadily expanded on Java, after tahu (bean curd) began to grow in favor as a local food and soybeans became protected by an import quota in 1934. Important users of soybeans were Chinese-owned ketjap (soy-sauce) factories in such centers as Batavia, Cheribon, and Semarang.<sup>6</sup>

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5. Boeke, Economics and Economic Policy. . ., pp. 66, 115; Parada Harahap, Indonesia Sekarang, (Djakarta: Bulan Bintang, 1952), p. 222; Sumitro Djojohadikusumo, Persoalan Ekonomi di Indonesia, (Djakarta: Indira, 1953), pp. 136-137.

Cf. "Bedrijfsreglementeeringsservordening rijstpellerijen 1940" in Staatsblad van Nederlandsch Indië / Henceforth Stbl. 1940 No. 104; and Chapter 11, for Industrial Control Ordinance.

6. Boeke, op. cit., pp. 264, 285; Cator, op. cit., pp. 115, 235; Sumitro, op. cit., pp. 137, 141. Corn was the leading staple food in many parts of the archipelago, but it was usually eaten on the farm and was seldom processed.

### Copra and Kapok

In almost all of the coconut producing areas, especially in the important centers of Minahasa and the Moluccas, Indonesian farmers predominated. The only important Chinese coconut groves were in West Borneo, where Chinese had grown coconuts since the decline of the gold-mining industry towards the end of the Nineteenth Century.<sup>7</sup> But Chinese merchants did control the trade in copra, which was shipped from the outer islands to coconut oil factories (usually Chinese-owned) in Java or exported abroad, although Dutch export houses usually shipped the portion destined for Europe. Because of competition from the Philippines and other producing areas by 1940, however, the archipelago was unable to dispose of much of its crop of copra. Consequently, it was designated as a "weak" commodity, and the government established the Coprafonds (Copra Fund) to control its standards, prices, and exports. For the field work of this new Dutch-operated organization, a large Indonesian staff was employed.<sup>8</sup>

Kapok, almost ninety percent of which was produced on smallholdings along the roads of Java, was also invariably bought up with advances from Chinese tengkulaks. The Chinese were especially active in the Kendal area of Central Java, where they had their own kapok estate. Merchants usually brought the kapok in pods and ginned, cleaned, and pressed the fiber in their own sheds before selling to exporters. Since kapok, too, had long been in a condition of over-supply, the government in 1937 set up a Kapokcentrale to control its production and export.<sup>9</sup>

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7. Cator, op. cit., p. 168.

8. Boeke, op. cit., pp. 266-267.

9. Ibid., pp. 261-263; Cator, op. cit., p. 113; Ong, op. cit., p. 133; Sumitor, op. cit., p. 140.

## Sugar

Until the Depression, Java rivalled Cuba as the world's leading cane-sugar producer. Cane was primarily a plantation crop, only 3.2 percent of its planted area in 1940 being cultivated by smallholders. In the days of the V.O.C. (Verenigde Oost-Indische Compagnie--United East India Company) and the early years under the Netherlands Indies Government, sugar plantations and mills had been operated principally by Chinese merchants. However after the promulgation of the Agrarian Law of 1870, which made possible the leasing of large stretches of land from the farming population, Dutch companies with large accumulations of capital eventually took over most of the industry in Central and East Java. By 1930 the H.V.A. (N.V. Handelsvereniging Amsterdam--Amsterdam Trading Association) operated fifteen sugar plantations and its "Djatiroto" mill near Malang, which produced 19,854 metric tons of sugar in 1940, was counted as the fourth largest in the world. Gradually, the heavily-capitalized Dutch sugar concerns associated together in the Algemeen Syndicaat van Suikerfabrikanten (General Syndicate of Sugar Producers) forced their Chinese competitors out of the production and export business. Then when the Dutch companies lost their export markets during the Depression, they ousted the Chinese from control of the domestic sugar market. Eventually only a half a dozen Chinese sugar plantations survived, five of them belonging to the country's largest Chinese enterprise, the Oei Tiong Ham Concern of Semarang. Two large estates, "Tasikmadoe" and "Tjolomadoe", were operated by the largest of the indigenous Indonesian business enterprises, the Fonds van eigendommen van het Mangkoenagorosche Rijk, a business trust of the Mangkoenagoro (a Central Javanese prince) in Solo. Its estates, like most of those of the Chinese, had European managers. However, the Fund's administrative board,

headed by the prince himself, since its founding in 1914 had gradually passed from Dutch to Indonesian hands. Although in the late thirties the sugar industry recovered somewhat, NIIVAS (Nederlandsch-Indische Vereniging voor het Afzet van Suiker--Netherlands Indies Association for the Sale of Sugar), which had been set up by the government in 1932 to supervise the production and export of sugar (then in great surpluses), continued to function.<sup>10</sup>

#### Upland Estate Products

The leading export product of Nineteenth Century Java before, during, and for awhile after the period of the "Culture System" of the Netherlands Indies Government, had been coffee. Although the importance of Indonesian coffee on the world market had declined by 1940, it was still produced on Dutch estates and Indonesian smallholdings in West and East Java, Bali, western Central Sumatra, and South Sumatra. The trade in the last three areas, smallholder centers, was controlled by Chinese merchants. Chinese kongsis (business associations) also operated coffee plantations near Semarang and Banjoewangi. The Koffiefonds, which the government set up in 1937 to improve the quality of domestic coffee, was reorganized to control the purchase and sale of coffee from both estates and smallholdings,

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<sup>10</sup> G.C. Allen and Audrey G. Donnithorne, Western Enterprise in Indonesia and Malaya: A Study in Economic Development, (New York: Macmillan, 1957), pp. 78-85; Boeke, op.cit., pp. 193, 221-22, 244-245; H. Klasing, "The Recovery of the Java Sugar Industry," Economic Review of Indonesia, II (1948), 23; Liem Twan Djie, De Distribueerende Tusschenhandel der Chineezen op Java, (s'Gravenhage: Martinus Nijhoff, 1947), pp. 73-74; Ong, op.cit., pp. 149-150; Abdul karim Pringgodigdo, Geschiedenis der Ondernemingen van het Mankoenagorische Rijk, (s'Gravenhage: Martinus Nijhoff, 1950), pp. 162 ff. In 1929 a record 2,913,000 M. T. of sugar were produced on Java.

Exceptions to the rule that sugar plantations rented each season different plots from the resident farmers were "Djatiroto", which occupied a "private land" near Probolinggo. The H.V.A. also operated estates for many other kinds of crops.

after the war in 1940 eliminated Indonesia's major coffee markets.<sup>11</sup>

The Netherlands Indies was once also one of the three leading exporters of tea. Although one of the largest tea plantations was the H.V.A.'s "Kajoe Aro" estate in the West Coast of Sumatra Residency, over eighty percent of the country's tea came from estates in West Java. One of the largest of the primarily European-operated tea enterprises was the British-owned Pamonoekan & Tjiasem Lands. All of the tea of smallholder ~~producers, among~~ which were some ~~Eurasians~~, was bought up by nearby estate factories. World market difficulties led to the adoption in 1933 of a tea export ordinance and a tea planting ordinance, which resulted in an export ratio of 9:2 in favor of estate tea and in the registration of over 50,000 tea smallholdings under the so-called Kingma System. These controls were maintained into the war years.<sup>12</sup>

Before World War II, Java held a near-monopoly in the production of cinchona bark and quinine. Dutch estates and factories at Bandoeng were in a hegemonous position, while less than one percent of the bark was produced in smallholdings. However, the most productive estate, "Tjinjiroean", was a government enterprise. Cinchona cultivation and export was restricted by a regulation from which smallholders were exempt, which remained in effect during the early war years.<sup>13</sup>

The large Dutch estates which controlled tobacco production in Deli-Serdang, a region famous for its cigar wrapper tobacco, were associated in

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11. Boeke, op.cit., pp. 258-260; Cator, op.cit., p. 113; Sumitro, op.cit., pp. 137-138. "Java" coffee lost its primacy late in the Nineteenth Century when disease began attacking it.

12. Allen and Dornithorne, op.cit., pp. 100-104; Boeke, op.cit., pp. 250-255.

13. Boeke, op.cit., pp. 255-257.



the D.P.V. (Deli Planters Vereniging), and employed primarily imported Chinese and Javanese labor<sup>14</sup>. The Dutch tobacco estates in Besoeki Residency of East Java employed local Javanese farmers. In Central and East Java, smallholders who planted tobacco (which was known as krosok) gradually converted to Virginia-types for the expanding domestic tobacco manufacturing industry. In all krosok areas, and especially in Kedoe Residency, Chinese merchants controlled the tobacco trade, buying via the advance system either directly as tengkulaks or through bakuls (Indonesian buyers). In 1937 the government established the Krosok Centrale to undertake to improve the production, processing, sale and marketing of smallholder Virginia tobacco.<sup>14</sup>

Other important crops which were principally grown on large alien-owned estates were oil palms in the hinterland of Medan, and sisal and Manila hemp in the coastal plains near Medan and Cheribon in West Java.

### Rubber

Following the decline of the sugar industry during the Depression, rubber (karet, hevea brasiliensis) came to be the chief export product of the islands. The large estates were not only Dutch-owned, but some were operated by Americans, British, French, Belgians, and other foreigners. The world's largest single rubber plantation was that of the U.S. Rubber Company's subsidiary, HAPM (N.V. Holland-Amerikaansche Plantage Maatschappij), which produced 22,158 metric tons in 1941. The estate companies in the East Coast of Sumatra region, most of which were associated in AVROS (Algemene Vereniging van Rubberplanters ter Oostkust van Sumatra), employed tappers brought over from Java. Among the many rubber estates on West Java associated in A.L.S. (Algemene Landbouw Syndicaat) were some operated by the Netherlands Indies Government. Other large concentrations of estates were in the west-

14. Ibid., pp. 212 ff, 265-266; Ong, op.cit., pp. 130-131; rambahan Lembaran Negara Republik Indonesia No. 731. Bakul, meaning "basket", was derived from the baskets toted by these buyers.



central and southern regions of Sumatra, where they belonged to the Z.W.S.S. (Zuid en West Sumatra Syndicaat), and in South Borneo.

Over eight hundred thousand rubber smallholders were scattered throughout Sumatra--especially in the regions of Palembang, Djambi, Bengkalis, Indragiri, Riouw, and Tapamuli--in West Borneo (where many Chinese had groves), and in South Borneo. The estates operated their own mills and smokehouses and usually handled their own exports. However, although some Malays in Sumatra and Bandjars in South Borneo were active in the collection trade, the internal trade in smallholder rubber, especially in low-quality slab areas like Palembang, was largely controlled by Chinese buyers. Transporting the rubber by trucks or river boats, they sold to European or Chinese exporters. The latter often shipped the crude rubber to the processing plants of business or family relations in Singapore. Sheets were also produced on thousands of mangles by smallholders, some associations of which had their own smokehouses. In addition, many Chinese operators of tokos (retail stores) hired out mangles, which they had bought up at low prices from farmers who had received them from the government. In 1941 fifty-five slab remilling plants, mostly owned by Chinese, were in operation at the mouths of the large rivers of Sumatra and Borneo, especially at Palembang, Djambi, Pontianak, and Bandjarmasin.

A succession of government schemes resulted from the restriction agreement with Great Britain and Siam of 7 May 1934, such as the registration of smallholdings, limiting and licensing exports both of estate and smallholder rubber, and a series of export duties (which struck principally at smallholder rubber). By 1940, rubber processing plants and smokehouses were also brought under a licensing system. Nevertheless, these had little practical effect in curtailing smallholder production and exports,

for in 1940 these reached record levels.<sup>15</sup>

Forest Products, Spices, etc!

Among the archipelago's important forest products were the resins, damar from West Java and kopal from Celebes and Borneo, rattan from the latter two islands, and tengkawang (used as a lipstick base) from West Borneo. Invariably the products were collected by Indonesians and purchased unsorted by Chinese tengkulaks, who sold them to exporters, who in turn cleaned or sorted them! To establish better standards for domestic resins in the face of great competition from synthetic products, a Gomcommissie (Gums Board) was established by the government in the late thirties.<sup>16</sup>

Gambir, principally grown on Chinese farms in West Borneo, in the Riouw area, and on Bangka, was usually processed in gambir-boiling works owned by Chinese. Chinese farmers also raised pepper plants in West Borneo and Bangka, although in this latter area Indonesian farmers almost equalled their output. While Bangka was the world's leading producer of white pepper, Indonesians in the Lampongs region of South Sumatra produced large quantities of black pepper, which was bought up primarily by Chinese merchants.<sup>17</sup> Among the other spices for which the archipelago had long been famous were such smallholder products as nutmeg and mace from Banda and northern

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<sup>15</sup>. Data in this section are drawn from: Boeke, op.cit., pp. 121-129; Allen and Donnithorne, op.cit., pp. 117-127; Sumitro, op.cit., pp. 139-140; John O. Sutter, "Smallholder Rubber in Indonesia," American Embassy Despatch #10, Djakarta, 6 July 1954, pp. 3 ff., 16-17, Cf. Stbl. 1937 no. 499, 500, 519, and 633; "B.R.V. rubberherbereiding 1940" and "B.R.V. rubberrookhuizen 1940," in Stbl. 1940 no. 451 and 452, resp!

In 1940, when the area under cultivation on rubber estates reached an all-time high of 626,000 ha., but estate output was limited to 282,669 M.T. (still a pre-war record), total estate and smallholder exports reached a pre-war record total of 544,900 M.T. Biro Pusat Statistik, Statistik 1956, (Djakarta, 1956), pp. 64-65, 130.

<sup>16</sup>. Boeke, op.cit., pp. 264-265; Sumitro, op.cit., pp. 140-141.

<sup>17</sup>. Cator, op.cit., pp. 174-175, 200-201; and Ong, op.cit., pp. 135, 163 ff.

Moluccas, and cloves from the Moluccas and Lampongs.

In western Java, sereh grass was grown by Sundanese, Javanese, and some Eurasian farmers. Its export as citronella oil, principally from Batavia's port of Tandjong Priok, was supervised by a government-established export board for essential oils.<sup>18</sup>

The archipelago traditionally abounded in a wide variety of fruits, most of which were consumed locally. In the upland hinterlands of Medan and the major port cities of Java, however, numerous Indonesian gardens and orchards also produced for the big cities.

#### Livestock and Fisheries

Livestock, both for home use and for sale, was raised by Indonesian farmers. Throughout the archipelago, the kerbau (water buffalo) was the principal draft animal, although on Bali and Madura a slender variety of cattle was raised, and eastern Java had many of a zebu type. Surplus areas in the Lesser Sunda islands like Sumba shipped kerbau to the Java ports or Singapore for sale as draft animals or to slaughterhouses. Similarly, pigs raised by the Balinese were shipped by Chinese merchants on the K.P.M. (N.V. Koninklijke Paketvaart Maatschappij--Royal Packet Navigation Company), termed "babi (pig) express", for the pork-eating populations of Singapore and of the large cities of Java. Chinese merchants shipped them from Nias to Tapanuli. Small horses from Timor and Sumbawa in the Lesser Sundas were also carried by K.P.M. ships to the cities to the west, where they were primarily used in transportation.

Fishing, which contributed an important item to the Indonesian diet, was engaged in by 258,000 Indonesians and almost 10,000 Chinese in

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<sup>18</sup>. Boeke, op. cit., pp. 263-264.

1930.<sup>19</sup> Fish was caught along the coasts, in lakes, and in the streams by the adjacent population for its own subsistence. The thousands of indigenous coastal fishermen, especially along the northern coast of Java and off Makassar, fished from their own locally-built boats. Much of their catch, however, entered the market only via Chinese distributors, who controlled the important auctions such as Pasar Ikan (Fish Market) at Batavia.

Of increasing importance both to the Indonesian producer and consumer was the tambak fish culture in salt-water and brackish-water ponds along the northern coast of Java, especially in the Grisee and Soerabaja areas, as well as on Madoera and Celebes. This unique culture involved the transplanting of schools of fingerlings from the open Java Sea to such ponds. . . . Javanese and other wet rice cultivators also supplemented their diet with small fish raised in their sawah (paddy fields) and fresh-water ponds.<sup>20</sup>

To prevent spoilage before sale in the more distant inland markets, much of the fish was salted and dried. At Bagan Siapiapi off east-central Sumatra arose a large fishing and processing industry operated entirely by Chinese. Although the fishing was done by small kongsis, a number of processing establishments dried and salted fish, dried the shrimp, and prepared such by-products as terasi (shrimp paste). Tjong A Fie, a millionaire Chinese major of Medan, helped finance the business. Most of its fish was forwarded by Singapore merchants to Java; dried shrimp went to Malaya and China; and

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19. The Census of 1930, published separately, is also available in digested form in Centraal Kantoor voor de Statistiek, Indisch Verslag (Netherlands Indian Report) 1941, II--Statistical Abstract for the Year 1940 [henceforth I.V. 1941], [ed. Abdul Karim Pringgodigdo], (Batavia: Landsdrukkerij, 1941). For classification by professions, see pp. 177 ff.

20. "Fresh-Water Fish in Indonesia," Economic Review of Indonesia, I (1947), 69-75.

the waste products were sent to the pepper regions of Bangka, Lampongs, and West Borneo for fertilizer.<sup>21</sup>

Table I: Value of Catch from Sea Fisheries of the Netherlands Indies  
By Nationality of Fishermen, 1930 and 1937  
(in thousands of gulden)

<u>Year</u>	<u>Indonesian</u>	<u>Chinese</u>	<u>Japanese</u>	<u>European</u>	<u>Total</u>
1930	1039.0	379.4	522.8	20.3	1961.5
1937	565.8	256.2	163.8	88.7	1074.5

Source: Instituut voor de Zeevisserij te Batavia,  
Meddeeling No. 3, Jaarverslag 1937,  
(Batavia, 1939), p. 9.

Mechanized methods and motor-equipped boats put the Japanese in a strong competitive position vis-à-vis others who fished in the waters of the archipelago, since the former could bring fresh deep-sea fish and smoked fish to markets in the port cities at low prices.<sup>22</sup> However, by the late thirties, as evidenced in the above table, new controls on sea fisheries within the archipelago were enabling Indonesians, Chinese, and Europeans to increase their share of the catch.

#### Alien Landholdings

Thanks to laws which prevented the alienation of land, most of the land in the Netherlands Indies was held either by the indigenous cultivators or, particularly in the outer islands, by indigenous ruling families and the State. Nevertheless, by 1940 a wide variety of types of landholdings was permitted to non-Indonesians, including the several kinds of property for plantation agriculture<sup>23</sup> which appear in the following tables.

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21. Cator, op.cit., pp. 211-217; and Ong, op.cit., pp. 136-139.

22. Ong, op.cit., p. 139.

23. See Mochammad Tauchid, Masalah Agraria: Sebagai Masalah Penghidupan dan Kemakmuran Rakyat Indonesia, (Djakarta: Tjakrawala, 1952).



Table 2: Estate Agricultural Landholdings on Java by Type of Property  
1930 and 1940

Type of Landholding	Gross Area				Opened for Estate Crops			
	Parcels		Ha. ('000)		Estates		Ha. ('000)	
	1930	1940	1930	1940	1930	1940	1930	1940
Government estates			n.a.	n.a.	17	14	17.7	20.6
"Private lands"	127	119	502.0	488.9	71	63	347.5	350.4
Erfpacht plantations	893	848	680.7	590.7	844	898	566.3	555.0
"Conversion lands"			70.1	60.0	91	65	70.1	57.8
in continuous use			(29.0)	(29.4)			(29.0)	n.a.
in alternate use			(41.1)	(30.6)			(41.1)	n.a.
Short leases from natives			204.9	89.6	30	40	204.9	89.6
TOTAL			1457.7	1129.2	1220	1181	1206.4	1073.4

1 hectare = 2.471 acres

Source: Indisch Verslag 1941, II, 268, 270-271.

Table 3: Estate Agricultural Landholdings in the Outer Islands  
By Type of Property, 1930 and 1940

Type of Landholding	Gross Area			Opened for Estate Crops			
	Parcels	Ha. ('000)		Estates		Ha. ('000)	
	1940	1930	1940	1930	1940	1930	1940
Government estates		n.a.	n.a.	4	3	23.4	20.5
"Private lands"	104	2.8	3.3	4	5	0.8	0.8
Plantation concessions		1250.7	1054.1	525	429	1114.4	936.0
granted by Residency Heads	108	(142.3)	(89.4)				
granted by Native States	200	(1108.3)	(964.7)				
Erfpacht plantations		1071.5	560.9	714	786	531.0	460.5
on "Government" land	947	(810.2)	(397.6)				
in Native States	445	(261.3)	(163.3)				
Short leases from natives	1	--	0.1	--	1	--	0.1
		2325.0	1618.3	1247	1214	1669.4	1418.0

Source: Indisch Verslag 1941, II, 269, 272-273.

#### Government Estates

During the inter-war period, the Netherlands Indies Government gradually acquired a number of plantation properties. Thus by 1941 it was operating through the Gouvernements Landbouwbedrijven twenty-one agricultural estates,<sup>24</sup>

<sup>24</sup> Saksono Prawirohardjo, "Seledar mengenai Organisasi dan Usaha Pusat Perkebunan Negara," Almanak Pertanian 1953, (Jakarta: Badan Usaha Penerbit Almanak Pertanian, 1953), pp. 304-308; cf. Indisch Verslag 1936, I--Tekst van het Verslag van Bestuur en Staat van Nederlandsch Indië over het Jaar 1935,



each one of which had a Dutch manager!

### Private Lands

From about 1627 until 1829 particuliere landerijen (private lands) were granted by the V.O.C. to employees for services rendered and sold by the Dutch and British governments of the Indies to persons as part of a currency appreciation scheme. The landlord possessed virtually sovereign property rights and could collect a land tax based on a percentage of the crop, as well as exact kompenian or rodi (corvee) from his tenants.<sup>25</sup> Some of these lands were small parcels in the vicinity of cities on the northern coast; others were large tracts further inland used for agricultural purposes. The extent of the private lands is shown in Table 4.

Private lands in Batavia Residency stretched from Tangerang to Krawang

(The Hague: Algemeene Landsdrukkerij, 1937), "91-97, 114," 119.

Estates operated by the G.L.B. on Java (by residency and product) were: (1) "Tjikoempa-Tjipinang", Batavia, rubber; (2) "Serpong", Batavia, rubber; (3) "Vada", Buitenzorg, rubber; (4) "Tjipetir", Buitenzorg, rubber and gutta-percha; (5) "Tjinjiroean", Priangan, cinchona and tea; (6) "Boewaran/Blimbing", Pekalongan, rubber; (7) "Soebah", Pekalongan, rubber; (8) "Kroempoet", Banjoemas, rubber; (9) "Merboeh-kaliwringin", Semarang, rubber; (10) "Kalitelo", Japara, rubber and coconut; (11) "Balong", Japara, rubber; (12) "Bedji", Japara, coconut; (13) "Tretes", Malang, rubber; (14) "Bangelan", Malang, coffee; (15) "Ps! Junghun", (West Java), tea; (16) "Ransiki", (West Java), rubber; (17) "Tjibodas", (West Java), rubber; and (18) "Tjiantan", (West Java), tea. The last three were former "private lands" acquired from the N.V. Javasche Particuliere Landerijen Mij.

Estates operated by the G.L.B. on Sumatra were; (1) "Majang", East Coast, rubber and oil palm; (2) "Langsa-Soengai Loeng", Atjeh, rubber; and (3) "Djoe-roe Rajaoe", Atjeh, rubber. A resin and turpentine enterprise was also operated in the pine forests of Gajoland.

The Government also operated an estate in the northern part of West New Guinea and a teak enterprise in the forest areas paralleling the northern coast of Central Java.

25. See "Particuliere Landerijen" in W.A. Engelbrecht and E.M.L. Engelbrecht (eds.), Kitab Undang-Undang dan Peraturan serta Undang-Undang Dasar Sementara Republik Indonesia, (Leiden: A.W. Sijthoff, 1954), pp. 1686 ff.; Cator, op.cit., p. 109; Tauchid, op.cit., pp. 28-37. Kompenian is derived from the "company" (V.O.C.).

and were thickly clustered in Bekasi. On the Michiel Arnold Lands alone in the adjacent area of Tjibaroesa to the south lived forty percent of the private land population of all of Buitenzorg Residency! In the outer islands private lands were found in only two places; four lands encompassing 817 ha. lay in the West Coast of Sumatra, and 100 covering 2504 ha. in southern Celebes.

Table 4: Private Lands on Java, 1940  
Population (1930)

Residency	Parcels	Area(ha.)	Indonesian	Chinese	O.F.A.	European	Total
Batavia	53	263,165	507,991	25,674	238	61	533,964
Buitenzorg	24	216,313	568,314	9,373	197	1,404	579,288
Semarang	15	3,556					n.a.
Socrabaja	25	2,603	3,792	29	--	--	3,821
Pekalongan	1	2,464	19,945	86	11	9	20,051
Malang	1	604	2,702	6	--	1	2,709
Japara-Rembang	1	224	76	552	103	47	778
Bodjonegoro	1	16	988	2	--	--	990
TOTAL	119	488,945	1,103,808	35,722	509	1,522	1,141,601

O.F.A. = "Other Foreign Asiatics"

Source: Indisch Verslag 1941, II, 23-24, 268.

In 1935, forty percent of all private lands in Java, with a valuation of forty million gulden, were held by Chinese. Many of the urban parcels were owned by Arabs. However, the largest single private land-holding, the Pamanoekan & Tjiasem Lands<sup>26</sup> in the eastern part of Batavia Residency with head office at Subang, was owned by British capital! The feudal nature of such landholdings, many of them in what became heavily populated areas, as well as the sale of the P&T Lands (as they were called) by its Dutch pro-

26. These lands were owned by N.V. Mij. ter Exploitatie der Pamanoekan & Tjiasem Landen, a subsidiary of Anglo-Dutch Plantations of Java (Ltd.). Until 1919 their area was 213,000 ha. Republik Indonesia: Propinsi Djawa Barat, (Djakarta: Kementerian Penerangan, 1953), pp. 394-395.

The P&T lands owned 5 rubber mills, 5 tea factories, 3 rice mills, 3 quinine factories, 1 sisal factory, 1 tapioca factory, 1 sawmill for teak and pine, 3 electric power stations, 2 large repair shops, 2 ice plants, and 1 printing press. Other crops cultivated on its 18 estates were tung, pepper, and derris.

prior to the British, induced the Netherlands Indies Government to commence buying back these lands in 1910. By 1940 it had brought back and redistributed 658,005 ha. On land on which an estate had been developed, the former owner was generally permitted to obtain an erfpacht for that portion of the land not worked by the inhabitants. Although fiscal difficulties of the government slowed down its program after the Depression, in 1935 the N.V. Javasche Particuliere Landerijen Maatschappij was set up to act as the government's agent, and over the next five years it purchased 72,250 ha. of land, provisionally taking over the function of the landlord itself.<sup>27</sup>

### Erfpachts

The government followed the rule that all cultivated land outside the "self-governing" principalities, sultanates, etc., belonged to the individual farmers or, if adat (local customary law) so specified, to their villages. All unused or "waste" land was considered the property of the State and subject to its disposal. Thus after the promulgation of the Agrarian Law of 1870 and the 1875 prohibition against new permanent alienation of land on Java, erfpachts (hereditary leases) were allowed on unused land for up to 75 years and 500 bouws (354.8 ha.) apiece. However, an erfpacht could be extended, and the Governor General on numerous occasions exercised his authority to waive the area limitation. Erfpacht rights could be issued only

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27. Cator, op.cit., p. 110; Emile van Delden, De Particuliere Landerijen op Java, (Leiden: S.C. van Doesburgh, 1911), passim; I.V. 1941, pp. 23-24, 261, 268; see "Terugbrengen van particuliere landerijen op Java tot het Staatsdomein" in Engelbrecht, op.cit., pp. 1703 ff.

Similar to the private land with complete proprietary rights was the perdikan-desa (free village), several of which centuries ago had been awarded on a hereditary basis to Javanese prijaji (aristocrats) of kiai (Muslim leaders) for special services rendered. Although 171 such desas existed in 1912, by 1940 only a few remained, principally in the Banjoemas and Semarang regions. Mr. Hoed was the demang (perdikan-desa head) with the largest landholdings. Tauchid, op.cit., pp. 151-158; interview with Soeroso, former member of the civil service in Central Java, 25 Nov. 1955.

to subjects of the Netherlands, residents of the Netherlands and the Indies, and commercial companies domiciled in either country. In 1940, the bulk of the erfpacht lands on Java, or 546,889 ha. in 512 leases, was held by corporations (not otherwise identified). "Europeans" (primarily Dutch) held 21,362 ha. in 170 leases; "Foreign Asiatics" (primarily Chinese), 22,082 ha. in 156 leases; and ten "natives", 325 ha.<sup>28</sup>

In 1919, long after erfpachts were permitted on Java, and only after piecemeal legislation affecting the outer islands, an erfpacht ordinance was proclaimed for these areas. It repeated the earlier qualifications for lease holders, but added in the case of companies that the manager or director (or a majority of the management or the board of directors) should be subjects of the Netherlands resident in the Indies. Single erfpachts were also limited to 3500 ha. In 1940, corporations held 242 such parcels covering 455,692 ha.; Europeans, 272 with 57,689 ha.; Foreign Asiatics, 802 with 43,133 ha.; and natives, 76 with 4399 ha.<sup>29</sup>

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28. Tauchid, op.cit., pp. 41-44; see "Agrarisch Besluit" in Engelbrecht, op.cit., pp. 1587 ff. In some of the outer islands, such as parts of West Borneo, similar provisions were not implemented until 50 years later. The residencies with the most erfpachts held by corporations were Buitenzorg, Priangan, Besoeki, Molang, and Kediri". Erfpachts of Europeans were principally found in Priangan, Besoeki, Buitenzorg, and Kediri; of Foreign Asiatics, in Buitenzorg, Batavia, Kediri, and Bantam; and of the natives, in Madioen, Priangan, and Besoeki. I.V. 1941, p. 281.

29. Tauchid, op.cit., pp. 83-86; see "Erfpachtsordonnantie voor de zelfbesturende landschappen in de gewesten (residencies) buiten Java en Madoera" in Engelbrecht, op.cit., pp. 1671-1683; I.V. 1941, p. 282. Erfpachts of corporations were principally in West Coast of Sumatra, Lampongs, East Coast of Sumatra, Atjeh, and Palembang; of Europeans, in Atjeh, the Moluccas, Manado Residency, and the Department of South and East Borneo; of Foreign Asiatics, in Manado, the Moluccas, West Borneo, and Benkoelen; and of the natives, in Atjeh, South and East Borneo, Manado, and West Coast of Sumatra.

### Other Leases

Indonesian farmers or villagers leased land to Dutch and Chinese estate companies for periods of one to  $21\frac{1}{2}$  years, depending upon the nature of the crop with a short growing cycle--principally sugar cane, but also tobacco and cassava. Such leases were normally contracted "voluntarily" by the farmers. However, since in practice local civil servants were required to assist estates in negotiating leases, and since estates often controlled the irrigation, the individual farmer frequently had little choice in the matter. As a result of the Depression there was a serious drop during the thirties in cultivation of such types of estate crops--principally sugar.

As a result of the Vorstenlandsch Grondhuur Reglement (Principality Land Lease Regulation) of 1918, alien estates obtained "conversion rights" from the realms of the princes of southern Central Java, especially the Soesoe-hoenan of Soerakarta and the Sultan of Jogjakarta, which permitted them to acquire 50-year leases over land which they had formerly been cultivating with nearly sovereign rights. Whereas the area of lands leased out for perennial crops (which lay only in Soerakarta) increased very slightly during the decade before World War II, because of the "sugar surplus during the Depression, lands under the glebagan (rotation) system for annuals and the 18-month sugar cane, which were alternately planted with paddy by the farmers, decreased by a quarter during the same period.<sup>30</sup> Much of the arable part of the 133,000 ha. throughout Java given up by the estates in the thirties was planted with paddy and other food crops by the local farmers.

Short leases for terms up to 50 years were permitted in the outer islands

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<sup>30</sup> Taudhid, op.cit, pp. 58-68; see "Grondhuur-Ordonnantie" of 1918 and "Vorstenlandsch Grondhuur Reglement", in Engelbrecht, op.cit, pp. 1647 ff.; see also Chapter XV.



to anyone regardless of nationality, but instead of being acquired by estates, the parcels were used primarily by Chinese for small groves and gardens. In 1934 there were 16,152 such huurperceelen covering 83,600 ha. in West Borneo" alone and several thousand others along the eastern coast of Sumatra. An ordinance of 1923 also permitted short leases of up to 20 years to non-Indonesians in the outer islands as security for loans advanced to Indonesians.<sup>31</sup>

In 1940 there were 1156 erfpacht parcels for horticulture on Java covering 11,510 ha., and 67 in the outer islands with an area of 704 ha. These 25-year erfpachts resulted from a 1904 regulation for helping "indigent Europeans" such as retired civil servants and soldiers to obtain land for small-scale agriculture or horticulture. Social and religious organizations also were allowed to obtain them.<sup>32</sup>

### Agricultural Concessions

A number of agricultural concessions for up to 3500 hectares and 75 years were granted directly or indirectly by local princes in the outer islands. In 1940, corporations held 174 such concessions covering 995,873 ha.; Europeans, 37 with 40,696 ha.; "Foreign Asiatics", 84 with 13,198 ha.; and

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31. Cator, op.cit., pp. 163, 242; see "Beschikking over gronden of daaropstaande overjarige beplantingen door niet-Indonesiers in zelfbesturende landschappen in de gewesten (residenties) buiten Java en Madoera" in Engelbrecht, op.cit., pp. 1684-1686.

32. Cator, op.cit., p. 108; Tauchid, op.cit., pp. 44-47; see Stbl. 1904 No. 325. Since this type of erfpacht was not intended for promoting a new small-scale farming class, Cator justified to the Chinese the fact that it applied only to Europeans by calling it simply a "social measure to help a number of poor Europeans to earn a living by farming."

A related type of erfpacht for parcels up to 50 bouw was available for establishing rest areas outside of the cities for foreigners.



"natives" 13 with 4318 ha. Such concessions were generally available only to the Dutch, Dutch subjects, and their companies. However, in the East Coast of Sumatra--the principal region for such concessions--other aliens were also permitted to acquire them.<sup>33</sup>

#### Land Utilization

The degree of utilization of estate lands on Java may be ascertained by comparing Table 2 with Appendix A. Not even ten percent of the area of private lands in 1940 was in estate crops. Less than thirty percent was planted with food crops of its indigenous inhabitants, and the balance--over sixty percent--was uncultivated. This ratio occurred since private lands extended from the thickly-settled coastal plains back into the remoter mountainous areas. In contrast, two-thirds of the area of estates which paid long-term lease rates was in production, as was almost seventy-five percent of the area of estates which had "conversion rights" from the Central Java principalities. Furthermore, over 98 percent of the land acquired on shortleases from the Indonesian population was cultivated. Consequently, there was an inverse correlation between the proportion of estate area cultivated with estate crops on Java and the permanency of the land-holdings.

A comparison of Table 3 with Appendix A reveals that during the thirties approximately half of the erfpacht existing at the beginning of the decade in the outer islands was disposed of, for almost none of it had even been exploited, although still subject to payments. Despite some increase

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<sup>33</sup>. Tauchid, op.cit., pp. 71-80; I.V. 1941, p. 282; see Chapter XVIII. Corporations also held extensive concessions in Atjeh, Riouw, West Borneo, and Timor Residency; Europeans, in South and East Borneo, Riouw, and West Borneo; Foreign Asiatics, in Manado, Riouw, and West Borneo; and natives, in Riouw, South and East Borneo, and Manado.

in planting on *cultpachts* during that decade, by 1940 scarcely 27 percent of the total remaining acreage was under cultivation. That same year, moreover, only 42 percent of the land in agricultural concessions was planted.

In his day-to-day living, when the Indonesian farmer, livestock raiser, or fisherman came into commercial contact with an alien, it was usually with the Chinese trader. Although practices like the idjon system were often decried by Indonesian political movements, the individual Chinese businessman, with his knowledge both of the market and of his clients among the local farmers, rendered an important service that would be extremely difficult to replace. In the subsequent periods friction would occasionally mount between Indonesians and Chinese traders, especially when the former felt that they were being over-exploited. However, the major potential source of disputes in the agricultural sector of the future were the alien--principally Dutch--estates.

During the Dutch period, illegal squatting by indigenous Indonesians was not a problem, whereas there were large numbers of Chinese squatters on other lands in West Borneo, Bangka, and Siak in Sumatra.<sup>34</sup> The Netherlands Indies, of course, had vast stretches of uncultivated land in the more remote parts of its many islands. Indeed, the gross area of the agricultural estates, approximately 11,000 square miles in 1940, represented only 1.5 percent of the country's total area. Nevertheless, the concentration of alien-operated estates, often noted for their arable land and backward labor practices, not far from some of the population centers on Java and especially in the East Coast of Sumatra, and the existence of comparatively large tracts of unopened or fallow lands on many of these estates, near expanding villages,

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<sup>34</sup>. Cator, op.cit., pp. 163, 200, 236.

were potential causes of important political, social, and economic problems in the periods to follow.

## CHAPTER II: MANUFACTURING AND MINING

The decade before World War II saw a rapid growth of industry in the Netherlands Indies, especially on Java.<sup>1</sup> Many of the new industries financed from abroad were protected by the Crisis-invoerordonnantie (Depression Import Ordinance) of 1933, by which the Netherlands Indies restricted imports through the device of quotas. Although originally intended to provide priority to imports from the Netherlands and sometimes other countries in Europe over the cheaper Japanese product, the quotas also protected industries in the Indies by excluding Japanese products which in the early thirties had been flooding markets throughout the archipelago.<sup>2</sup>

As a result of another form of government intervention, some small local industries were able to survive the Depression and emerge as medium-sized industries. As a means of protecting domestic industries which had suffered during the Depression, the government in 1934 promulgated the Bedrijfsreglementeeringsordonnantie (Industrial Control Ordinance), which prevented cut-throat competition and surplus production while guaranteeing a sales area through the licensing of plants in designated industries. For each industry

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1. See also Peter H.W. Sitsen, Industrial development of the Netherlands Indies, (New York: Institute of Pacific Relations, 1942) H.J. van Oorschot, De Ontwikkeling van de Nijverheid in Indonesië, ('s-Gravenhage: W. van Hoeve, 1956); and A.M. de Neuman, "Progress of Industry and the Development Plans in Indonesia", Ekonomi dan Keuangan Indonesia, VII (1954), 247-254.

2. Van Oorschot, op. cit., pp. 44-45; E.R.D. Elias, "De wettelijke achtergrond van de nijverheidsbevordering", Economisch Weekblad voor Indonesië, XIII (1947), 57; Stbl. 1933 No. 349.

affected there was a separate Industrial Control Regulation (bedrijfsreglementeeringsoverordening--B.R.V.).<sup>3</sup>

Such forms of protection, however, did not extend to many of the industries in the archipelago. In manufacturing, there was a rough correlation between the size of an enterprise and the nationality of the operator. Most of the cottage industries were in the hands of Indonesian men and women, but Chinese merchants often controlled their supplies and wares. Whereas rural home handicrafts were fields of endeavor principally for Indonesians, many of the artisans in the shops and small industries in the larger cities were Chinese. Medium-scale industries, many of them connected with food processing, were also largely owned by Chinese businessmen. Finally, large-scale industry was dominated by foreign capital, but despite the monopoly in big industry long held by Dutch business, the thirties saw the introduction of sizeable amounts of American Capital.

An estimate of the relative importance of industrial categories around the middle of the thirties appears in the following table.

Table 5: Productive Worth of Categories of Industry in the Netherlands Indies, 1936  
(f.000,000)

<u>Category of industry</u>	<u>Imports of basic mtl's. plus capital replacement</u>	<u>People's income from industry (wages and Indonesian goods)</u>	<u>Total productive worth of domestic industry</u>
Home industry (for own consumption)	23.0	87.0	110.0
Cottage industry	6.6	25.4	32.0
"Bakul" system	4.1	15.7	19.8
"Manufacturer"	4.3	16.3	20.6
Factory industry	25.6	32.4	58.0
TOTAL	63.6	176.8	240.4

<sup>3</sup> Saroso Wirodihardjo, De Contingenteeringpolitiek en Hare Invloed op de Indonesische Bevolking, (Djakarta: Indira, 1951), pp. 44 ff.; Elias, op.cit., p. 58; van Oorschot, op.cit., pp. 46-47: cf. Stbl. 1934 No. 595 and Stbl. 1938 No. 86. Saroso's doctoral dissertation was presented in 1945.

One of the four purposes specified for the industrial control system was the protection of the economically weaker group through the mutual limitation of the extremely different forms of production in the same industry.

Source: Peter H. W. Sitsen, "De kleine nijverheid in inheemsche sfeer en hare expansie-mogelijkheden op Java", Djawa, XVII (1937), 137 ff.

Although the economy of the Indies was increasingly affected by industrialization, employment data confirmed the fact that cottage industries still played an important role. In 1936 an estimated 667,000 persons worked in the semi-independent cottage industries, 642,000 persons in the bakul system, 226,000 persons with "manufacturers" (unmechanized workshops), and 120,000 in factories.

### Estate Factories

The processing of agricultural materials was, of course, an important function of estates, and estate factories accounted for a sizeable portion of the archipelago's total manufacturing. Among the estate factories registered in 1940 were 130 sugar mills, all on Java, of which 26 were in Soerabaja Residency and 17 in Kediri; 270 tea factories, of which 126 were in Buitenzorg Residency and 73 in Priangan; 150 coffee factories, of which 21 were in Semarang and 20 in Palembang residencies. There were also 220 factories on "coffee and rubber" estates (principally the former), of which 99 were in Besoeki and 79 in Malang Residency. Of the 491 rubber-processing factories registered on estates, 179 were in the East Coast of Sumatra and 81 in Buitenzorg Residency. In addition to the two categories of coffee factories on estates, there were 86 coffee hulling and roasting factories, of which 19 were in Batavia, 11 in Soerabaja, and eight in Semarang. All save one of 156 registered tapioca mills in operation, employing 13,872 persons, were on Java, and of these 94 were in Priangan.

Of 30 hard-fiber factories, five were in East Coast of Sumatra and three in Kediri Residency. Twenty-nine of the 31 palm-oil mills, employing 5102 persons, were in the outer islands. Among other agricultural processing



plants were 87 ethereal oil mills (for sereh, cayuput, patchouli, citronella, etc.), of which 28 were in Priangan and 20 in Batavia Residency. Of 115 registered edible oil mills (for copra, peanuts, kapok seeds, etc.), employing 6788 persons, 18 were in Kediri Residency. Thirty of the 81 kapok presses and cleaning works were in Japara-Rembang, 14 in Semarang Residency, and ten in southern Celebes--the only producing area outside of Java. There were also 769 registered and operating rice mills (over 70 percent of which were on Java), including 111 in Buitenzorg Residency, 93 in Batavia, 86 in Palembang, 63 in Besoeki, and 51 in Manado. These rice mills in 1939 had 28,618 employees.<sup>4</sup> Extremely few of the plants in these sectors were operated by Indonesians.

#### Food Processing and Beverages"

In the food-processing industry--the principal sector in which consumer goods were manufactured from domestic materials--the Chinese played a dominant role. Although many bakeries in the major cities were Dutch-owned, in smaller cities were numerous Chinese bakeries. Aside from a popular Dutch producer of chocolates, much of the candy in the islands was produced by Chinese manufacturers, who monopolized the production of the popular peppermints.<sup>5</sup>

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4. Statistics in this section are from N.I. Department van Economische Zaken, Industrie in Nederlandsch-Indië /henceforth I.N.-I/ (special number of Economisch-Weekblad voor Nederlandsch -Indië, May 1941), p. 70; I.V. 1941, pp. 324-325. Fifty registered tapioca mills were not in operation.

5. Harahap, Indonesia Sekarang, pp. 199-201, 205. Regarding the Chinese role in the food-processing industry, see also Chapter I. The Chinese-owned Biscuits Versnaperingsfabriek Lie Sin plant in Soerabaja, which employed 2000, was perhaps the country's largest and most modern biscuit and cooky factory. In Soerabaja was also Ten Wolde's Cacao-en Chocolade-Fabrieken. The "Semar" brand peppermint of Lauw Djin Hing of Toeloengagoeng had a market throughout eastern Java. Leading canners were Jenne & Co. in Batavia and "Jaco" in Bandoeng.

Chinese factories also produced noodles and krupuk (shrimp-flavored flakes), the latter in such centers as Sidoardjo (East Java) and Palembang. Both Chinese and Dutch companies operated canning and preserving plants (two in West Java and three in East Java).

In 1940 a reported 340 plants employing 5005 workers produced beverages. In large cities such as Batavia and Medan, Chinese plants produced obat anggur (wines and panaceas of sometimes dubious quality). Although for centuries Javanese had been compounding herbs into djamu (specifics) for their own household use, several Chinese businessmen make a business of it, such as Poa Tjong Koan of Wonogiri, whose "Tjap Ajan Djago" was known throughout the country.<sup>6</sup>

Still, throughout a primarily Muslim country, soft drinks were most popular. The largest producer was the British-owned Fraser & Neave Ltd. of Singapore, with works in Batavia, Soerabaja, and Medan. Most of the other 129 registered plants for limun (soda-pop) and aer belanda (soda water), found in almost every town of importance throughout the archipelago, were owned by Chinese businessmen.<sup>7</sup>

Most of the few dairies in the Indies were operated by Dutch in the hinterland of the large cities with large European populations like Batavia, Soerabaja, and Bandoeng. In 1932, nineteen milk producers near the latter city united to form the N.V. Exploitatie van Melkcentrales in Ned.-Indië, known as the Bandoengsche Melk Centrale (B.M.C.), which became the country's largest dairy. In its interests, three years later the first of the control

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6. Sitsen, The industrial development..., p. 41; Harahap, op.cit., pp. 107-108, 184-187. Liem Soen Hoo of Soerabaja, producer of Djamoe Indoestri Iboe, reportedly had over a thousand dealers!

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7. N.V. 1941, p. 325. Aer belanda is literally "Dutch water."

regulations for protecting domestic industries was issued especially for dairies in Bandoeng Regency.<sup>8</sup>

Chinese plants in many towns manufactured es-lilin (ices) or icecream. Sister-enterprise to the soft-drink plant and even more widely distributed--numbering 204 in 1940--was the petodjo (icehouse), seventy percent of which were owned by de Unie van IJsfabrieken of 's-Gravenhage and its subsidiary, N.V. Vereenigde IJsfabrieken of Soerabaja. Most of the remainder were Chinese owned.<sup>9</sup>

Two Dutch companies held a monopoly in domestic beer production. The N.V. Heineken's Nederlandsh Indische Bierbrouwerij Mij. had its brewery in Soerabaja, and the N.V. Archipelbrouwerij produced "Anker" beer in Batavia. As a result of the import quota on beer, first applied on 13 December 1933, the output of these Dutch breweries in the Indies rose from 17,212 hectoliters in 1932 to 94,559 in 1937.<sup>10</sup>

Although most Indonesian households used coconut oil for cooking, there was a steadily increasing market for margarine, the principal producers of which were the Unilever subsidiary, Van den Bergh's Fabrieken N.V. in Batavia, and the N.V. Procter & Gamble's Fabrieken (N.I.), an American enterprise established in Soerabaja at the end of the thirties. The largest

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8. "Melkveehouderij en sterilisatie van melk in Nederlandsch Indië", I.N.-I., pp. 134-144; "B.R.V. melkerijen 1935", Stbl. 1935 No. 106.

9. De ijsindustrie op Java tijdens de Japansche bezetting", Economisch Weekblad voor Nederlandsch-Indië, XII (1946), 289; "B.R.V. ijsfabrieken 1935", Stbl. 1935 No. 568 as amended. "Petodjo" was derived from the name of the sector of Batavia where the first ice-house was built.

10. Saroso, op.cit., pp. 92-93; "Invoeroronnantie bier 1936", Stbl. 1936 No. 542, as amended; "Invoerverordening bier 1938", Stbl. 1937 No. 612, as amended.

of the thirteen soap plants in the Indies, owned by Lever's Zeepfabrieken N.V., began operations in Batavia in 1933. Most of the other soap plants, which also produced other cosmetics, were Chinese-owned.<sup>11</sup>

"Artificial birdnests" formed a special kind of industry. Although for decades Chinese and Javanese had gathered birdnests from the rocks and caves along the southern coast of Central Java, in the years before the war Chinese businessmen in Semarang erected buildings or vacated others in order to induce swallows to come and build their nests.

### Weaving

Textiles played an important role in the economy. Although cloths were still woven at home for the needs of the households in more remote parts of the islands, such as parts of the Moluccas, the Lesser Sundas, and Tapanuli and other regions of Sumatra, in general except for festive occasions, manufactured textiles had largely replaced such cloth. One of the few areas where cloths characteristic of a particular region were woven on a comparatively large scale was Siloengkang, with its multi-colored Minangkabau cloths (which industry had been affected by the Communist uprising of 1927).

The chief form of dress of men on Java and the Lesser Sundas, which was worn on other islands to a lesser extent even by women, was the checkered woven sarong, which became the basic product of the weaving industry in the Indies. In West Java, and especially in Priangan, a weaving industry had gradually developed from handlooms producing only for the needs of the immedi-

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<sup>11</sup> Unilever produced "Blueband" margarine, and Procter & Gamble, "Palmboom." The soap plants, 9 of which were on Java, employed 1743 persons. Lever produced "Lux", "Lifebuoy" and "Sunlight". Several Colgate-Palmolive products were made at the Colibri soap works in Soerabaja. The Chinese N.V. Handel & Industrie Mij. "Venus" of Semarang made cookies as well as cosmetics!

ate households. Gradually more and more independent producers, attracted by ready cash, responded to the advances of bakuls (often Sundanese), who provided yarns to the households and then bought back the finished cloths and sarongs. Most of these bakuls, who often owned the handlooms in use, in turn were agents of Chinese merchants.

Eventually it had become possible to open factories utilizing mechanized looms as well as handlooms. But as the weaving industry on Java grew, and as cheap woven textiles from the Netherlands and Japan found a market in the archipelago, other centers of commercial weaving in the Indies were compelled to close up. The fierce competition of the cheap Japanese sarongs during the Depression then forced the Netherlands Indies Government to put cotton woven sarongs and kain pandjang ("long cloth" skirt for women) on a quota reserved entirely for the Netherlands.<sup>12</sup> Despite this favoring of weaving mills in the Netherlands, the domestic industry began to flourish, for cotton and rayon sarongs which had designs attractive to the customer could be produced even more cheaply in Java.

Under various forms of protection and control inaugurated during the thirties, the weaving industry boomed. It increased from 19 mills in 1930, each with fewer than 50 looms, to 160 mills in 1935, five with over 250 looms apiece. Only two years later there were 1123 registered weaving mills, with 16 in the largest category and 61 with from 50 to 250 looms apiece. However, weaving was not restricted to registered enterprises, and it was estimated

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<sup>12</sup>. Saroso, op.cit., pp. 94-96; "Crisis-bontgewevenstoffen invoerordonnantie 1934", Stbl. 1934 No. 687; "Invoerverordening bontgeweven stoffen 1938", Stbl. 1938 No. 287, as amended.



that in southern Central Java alone over 125,000 one-man handlooms were in operation.<sup>13</sup>

Gradually older, less-efficient handlooms both in the homes and the mills were replaced by modern "T.I.B." looms. The number of such handlooms in use multiplied as rapidly as the number of mechanical looms. In 1930 the mills had 257 T.I.B. handlooms and 44 mechanical looms. By the outset of 1942 such looms numbered 49,316 and 7600, respectively, in 1867 weaving mills.<sup>14</sup>

Table 6: Weaving Industry in the Netherlands Indies by Nationality of Owners, at Beginning of 1942

Nationality	Weaving Mills	Mechanized Looms	Handlooms
"European"	1.5%	39.5%	2%
Arab	10.0	22.0	28
Chinese	16.0	31.5	35
Indonesian	72.5	7.0	35

Source: Achsien speech, 5 June, Ichtisar Parlemen 1952, p. 609.

As the above table indicates, four ethnic groups played an important role in the weaving industry of the Indies, which was concentrated on Java. Two of the largest mills were Dutch-owned. The large trading company, Internationale Crediet en Handelsvereniging "Rotterdam" (usually referred to as Internatio) operated the Preanger Bontweverij (Priangan Weaving and Dyeing Mill) of Garoet, which had 1900 mechanical looms and 1800 workers. And in

<sup>13</sup>. Saroso, op. cit., pp. 150-155, "B.R.V. weverijon 1935", Stbl. 1935 No. 538, as amended; "B.R.V. textielbedrijven 1940", Stbl. 1940 No. 518.

<sup>14</sup>. Saroso, op. cit., p. 150; A.A. Achsien speech in Parliament, 5 June 1952, Ichtisar Parlemen 1952, (Djakarta: Kementerian Penerangan, 1952), p. 609. "T.I.B." refers to the Textielinrichting te Bandoeng, where this loom was developed!

Although most weaving installations were on Java, Sumatra had 1599 handlooms and 146 mechanized in 131 mills; Celebes had 620 and 12 in 5; and Borneo had 135 handlooms in 6 mills!



Soerabaja a weaving mill was operated by N.V. "Java"Textiel Industrie, which in 1937 had founded the country's first spinning mill at Tegal. The largest non-European textile company, Firma Alsaïd bin Awad Martak, originally a construction firm in Soerabaja, established a mill in that city in 1934 on the advice of Ir. DARMAWAN Mangoenkoesoemo, government industrial adviser there. The next year, Faradj and Achmad Said Martak, brothers in this Arab firm, founded an even larger weaving mill at Kesono near Modjokerto, which operated with 1000 looms (600 of them mechanized) under a Dutch plant manager.<sup>15</sup> Numerous Chinese weaving mills were concentrated around Bandoeng in West Java".

The largest Indonesian mills were those of Hadji SHAMSOEDIN bin Hadji Nadjemoedin, a Palembang merchant who built his mill at Cheribon, and the N.V. Kantjil Mas mill at Bangil in East Java, originally a German enterprise, which was taken over in August 1941 by Agoes Moechsin DASAAD, manager of Malaya Import Mij. of Djakarta." However, forty percent of all Indonesian weaving production--and twenty percent of the country's total weaving output--was concentrated around Madjalaja in West Java. Here Indonesian mills were united in such associations as Gaboengan Peroesahaan Tenoen Saudara Oesaha Madjalaja, headed by Hadji Abdoelgani, and Koperasi Tenoen Boemipoetra "Roekoen Pamilie", headed by Mas Idjra. Besides the large number of licensed enterprises (obligatory for those with five or more looms), there were many clandestine operations involving a number of houses

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<sup>15</sup> Harahap, op. cit., pp. 191-194; Saroso, op. cit., p. 96; Sitsen, op. cit., p. 46. At Tjermee in East Java, the Arab-owned E.K.J. Muallim mill, with 2200 handlooms and 560 mechanical looms, had 2700 workers. After the war Darmawan served on the board of directors of N.V. Handel Mij. Antara-Asia, a trading company owned by the Martak family.

Within two years of its opening, Indonesian workers at the Tegal spinning mill reportedly had attained a productivity equal to that of their counterparts in Holland. Cf. also "Industrialization Plan", infra.

each with four looms but under the control of one person. Although 412 weaving licenses were held by Indonesians at the end of 1939 compared to 122 by Chinese (according to Harahap, none peranakan, but all totok/sinkeh--born abroad), the latter had forty percent of the production capacity and were rapidly buying up the licenses issued to the Indonesians. This gradual alienation of control in one of the few industries where Indonesians had relatively important holdings led Oto Iskandardinata to ask in the Volksraad (People's Council) for further protection for indigenous enterprises. Although the government took no new action, its Fonds voor de Kleine Nijverheid (Institute for Small Industries) continued to operate a model weaving mill at Madjalaja.<sup>16</sup>

On 18 May 1935, an import quota was placed on bath towels, again in order to protect the industry in the Netherlands from Japanese competition in the Indies. The regulation, nevertheless, resulted in increased production of bath towels in the archipelago.<sup>17</sup>

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16. Harahap, op. cit., pp. 52-63, Gaboengan Politiek Indonesia, Kongres Ra'jat Indonesia Ke-1, (Batavia: Pemandangan, 1939), p. 84. Much of the biographic data on Indonesians in business in Part One is drawn from Mohamad Hatta, ed., Orang Indonesia jang terkemoeka di Djawa, (Djakarta: Gunseikanbu, 1944).

An investigation of 94 sales of weaving enterprises by Indonesians revealed that 52 went to Chinese, 15 to Arabs, and only 27 to other Indonesians.

17. Saroso, op. cit., pp. 91-92. Among the leading producers of bath towels were the Preanger Bontweverij at Garoet, the N.V. Nederlandsch-Indische Textielfabrieken at Kasri in East Java, and Firma Tjin Hoa at Batavia. This last plant produced 12,000 dozen such towels annually.

In Soerabaja was the N.V. Eerste Ned.-Indische Verbandstoffenfabriek, the country's only producer of absorbent cotton and related medical and sanitary supplies.

There were relatively few clothing manufacturers other than small tailor shops, and the most clothing was either imported or home-made. But headgear was manufactured in the Indies, and hats of pandan and bamboo, produced by native cottage industries around Tasikmalaja and Tangerang, were customarily bought up by Chinese merchants for export. Cottage industries around Moentilan, Madioen, and Cheribon similarly produced mats and basketry. Ong, op. cit., p. 132; I.N-I., pp. 47, 49.

## Batik

A second major textile industry, concentrated in Central Java, but with many plants around Batavia, Cheribon, Ponorogo and elsewhere in West and East Java, was the batik industry,<sup>18</sup> the products of which included kain pandjang, worn by Indonesians--especially the women--throughout the country, and sarongs for the men. An indication of the importance of the batik industry within the Indonesian business community was the inclusion of no less than 23 batik entrepreneurs--far more than in any other field of private Indonesian business--in the "Who's Who" of Java of the early forties.

The batik centers at Solo and Jogjakarta produced the more conservative indigo and brown batiks popular among Javanese. Pekalongan was the center of the multi-colored batiks which also had a large market in the outer islands and in other parts of Southeast Asia. Batavia produced a variety of batiks, including colorful patterns desired by Chinese peranakan women. Originally a household product by women for their own families or for the royal courts, batik became a factory product with the invention of the tjap (stamp of copper wire or wood) process and its introduction after 1860.

Pekalongan was primarily a batik cottage-industry center, under a system whereby a contractor supplied women with cambrics, dyestuffs, and other necessary materials and bought the finished batik cloths in return. A ready supply of workers was assured through the use of advances. Except for a few large independent batik operators such as Hadji Mohamad Zjakoer Effendi, the industry in Pekalongan was in the hands of about thirty Chinese and Arab merchants, each controlling 15 to 20 small Indonesian producers. However, in nearby Pekadjangan, there was an Indonesian batik cooperative,

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<sup>18.</sup> Batik is a repeated process of alternately masking cambric with wax and then dyeing it.

Persatoean Batik, headed by Hadji Afdhol-Djalil.<sup>19</sup>

Although alien groups also played an important role in Solo and Jogjakarta, there most of the batik entrepreneurs were Javanese. Once most of these businessmen had been dependent upon Chinese wholesalers for necessary materials, for the European importers of Dutch cambrics and the Chinese importers of Japanese cambrics had habitually distributed through Chinese merchants. Apparently only one Indonesian wholesaler, Hadji Moeksim of Jogja, had been able to buck their competition. Pressure from such alien merchants had already led by 1911 to the first Indonesian business association, the "nationalist-democratic-religious-economic" Sarekat Dagang Islam (Islamic Trading Association), in which Hadji Samanhoedi, a batik manufacturer of Solo, was the driving force. However, little headway was made in advancing the position of the indigenous entrepreneurs until 1935, when the Persatoean Peroesahaan Batik Boemipoetera Soerakarta (P.P.B.B.S.)—Union of National Batik Companies of Soerakarta) was founded by Raden Wongsodinomo and Hadji Moehammad Sofwan. By 1941 it had 289 member enterprises, and the last Chinese manufacturer had closed down. At Jogjakarta arose the Persatoean Peroesahaan Batik Boemi Poetera (P.P.B.B.P.) under Mas Moerdjono DJAJENGSKARSO and Ahmad Zarkasi Djojoaminoto, with the assistance of Ir. R.M. Pandji SOERACHMAN Tjokroadisoerjo of the Jogjakarta Department of

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<sup>19</sup>. Ong, op.cit., pp. 152-155; Saroso, op.cit., pp. 180-181.

Industry. Soon other batik cooperatives sprung up in batik centers elsewhere.<sup>20</sup>

Table 7: Batik Enterprises on Java by Nationality of Owners, 1931

<u>Region</u>	<u>Indonesian</u>	<u>Chinese</u>	<u>Arab</u>	<u>European</u>	<u>Total</u>
West Java	1,472	285	--	--	1,757
Central Java	1,804	418	113	12	2,347
East Java	239	24	17	--	280
TOTAL	3,515	727	130	12	4,384

Source: P. de Kat Angelino, Batik-rapport, (Batavia, 1930/1931), I, 203, II, 321, III, 172.

The only pre-war enumeration of batik enterprises appears in Table 7. However, its figures are of only passing significance, for the industry's fortunes fluctuated greatly, and the financial interest of the Chinese was reportedly greater than that indicated by the statistics. The Depression hit the indigenous batik industry in West Java so badly that all 812 of the Indonesian enterprises in Priangan in 1929 were forced within a few years to suspend operations. In contrast, a number of new enterprises sprung up in East Java.

In order to save the cambric market in the Indies for producers in the Netherlands in the face of sharp competition from Japan, the Netherlands Indies Government placed a quota on cambrics effective 1 March 1934. The

<sup>20</sup>. Saroso, op. cit., pp. 172-181; Saroso Wirodihardjo, Ko-operasi dan Masalah Batik, (Djakarta: Gabungan Ko-operasi Batik Indonesia, 1955), p. 17; Sitsen, op. cit., p. 21.

The S.D.I. had been formed by Raden Mas Tirtoadisoerjo, a prijaji merchant of Buitenzorg, whose business failure he attributed largely to sharp Chinese trading practices. In 1911 the focus of the movement moved eastward under Zarkasi in Jogja and Samanhoedi in Solo." The government forced it to suspend activities in 1912. George McTurnan Kahin, Nationalism and Revolution in Indonesia, (Ithaca, New York: Cornell University Press, 1952), p. 67; Moeh. Thaha Ma'roef, Pedoman Pemimpin Pergerakan, (Djakarta: Nahdlatol Oelama, 1952), p. 76; A.K. Pringgodigdo, Sedjarah Pergerakan Rakjat Indonesia, (Djakarta: Pustaka Rakjat, 1950), pp. 14-16.



loss of a ready supply of cheap Japanese cambrics resulted in a fall in the quality which the industry could afford, and the resulting speculation placed it in a critical position. Finally the Department of Economic Affairs worked out a price formula by which the cambric prices for wholesalers (largely Chinese), retailers (who included the larger Javanese batik merchants), and small batik operators were determined. The batik coöperatives in Solo and Jogja also succeeded in obtaining direct purchases from the importers. Nevertheless, they were not permitted to attain their second goal of direct imports on their own account.<sup>21</sup>

#### Kretek and Other Tobacco Products

One of the largest industries in the country was the manufacture of the kretek (clove cigarette), which grew rapidly in popularity. The first kretek enterprise was founded about 1880 by Hadji Djamhari in Koedoes in Central Java, which became one of the country's few cities which were primarily industrial, and during the following decades several Javanese companies appeared. In Koedoes the abon system was customarily practiced. The "abon" obtained materials from the kretek concerns, rolled cigarettes at home, and sold the products back to the concerns. Nitisemito, who founded his kretek company in 1910, opened a large factory at Koedoes in 1934, during which year he reportedly employed over 10,000 workers and produced over 3 million clove cigarettes daily. Nitisemito acquired the appellation of "Kretek King", but by the end of the Dutch period, after receiving a claim for several hundred thousand gulden in back taxes, his fortunes rapidly declined. Chinese merchants also entered the kretek business in Koedoes, and the Chinese-operated Nojorono Factory, which from

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<sup>21</sup> Ong, op.cit., p. 153; Saroso, De Contingenteringspolitiek..., p. 179; Saroso, Ko-operasi..., pp. 19, 28-55.



1932 was producing the popular "Minak Djinggo" brand, began a climb which took it eventually into first place among kretek producers of Koedoes.<sup>22</sup>

A second kretek center sprung up after 1914 around the three cities in the Brantas valley of East Java, Blitar, Toeloengagoeng, and Kediri. Here the business was almost entirely in the hands of Chinese factory-owners. However, in addition to production in several urban factories, the depot system was used. Depots maintained by Chinese factory agents, which provided materials and later bought the finished cigarettes, were workplaces set up in outlying villages where many men and women rolled cigarettes. Unlike conditions in Koedoes where men and women worked separately, in the East Java factories and depots the conditions became so bad that they aroused criticism in a government report on labor in industry and led to demands by the Nahdlatoei Oelama and the Moehammadijah for improvements. Through the cooperation of the manufacturers' association (Chinese Bond van Strootjes-fabrikanten) of Blitar, improvements were gradually instituted in the factories.<sup>23</sup>

With the inauguration of the tobacco excise in 1932, thousands of independent cottage producers of kretek disappeared, many of them merging into "small-scale" industries (those with capacities of under ten million kretek annually). Nevertheless, the demand for kretek was so large that 11 billion were produced in 1934--almost double the output of 1929. Although the number

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22. Republik Indonesia! Propinsi Djawa Tengah, (Djakarta: Kementerian Penerangan, 1953), pp. 237-238; Harahap, op.cit., pp. 144 ff. Teuku R. Bh. Sabaruddin was acting chairman of the association of Indonesian kretek manufacturers at Koedoes.

The name "kretek" was derived from the crackle when this cigarette of cloves mixed with tobacco is smoked.

23. Harahap, op.cit., pp. 207-216; Ong, op.cit., p. 156. Tan Kiem Kwan of the Moro Seneng factory at Toeloengagoeng was head of the kretek association.

of large-scale factories in Java (those producing over fifty million units annually) remained at 32 over this period, the number of medium-scale factories increased from 61 to 87, and of small-scale plants from 295 to 1046. Such factories in 1934 employed 80,133. Except for four medium-sized and 65 small plants in West Java that year, the kretek factories were entirely in Central and East Java.<sup>24</sup> The ethnic composition of the operators of these factories appears in the following table.

Table 8: Kretek Enterprises in Central and East Java by Nationality of Operators, 1933/1934									
Size	CENTRAL JAVA				EAST JAVA				
	Indonesian	Chinese	Arab	Total	Indonesian	Chinese	Arab	Total	1934
Large	8	6	1	15	17	1	14	-	15
Medium	18	29	1	48	55	1	27	-	28
Small	520	272	3	799	575	237	165	4	406
TOTAL	550	307	5	862	(647)	239	206	4	449

Source: Ong, Chineez in Nederlandsch-Indie, p. 158.

Forsaking the domestic clove as too oily, the industry imported several thousand tons of cloves annually from Zanzibar and Madagascar. Although modern methods such as mechanical rollers and cigarette paper speeded up production of a standard product, hand-rolling and the use of klobot (corn husks) for wrappers continued. With government protection, the industry continued to expand until the outbreak of World War II.

The majority of the twenty-four cigarette factories on Java in 1940 were Chinese-owned. However, a hegemonous position in the industry was held by the British-American Tobacco Company (B.A.T.), which commenced large-scale production by machines at Cheribon in 1925, and later at Semarang and Soerabaja. A second leading producer was the Belgian-owned Faroka factory in Malang. As a measure to protect small producers, especially of kreteks,

<sup>24</sup>. Ong, op.cit., pp. 157-159.

in 1935 cigarette factories were also brought under the licensing system.<sup>25</sup>

In 1940 there were only three cigar factories in operation, all on Java. One of two Chinese plants in Magelang, owned by Go Tjeng Bie and founded in 1924, employed 1200 workers. In Jogjakarta, the Dutch N.V. Negresco, with 600 workers under the popular management of van Habraken, produced a fine hand-rolled cigar which even had a market abroad.<sup>26</sup>

A smaller tobacco product industry and one entirely in the hands of Chinese manufacturers was the rokok klembak (perfumed cigarette) industry, which used kemenjan (benzoin) from the Indies or Klembok (Aquilaria malaccensis) from China. The rokok klembak factory of Tan Eng Siong (a peranakan), founded in Keboemen in 1924, employed 4000 persons.<sup>27</sup>

#### Woodworking and Rubber Wares

Japara and Bali had long been Indonesian woodworking centers, and Pasoe-roean developed into one during the thirties. But modern furniture of wood and rattan was principally produced by Chinese artisans in the large cities. For decades the Chinese had played an important role in the entire timber trade. Chinese businessmen of Singapore financed the panglongs (timber enterprises) along the eastern coast of Central Sumatra. In 1935 the panglongs numbered 63 beam-cutting mills, 149 firewood mills, and 201 charcoal

25. Harahap, op.cit., pp. 187-189, 195-196; Allen and Donnithorne, Western Enterprise in Indonesia and Malaya, p. 257; I.V. 1941, p. 325; "B.R.V. sigaretten fabrieken 1935", Stbl. 1935 No. 427, as amended. The Sempurna factory of Liem Seng Tee of Soerabaja, employed 3250 and used both hand and machine methods!

"Faroka", the abbreviation of Fabrik Rokok Kartas (paper cigarette factory), was established in 1932. J.B. Gerungan, "Industri rokok di Indonesia" Warta Ekonomi untuk Indonesia, V (1952), 547-548.

26. Harahap, op.cit., pp. 126-128, 140-141; I.V. 1941, p. 325. Go produced "Aroma" cigar. The third producer was Ko Kwat Ie.

Even after Negresco was Indonesianized a dozen years later, van Habraken was retained as manager.

27. Harahap, op.cit., pp. 87-89. The factory of Liem Kang Tjwa of Gombong in Central Java produced a well-known "Koonting"-brand cigarette.

plants. In 1938 the 340 panglongs in Riouw Residency, 116 to the north in East Coast of Sumatra, and 3 to the south in Djambi, produced 225,000 cubic meters of lumber, 85,000 tons of firewood, and 33,000 tons of charcoal. The gradual mechanization of the industry and the Depression led to the laying off of many workers so that less than 2000 Chinese were employed in 1938. Whereas the panglong business produced almost entirely for principals in Singapore, who operated sawmills, shipyards, and furniture factories, most of the 146 wood industries registered throughout the archipelago in 1940 produced almost entirely for home consumption. Forty-one sawmills on Java, including the Kentjana wood company of Bandoeng owned by Hadji Zaenoedin, cut only djati (teak), while 64 in the outer islands (including 36 in East Coast of Sumatra) cut jungle wood. These mills in 1940 employed 5183 persons. Nineteen box factories, including two for plywood in Sumatra, had 1963 workers. Wood products were sold principally through Chinese companies.<sup>28</sup>

The country's major rubber products manufacturer was N.V. The Goodyear Tire & Rubber Company, Ltd., whose factory was founded at Buitenzorg in 1935, where almost the entire demand of the Indies for automotive tires and tubes was produced, bearing "Dunlop" as well as "Goodyear" trademarks. Production of some items exceeded domestic consumption by fifty percent, thanks to the import quota initiated on 3 December 1935. In addition, most of the bicycle tires and tubes used in the archipelago, replacing Japanese imports, came from this plant, where there were 1075 employees.

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<sup>28</sup> Cator, The Economic Position of the Chinese in the Netherlands Indies, p. 220; Ong, op.cit., pp. 93-94, 160; I.V. 1941, p. 325; I.N-I., p. 74. The plywood factories were operated in Bindjèi by the N.V. Houtindustrie Mij. "Langkat" (a Geo. Wehry & Co. subsidiary), and in Natar, South Sumatra, by Kistenfabriek "Natar" N.V.

(including a number of Americans and Europeans).<sup>29</sup>

The large majority of the population of the tropical country walked barefoot or wore sandals (such as those produced since 1934 by the Japanese-run Tohyama factory at Semarang) or clogs (produced as local handicrafts). Most of the twelve "shoe factories" recorded in 1939, which employed 1329, produced such sandals or clogs. Although there were some local shoemakers, most shoes had to be imported. A subsidiary of the Bat'a shoe company of Czechoslovakia, one of the leading shoe importers, began producing leather footwear in 1935. Then in 1938 Jan Bat'a built the country's largest shoe factory south of Batavia on a small rubber estate whose name attracted him, viz. "Kalibata". Hiring only literate Indonesian and Chinese men and women, he developed an efficient staff, all the members of whom were made stockholders. Using entirely local materials, the factory attained a weekly production of 20,000 pairs of all kinds of rubber, leather, and canvas shoes and quickly monopolized the ready-made shoe market throughout the country.<sup>30</sup>

#### Other Manufacturing

Another protected industry (again from Japanese competition) was the small-scale wadjan (cooking or frying pan) industry in the Buitenzorg--Tjisaat--Soekaboemi stretch and around Sidoardjo, where Indonesian smithies also produced knives, axes, hoes, etc. Wadjans were put on a quota on 1 October 1934, and in September 1935 the industry became licensed.<sup>31</sup>

<sup>29</sup> Harahap, op.cit., pp. 27-30; "Invoerordonnantie autobanden 1936", Stbl. 1936 No. 497; "Invoerverordening autobanden 1941" Stbl. 1941 No. 448.

<sup>30</sup> Harahap, op.cit., pp. 19-20; Allen and Donnithorne, op.cit., p. 258; I.N-I., p. 75. Cf. Harahap, op.cit., pp. 92-96 for comments on Japanese and Chinese rubber sandal factories.

<sup>31</sup> Saroso, De Contingenteeringspolitiek..., pp. 126-128, 226; "Invoerordonnantie Oostpannen 1935", Stbl. 1935 No. 341; "Invoerverordening Oostpannen 1938", Stbl. 1938 No. 450, as amended.



Metal foundries had been licensed since 1935. In 1940, there were 59 engineering workshops registered, of which 18 were in Soerabaja, and seven each in Malang and Batavia residencies. Railway and tramway companies operated 51 workshops, some of which built coaches, including seven in Batavia, and five each in Priangan and Soerabaja residencies. There were also 230 "repair-workshops" (compared to 144 in 1935), of which 40 were in Batavia, 37 in Priangan, 18 in East Coast of Sumatra, 16 in Buitenzorg, and 14 in South and East Borneo.<sup>32</sup> The majority of the large plants in the first two categories were operated by Dutch companies, such as N.V. Machinefabriek Braat and N.V. De Nederlandsch-Indische Industrie, both of Soerabaja, and N.V. Constructiewerkplaatsen DeVries Robbe--Lindeteves of Semarang. All of the railway workshops, except those of the Netherlands Indies Government, were operated by private Dutch capital. The smaller repair-workshops, which were scattered throughout the archipelago, were principally run by Chinese, although a few were operated by Dutch or Indonesians.

One of the largest factories in the Indies was the American assembly plant established in 1927 at Tandjong Priok by N.V. General Motors Java Handel Mij. During its first ten years it assembled 47,000 passenger and cargo motor vehicles, with a labor force of 600 Indonesians and several dozen Americans and Europeans. In addition to complete assembling of Chevrolet cars and some G.M.C. trucks, it built truck bodies and sold higher-prices cars. In 1939 it was the source of forty percent of the motor vehicles sold throughout the archipelago.<sup>33</sup> The bodies for many truck and bus chassis

32. I.V. 1941, p. 324; I.N-I., pp. 75, 78; "B.R.V. metaalgieterijen 1935", Stbl. 1935 No. 459, as amended. In 1939 five iron foundries employed 439 persons, five drum plants, 251 persons, and 28 can factories, 1497 persons. See Chapter III for shipbuilding and drydocks.

33. Harahap, op. cit., pp. 7-10. Most bicycles used in the archipelago were imported, but producers in Soerabaja and Malang such as Hima Rijwiel-fabriek had a steadily increasing market.



imported into the Indies were built in styles useful to the country by body companies, a number of which were Chinese.

Electric light bulbs were produced in Java, but protected from strong Japanese competition by a quota established on 12 March 1935, N.V. Phillips in the Netherlands remained the major source of supply. For a number of years there were only three bulb factories in Java, namely those of ANNOFR at Soerabaja, and Tan Tjin Lian and Nederlandsch Indische Electrische Gloeilampenfabriek N.V., both at Cheribon. Although this last plant, whose 100 workers produced 2500 lamps a day, had a reported capacity of 1.2 million a year, Java's total annual production, using Japanese filaments and parts, remained around 720,000--twenty percent of consumption. Then in November 1940, the N.V. Phillips" Nederlandsch-Indische Fabricatie Mij. moved into local production with a large plant in Soerabaja.<sup>34</sup>

After 1935, the Batavia factory of N.V. Nationale Koolstof Mij. Java, an American subsidiary with the "Everready" trademark, possessed a virtual monopoly in the production of dry-cell batteries.

One of several diversified companies was the Dutch-owned N.V. Nederlandsch Indische Metaal en Emballage Fabriek (NIMEF) of Tegalpakak outside Malang, where 40 Europeans and 1100 Indonesians worked. Established about 1910 originally as a coffee roasting company, it gradually expanded to produce tins, labels, wrapping and packing paper, and signs, and opened branches in Bandoeng and Batavia.<sup>35</sup>

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<sup>34</sup>. Ibid., pp. 51-52; Saroso, op. cit., pp. 106-109; I.N.-I., p. 275; "Invoerverordening electrische gloeiperen 1939", Stbl. 1939 No. 14.

<sup>35</sup>. Harahap, op. cit., pp. 203-204.

Before the war, there were six paper factories on Java, the two largest of which were operated at Padalarang and Letjes by Internatio!. An industrial poll in 1939 showed that the country's leather industry employed 1314 persons.<sup>36</sup> In addition to the production of conventional leather goods, ornamental goods from kerbau hide were produced as a small industry in the Jogja area.

The glass industry in the Indies was limited to the two major port cities. The three plants in the capital were owned by a Chinese, Dutch, and Arab merchant, respectively. In Soerabaja was a Chinese plant and the Japanese Marushin Matsumoto Glass Factory--the only one mechanized. Such plants produced drinking glasses, jars, bottles, etc., using broken glass as the sole material, as a consequence of which the products often possessed a greenish tint. Since approximately twenty percent of the glassware and containers from abroad were broken by the time they were offloaded at the ports in Java, these factories were assured a ready source of material. Plans for a glass factory at Toeban on the north coast of East Java, to use the quartz-sand from the coastal dunes, were in an advanced stage when the war intervened.<sup>37</sup>

In 1934, Lindeteves-Pieter Schoen en Zoon N.V., a paint company of Zaan-dam, the Netherlands, opened a factory in Batavia. Within five years it was the leading factor in production in the Indies, rising to 4500 metric tons compared to an annual consumption of 6500 tons.<sup>38</sup> The leading producer of stationery supplies in the archipelago was Talens & Zoon N.V. of Batavia.

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<sup>36.</sup> I.N-I., p. 75

<sup>37.</sup> Harahap, op.cit., pp. 170-172; I.N-I., p. 77. The glass industry employed 829 in 1939. Its annual production was 64 tons in Batavia and 107 tons in Soerabaja.

<sup>38.</sup> Harahap, op.cit., pp. 22-26.

Fireworks were also manufactured in the Indies! In 1940 all 25 pyrotechnics factories in operation, employing 3699, were on Java, of which eight were in Japara-Kembang and seven in Buitenzorg Residency. The Chinese held an important position in this business. In 1940 there were also four oxygen plants, three owned by N.V.W.A. Hoek's Machine-en Zuurstoffabriek.<sup>39</sup> Printing, etc.

A major industry in the leading cities and one that steadily expanded was the printing and publishing industry, which employed 14,309 persons in 1939. Printing establishments had been licensed since 1935, and in 1940 there were 241 printing plants (six belonging to the government), of which 47 were registered in Batavia Residency, 36 in Soerabaja, 23 in Semarang, 20 in Priangan (Bandoeng), 14 in East Coast of Sumatra (Medan), and ten in Soerakarta. Outside of the government's Landsdrukkerij, the largest establishment was the Dutch-owned G. Kolff & Co., with its main plant in Batavia and branches in the larger cities. Batavia was also the center of Chinese publishing, much of which was associated with two growing newspapers which also did job printing. Sin Po, founded in 1912, which had Malay and Chinese editions, was largely representative of the sinkeh/totok Chinese population and oriented towards China, whereas Keng Po, publishing only in Malay, was more representative of the Chinese peranakans on Java and oriented towards the Indies. The press at the end of 1939 included 114 dailies, of which 44 were Dutch, 43 Indonesian, and 27 Chinese (of which 17 were in Malay). Of the 278 weeklies and fortnightlies, 89 were Dutch, 175 Indonesian, and 14 Chinese (9 in Malay). Behind a growing number of influential Indonesian journalists were Drukkerij Indos, established in

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<sup>39</sup> I.V. 1941, p. 325; I.N-I., p. 58. The Hoek's plants were in Batavia Bandoeng, and Soerabaja. The country's fourth oxygen plant was in Palembang.

Socrabaja by the Indonesische Studieclub, and a Muslim publisher, Raden Hadji Oened DJOENADI, of the daily Pemandangan in Batavia! The Indonesian press was serviced by the Antara news agency, founded on 13 December 1937 by 20-year old Adam Malik.<sup>40</sup>

### Industrilization Plans

In 1939 a survey of twenty-three manufactured items disclosed that the archipelago produced virtually all of its needs in only a very few consumer goods, e.g., cigarettes and frying pans (92 percent each), while production of other necessities was only a small fraction of consumption, e.g., glass (10 percent) and textiles (6 percent). Almost all of the production in the survey utilized non-Indonesian capital entirely or to an important extent except for frying pans and paper parasols, which were primarily products of small Indonesian workshops. However, even the parasol industry of Tasikmalaja was effectively controlled by the Chinese "Toko Bogor".<sup>41</sup>

According to a 1939 survey of the Vereeniging van N.I. Fabrikkat, during the decade after 1929 approximately f. 25 million was invested in industries which were capitalized at over f. 10,000. Of this 15.5 percent came from the Netherlands, 23.5 percent from within Netherlands Indies (including much Chinese capital), and 61 percent from other foreign countries

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<sup>40</sup> I.V. 1941, pp. 131, 324-325; Gusti Majur, "Memperingati Hari lahir Dr. Soetomo", Mimbar Indonesia, 27 July 1949, p. 13; "B.R.V. drukkerijen 1935", Stbl. 1935 No. 127. There were 608 other periodicals registered, primarily monthlies, including 157 Dutch, 429 Indonesian, and 22 Chinese (19 in Malay).

A leading publisher in Bandoeng was Hadji Ali Ratman (of Moehammadijah) of the Ekonomi press! In 1941 Adam Malik was put in detention on Noesakambangan.

<sup>41</sup> C.f. Officieel Orgaan der Vereeniging van Nederlandsch-Indisch Fabrikkat, VI (1939), 28; Harahap, op.cit., p. 31. Other domestic production in 1939, as a percentage of consumption, included: cigars, cigar lighters, and ferrous sulfate, each 80; paint, 75; soap, 72; leather, belts-and-straps, and plywood, each 70; candy, cement, and shoes, each 60; biscuits, 45; margarine and flashlights, each 40; paper parasols, 35; surgical cotton, 30; bicycles, 28; woodfree paper, 27; refined sulfur, 20.

(particularly in the United States).<sup>42</sup> The development of Indonesia's industry subsequent to the Depression was accordingly largely due to the impetus given by such foreign capital.

Estimates in 1940 (only four years after Sitsen's), showed that the gross production value of Netherlands Indian industries (excluding agricultural and mining production) had risen to approximately f. 430 million. Mechanized industry accounted for about forty percent, "small industry" for 35 percent, and cottage industry, 25 percent. Again seventy percent of the sum was interpreted as income of the "people", including<sup>"</sup>about f. 200 million in industrial wages.<sup>43</sup>

The foregoing data were indicative of the fact that by 1940 manufacturing industries were beginning to boom in the Indies--an area which had gained a commercial reputation as one of the world's leading producers of primary commodities. The trend reflected a recent government policy decision to expand the manufacturing sector.

In 1937 the Industry Division of the N.I. Department of Economic Affairs published a nine-point directive on industrial policy as part of general economic policy, the purpose of which was: (a) to create wage labor; (b) to advance the people's prosperity; and (c) to secure economic stability. This policy was aimed at promoting industrialization on the basis of "economically justified production." There were, however, important provisos caused by "pressure from producers in the Netherlands:" (a) no industrial export

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<sup>42</sup>. Cf. Saroso, *De Contingenteeringspolitiek...*, p. 219.

<sup>43</sup>. F.J.H. Davis, "Een nieuwe Phase in de Industrialisatie van Nederlands-Indië", cited in *Nederlands-Indië Contra Japan, II--Nederlands-Indië na de Overweldiging van Nederland tot het Uitbreken van de Oorlog met Japan*, collected by the Krijgsgeschiedkundige Sectie of the KNIL General Staff HQ, (Bandung: G.C.T. van Dorp, 1950), pp. 239-240.



products could be manufactured, which might adversely affect the status of agricultural exports; and (b) no industrial products could be manufactured, which would replace agrarian exports (gobbledygook for "which would replace imports"), unless such production--resulting in an important rise in purchasing power--could lead to a greater importation of foreign (i.e. Dutch) industrial products. The site of the industrialization was to be Java. It was stated that preference would be given to small non-mechanized enterprises over large ones, and that the basis of the economic system was to be "private enterprise, limited, directed, and, if need be, assisted in accordance with the general interest." The government on its part would endeavor to create such a favorable atmosphere that the entrepreneur could achieve his goals, and to direct private initiative in the "desired direction" in order to anticipate and limit any "undesirable state of affairs". The government was to stimulate industry through tariff, trade, and industrial policy measures ensuring profitable production, through creating financing institutions to make capital available, and through operating information and coordination programs.<sup>44</sup>

A year later a commission headed by Hubertus J. van Mook, Director of Economic Affairs, was set up to study economic cooperation between the Netherlands Indies and the metropolitan country. It saw a need for promoting industry in the Indies and recommended that the Netherlands actively participate with capital and manpower. However, it cautioned, care had to

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<sup>44</sup>. "De nijverheidspolitieke richtlijnen voor de industrialisatie van Nederlandsch-Indië", Economisch Weekblad voor Nederlandsch-Indië, VI (1937), 551. Cf. W. van Warmelo and E.R.D. Elias, "Nijverheidspolitieke richtlijnen voor Indonesië", Economisch Weekblad voor Indonesië, Industrie Nummer, XIII (1947), 51-53; and "An Industrial Policy for Indonesia", Economic Review of Indonesia, I (1947), 78-81.



be taken that industries which might replace production from the Netherlands would be established on a gradual basis so that those in the mother-country would have an opportunity to adjust to the new conditions.<sup>45</sup>

When war threatened to cut off basic industrial supplies from Europe, the Netherlands Indies Government began to think of its defenses, and, after a long period of intensive study, came up early in 1941 with an Industrie-plan covering eight projects for important industrial materials for which roughly f. 50 million in expenditures was anticipated.

Table 9: Projects of the Netherlands Indies' Industrieplan, 1941

<u>Project and Proposed Site</u>	<u>Estimated cost ('000,000)</u>
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1. Conversion of bauxite into alumina and aluminum (Asahan Valley, East Sumatra)	f. 25--30
2. Iron and steel rolling works	3
3. Ammonium sulfate fertilizer factory (Tjepoe, Central Java)	8
4. Factory for caustic soda and byproducts	6
5. Large glass factory (Toeban, East Java)	1.2
6. Woodpulp and paper mill (Gajoland)	7.5
7. Plywood factory	0.6
8. Spinning mills (Demak, Semarang, Pasoeroean)	4

Source: Nederlands-Indie Contra Japan, II, 239-245.

In March 1940, the Volksraad appropriated f. 10 million in the budget of the Department of Economic Affairs for the promotion of industry. It was hoped that private enterprise would supply the other f. 40 million and that some of the new industries would be "joint enterprises." An Industry Council was set up to coordinate the preparation of the projects, and guarantees of interest and dividends over a certain number of years were offered to private business. A prohibition on the export of capital promulgated in 1940 served as a further inducement for private industry already in the Indies

<sup>45</sup>. Van Oorschot, op.cit., pp. 54-56; J.D.N. Versluys, Aspecten van Indonesie's Industrialisatie en Haar Financiering, (Groningen: J.B. Wolters, 1949), pp. 13-18. Members of the commission were appointed by the governments of the Netherlands and of the Indies. The latter chose Sitsen and Mr. J.E. van Hoogstraten.

to expand its investments.<sup>46</sup>

Unfortunately, according to the Royal Netherlands-Indies Army General Staff, the Industry Plan was tackled "too late--at least by five years." Of these key industries intended to supply basic industrial materials to other industries only two--both spinning mills--nearly completed as the war broke out in the Pacific. One was a completely private enterprise of British and Dutch capital, N.V. Ncbritex at Flered near Pascoeroean. The other, the Djantra mill at Semarang, was organized by private Dutch capital with government participation. Together with the Java Textiel Industrie spinning mill at Tegal, they formed an important new industry for the islands. However, their capacity was fully utilized only during the ensuing Japanese period. The Billiton Maatschappij began work on the Asahan project and scheduled production to begin in 1943--but in vain. Virtually all the other projects were still-born, although some of them were to be dusted off and reviewed again after the war.<sup>47</sup>

#### Indies Mining Law

Long before manufacturing outside of the processing of estate products had become important, the production of certain minerals played an important role in the economy of the Indies. Mineral extraction in general was

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<sup>46</sup> Davis, op.cit., pp. 239-246; Haranap, op.cit., pp. 264-266; van Oorschot, op.cit., p. 57 "Nijverheidsbevordering", Economisch Weekblad voor Nederlandsch-Indië, X (1941), 1561-1562; de Neuman, op.cit., pp. 252-253. Sitsen and Ir. Soerachman were instrumental in drawing up the plan so that both alien and Indonesian-industries would benefit.

<sup>47</sup> Nederlands-Indië Contra Japan, pp. 245-246; W.T. Kroese, "De Nederl.-Indische textielindustrie en de textielnood", Economisch Weekblad voor Nederlandsch-Indië, XII (1946), 67; Bank Industri Negara, Report on the First Five Years of its Existence, (Djakarta, 1956), 23. Ncbritex (Nederlandsch-Britisch) Textiel Industrie was half owned by Borsumij and half by the Calico Printers Association Ltd. The three spinning mills had 44,000 spindles and an annual capacity of 3500 tons of yarn.

governed by the Indies Mining Law of 1899 (with amendments), which was promulgated following the early rapid expansion of the private petroleum industry. According to this law, the proprietor of land had no sub-soil rights. The government controlled mining affairs in a number of ways, e.g., through the issuance of prospecting licenses, the grant of concessions for minerals other than fuels or iodine, the undertaking of the actual mining itself, the establishment of joint companies together with private capital, and the closing of agreements with companies whereby the Government transferred its own mineral rights to them (the "5A agreements", from that article in the law). Only Dutchmen or residents of the Netherlands or the Indies or corporations domiciled in the kingdom a majority of whose officers and directors were persons in the foregoing categories were entitled to receive mining rights from the Government. The Government also required of companies which acquired rights through 5A Agreements that at least three-quarters of all employees, both in supervisory and subordinate positions, be Dutch subjects.<sup>48</sup>

Table 10: Mineral Rights Granted in the Netherlands Indies, 1939

Concessions for minerals listed in the Mining Law	268
Licenses for minerals not listed in the Mining Law	148
Article 5A Agreements: (a) exploration only	14
(b) exploration and exploitation	34
Companies in which the Government participates	2
Contracts with private concerns for exploitation on behalf of the Government ( <u>aannemingscontract</u> )	2
Government-owned mining enterprises	3

Source: Ter Braake, Mining in the Netherlands East Indies, p. 29.

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<sup>48</sup>. "Indische Mijnwet" in Engelbrecht, Kitab Undang-Undang..., pp. 1712-1724; Alex L. Ter Braake, Mining in the Netherlands East Indies, (New York: Institute of Pacific Relations, 1944), pp. 66-76.

## Petroleum

The Netherlands Indies became the largest producer of petroleum in the Far East thanks to its own resources and foreign capital. In 1883, the first oil concession was granted in North Sumatra, and in 1887 the first oil operation started near Soerabaja. In 1890 the Koninklijke Mij. tot ontginning van Petroleum terreinen in Nederlandsch Indië was established, and it took over the North Sumatra concession. This was the original member of the Royal Dutch group. Eventually N.V. De Bataafsche Petroleum Mij. (B.P.M.) was set up to operate the Royal Dutch-Shell concessions in the Netherlands Indies. In 1940 its producing concessions in South and East Borneo, Palembang, Atjeh, and East Java (all with large outputs), as well as Central Java, Ceram, and East Coast of Sumatra, reached a record combined output, and its large refineries at Pladjoe (South Sumatra), Balikpapan, Pangkalan Brandan (North Sumatra), and Tjepoe, and smaller one at Wonokromo near Soerabaja were kept operating near capacity.<sup>49</sup>

The first joint-operation by private enterprise and the Government began in 1921 when the Nederlandsch-Indische Aardolie-maatschappij (NIAM) was formed jointly with a predecessor of the B.P.M. It exploited important oil fields in Djambi as well as some in the East Coast of Sumatra, and in 1939 its production was a record 1,320,319 metric tons. Profits in 1940 were sufficient to return f.5,666,000 to the Government.<sup>50</sup>

The second leading petroleum producer was the N.V. Nederlandsch Koloniale Petroleum.Mij. (N.K.P.M.), a subsidiary of the Standard Vacuum

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<sup>49</sup> R.W. van Bemmelen, The Geology of Indonesia, II--Economic Geology, (the Hague: Martinus Nijhoff, 1949), p. 7; Ter Braake, op.cit., pp. 66-76. The N.V. Ned.-Indische Tank Stoomboot Mij. was the sister tanker company of the B.P.M.

<sup>50</sup> I.V. 1941, pp. 318,487; Stbl. 1921 No. 552 and Stbl. 1928 No. 94.

Oil Co. in New York, which began operations in 1912.<sup>e</sup> Its largest block of producing concessions was in Palembang Residency, and minor ones were in Central Java and Atjeh. In 1939 crude output reached a record level of 2,140,865 tons. Much of it was refined in the large N.K.P.M. refinery at Soengei Gerong near Palembang and a small one in Kapoean, East Java.<sup>51</sup>

In 1931, the N.V. Nederlandsch Pacific Petroleum Mij. (N.P.P.M.) half-owned by the Standard Oil Company of California and The Texas Corporation, respectively, began operations. After a decade of exploration, it had just struck oil at its concession near Pakanbaroe, when the war interrupted further work.<sup>52</sup> Working in New Guinea was the N.V. Nederlandsche Nieuw-Guinee Petroleum Mij., which was owned forty percent by the N.K.P.M. and B.P.M., apiece, and twenty percent by the N.P.P.M. The only other producing company in the archipelago in 1940, the Borneo Olie Mij. was Japanese-owned. In view of its minuscule output, it was suspected by the government of being interested more in strategic than economic matters.

Data on the producers of petroleum--the leading mineral product of the Netherlands Indies--appear in the following table.

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<sup>51</sup> I.V. 1941, p. 318. The N.K.P.M. had a sister tanker company, the N.V. Nederlandsch Koloniale Tankvaart Mij., and it distributed its products via the N.V. Koloniale Petroleum Verkoop Mij., using the "Mobilgas" and "flying red horse" signs.

<sup>52</sup> Two N.P.P.M. subsidiaries also operating in the archipelago were the N.V. Nederlandsche Pacific Tankvaart Mij., and N.V. Petroleum Mij. "Sadjira", whose exploration work was sharply curtailed by 1940.



Table 11: Petroleum Producers in the Netherlands Indies, 1940

<u>Company</u>	Field Staff "European"	Others	Field Laborers	Petroleum Production (M.T.)
E.P.M.	390	630	10,126	4,544,255
N.K.P.M.	139	80	2,546	2,083,402
NIAM	54	113	1,807	1,306,867
Ned. Nieuw-Guinee Petr. Mij.	67	197	1,446	4,410
Borneo Olie Mij.	9	--	213	59
N.P.P.M.	115	44	2,746	--
Sadjira Petroleum Mij.	1	--	6	--
Total	778	1,066	18,967	7,938,993

Source: Indisch Verslag 1941, p. 318.

### Coal

In the field of bituminous coal mining, the Netherlands Indies Government took first place. It worked the country's two largest mines, which were among the largest of their kind in Asia. The Oembilin underground mines near Sawah Loento in West Coast Sumatra had been worked since 1892 with workers principally from Java. In 1930 its output reached a record 624,212 metric tons, which was never reached again in later years.<sup>53</sup> The Bockit Asem mines near Tandjong Enim in South Sumatra opened in 1919 and became an open-pit operation in 1933. In 1941 it produced a record 863,706 tons.<sup>54</sup> The output of these mines as well as that of a briquette plant and the Government's tin mines on Bangka were sold through the Verkoopkantoor van 's Lands Mijnbouw-productie.

<sup>53</sup> Bemmelen, op.cit., pp. 48-57; Ter Braake, op.cit., pp. 59-61, 65; I.V. 1941, p. 313.

<sup>54</sup> Bemmelen, op.cit., pp. 48-61; Ter Braake, op.cit., pp. 62-63; I.V. 1941, p. 313; The J.G. White Engineering Corporation, Economic Report of the Economy of Indonesia, (mimeo.; Djakarta, 1953), p. 182. Elsewhere in the Bockit Barisan range on Sumatra were various small uncommercial diggings by the local inhabitants.



The other major producing area was eastern Borneo, where in 1940--almost a century after coal production began there in 1846--half a dozen mining operations were active. Most of Borneo's coal mines were along the Mahakam River up from Samarinda. Some of their concessions had been granted by the Central Government and some by the local princes, and the mining companies operated their own mines and/or bought up the production of small Indonesian workings. Three of these mining companies were Dutch. However, the Loa Bokit concession, a rarity among producing mining concessions, was granted in 1918 to the heirs of a prince, Amidin Pangeran Mangkoe Negoro of Tenggara. Yet although the concessionaires were Indonesian, the actual operations were managed by a local Chinese company. Another Chinese firm acquired the Loa Teboeh concession, which the local population had been working. There were also Indonesian diggings at Batoe Dinding near Ambaloet, and farther south, around Martapoera and Amocntai.<sup>55</sup>

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<sup>55</sup> Bemmelen, op.cit., pp. 72-83; I. Tedjasukmana interview, Ithaca, 10 July 1958. The largest Dutch producer was the N.V. Steenkolen Mij. Parapattan with 5 concessions near Tandjong Redeb on the Berau river, which started production in 1916 but since 1924 worked only its "Rantaupandjang" concession. Coal from this K.P.M. subsidiary was used for bunkering the company's ships. A mining company, Oost Borneo Mij., had 5 concessions, of which "Batoe Panggal" and "Sigihan" were in production, and it loaded coal at Loa Koeloe on the Mahakam. In 1918 the large trading company, N.V. Borneo-Sumatra Handel Mij. (Borsumij) acquired the Tocajan concession. Firma Swie Gwan Thay, which used European supervisors, operated the Loa Teboeh concession.

In 1940 records were set not only by the government's Boekit Asem mines (which lasted one year), but also by both the one large Indonesian producer and the aggregate of the small Indonesian producers. Data on the coal producers appear in the following table.

Table 12: Coal Producers in the Netherlands Indies, 1940

<u>Producer and Nationality</u>	<u>Staff</u>		<u>Laborers</u>	<u>Production (metric tons)</u>
	<u>"European"</u>	<u>Others</u>		
Boekit Asem (N.I. Government)	55	119	2,473	847,835
Oembilin (")	60	98	2,686	577,616
"Rantaupandjang" (Dutch)	30	105	1,030	286,400
Oost Borneo Mij.	11	16	1,206	161,712
"Loa Boekit" (Indonesian)	--	5	590	64,080
"Loa Teboeh" (Chinese)	2	14	315	20,263
"Toeajan" (Dutch)	3	14	336	14,660
Small diggings (Indonesian)				36,856
Total	161	371	8,636	2,009,422

Source: Indisch Verslag 1941, pp. 313-314.

On the island of Boeton off southern Celebes was the only natural asphalt deposit in production. The N.V. Mijnbouw- en Cultuur Mij. Boeton, which had an "aannemingscontract" with the Government since 1924, produced limestone impregnated with about 35 percent bitumen for use in road construction. But Boeton had to compete with the cheaper imported petroleum-asphalt, and so production remained far below capacity.<sup>56</sup>

### Tin

After petroleum, the major mineral export of the archipelago was tin, and virtually all of this came from three islands off the southeast coast of Sumatra. Bangka, the world's leading tin producing area, had been mined from about 1710, and the government took over mining there in 1916. In 1940

<sup>56</sup>. Bemmelen, op.cit., p. 90; Ter Braake, op.cit., pp. 98-99; I.V. 1941, pp. 316-317. In 1940 the output of asphalt was only 741 M.T. compared to 5383 tons in 1939.

the tin mining staff on Bangka consisted of 159 European and 376 other (primarily Chinese *peranakan*) supervisors, and 13,835 laborers (primarily Chinese *sinkoh*). The Depression and mechanization of the industry had made inroads on its once huge Chinese labor force and had led to the employment of a number of Javanese miners. For a long time most Bangka tin was produced in wood and charcoal-burning smelters at Batoercesa and Moentok. As a result of the great demand caused by the war, in 1940 the Bangka mines turned out a record 24,180 metric tons of tin.<sup>57</sup>

A second large tin mining operation started on Billiton in 1851. In 1860 the concession was taken over by a Dutch company, the N.V. Billiton Mij. Eventually it was paying the Netherlands Indies Government an annual "royalty" of 62.5 percent of its profits. Again invoking Article 5A, the Government set up a new joint company incorporated at the Hague on 9 September 1924, called N.V. Gemeenschappelijke Mijnbouwmaatschappij Billiton (G.M.B.), in which it held 5/8 of the f.16,000,000 paid-in capital-stock and the Billiton Mij. the other 3/8. The G.M.B. then took over the mining concession on Billiton. In 1940 it had a record output of 18,479 tons, and government profits from the G.M.B. amounted to f. 3 million. On the island of Singkep as well as in its "zee-tin concessies", the Billiton Mij.'s subsidiary, N.V.

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<sup>57</sup>. Bemmelen, op.cit., pp. 92-95; Ter Braake, op.cit., pp. 36-48; I.V. 1941, p. 312. An average of 8 percent of Bangka tin was produced by particuliere leveranties, mines privately leased by Chinese who sold their production to the Government.

For the role of the Chinese workers, see Cator, op.cit., pp. 199-211.

Singkep Tin Exploitatie Mij. "Sitem" had since 1887 been in operation.<sup>58</sup> Tin in concentrates from Billiton and Singkep was shipped to a smelter in Arnhem, the Netherlands, which was operated by another Billiton Mij. subsidiary, N. V. Hollandsche Metallurgische Bedrijven.

#### Precious Metals and Stones

Unlike other mineral production in the Netherlands Indies, gold and silver mining came to be dominated by foreign, non-Dutch capital. Gold and silver deposits throughout the archipelago had long been worked. An extensive gold trade was in existence in Borneo by the Thirteenth Century, and from the middle of the Eighteenth to the mid-Nineteenth Century, West Borneo, principally in the Sambas and Mandor districts, was one of the world's leading gold production centers--one that was worked almost entirely by Chinese, and upwards of 50,000 at a time. With the breakup of the Chinese kongsis by the Netherlands Indies Government and the depletion of the diggings, the Chinese almost entirely abandoned gold mining. Some European companies tried mining but with little success. In 1940, besides scattered Indonesian and Chinese diggings in West and South Borneo, only one concession, "Boedok-Serantak", was in production.<sup>59</sup>

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<sup>58</sup>. Bemmelen, op.cit., pp. 93, 97; I.V. 1941, pp. 312, 487; Stbl. 1924 No. 312. In 1940 the G.M.B. had a staff of 178 European and 216 other (including sinkeh) supervisors and 8616 Chinese (almost all sinkeh) and Javanese workers--the latter in a minority. Unlike the trend of its two larger neighbors, Sitem employed a record number of men in 1940, including 47 European and 165 other supervisors and 2151 Chinese and Indonesian laborers. That year, too, there was a record output of 2877 M.T. For the role of the Chinese workers on Billiton, see Cator, op.cit., pp. 180-198.

<sup>59</sup>. Bemmelen, op.cit., pp. 123-127; Cator, op.cit., pp. 145 ff.; Ter Braake, op.cit., pp. 49-52; I.V. 1941, pp. 316-317.

In the Twentieth Century, Sumatra became the leading site of gold mining in the Indies. It had already been mined by the V.O.C. (after 1669). Commercial mining resumed in 1899, when the N.V. Mijnbouw Mij. Redjang Lebong (established by the Dutch in 1897) took over the rich "Lebong Donck" concession north of Benkoelen. In 1906, the nearby "Simau" concession at Lebong Tandai was acquired by the N.V. Mijnbouw Mij. Simau, which like Redjang Lebong by 1940 had become a subsidiary of Erdmann & Sielcken, a firm of Germans, most of whom had become naturalized subjects of the Netherlands. After thirty years of operation, Simau had an output worth f. 81 million, making it one of the leading gold and silver mines in Southeast Asia. West of the mountain divide in Central Sumatra, the Marsmans Algemeene Exploratie Mij. N.V. (controlled by Marsman & Co. of Manila) began mining the "Mangani Aequator" concession in 1940, and the same year it began a dredging operation at its "Meulaboh" concession in West Atjeh. The island's first gold-dredging operation started in 1937 on the "Logas" concession in east-central Sumatra by the N.V. Exploratie Mij. Bengkalis. In 1940 this concession also produced 1045 grams of platinum (the country's only output).<sup>60</sup>

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<sup>60</sup>. Bemmelen, op.cit., pp. 107-120, 131; Ter Braake, op.cit., pp. 53-58; I. Tedjasukmana interview, Ithaca, 5 Aug. 1958. The "Lebong Donok" mine closed down in 1941 after exhausting its gold reserves, but N.V. Redjang Lebong continued to produce from its "Lebong Simpang" mine, which had started operations in 1938.

In Celebes only one company was still operating in 1941, the Exploitatie Mij. Manado, in the "Tapaibekin" concession.

Outside Sumatra, by 1940 southwestern Java had become the major gold and silver mining area in the archipelago. The Erddmann & Sielcken subsidiary, N.V. Mijnbouw Mij. "Zuid Bantam", working at Tjikotok, Tjipitjoeng, and Tjirotan, became the country's leading silver producer in 1940, its second year in production.<sup>61</sup>

Table 13: Producers of Precious Metals in the Netherlands Indies, 1940

Producer	Staff		Laborers	Production (kg.)	
	"European"	Others		Gold	Silver
"Boedok-Serantak"	--	3	138	63	4
Indonesian and Chinese diggings on Borneo				55	--
N.V. Redjang Lebong	27	8	1,330	433	1,817
N.V. Simau	37	28	1,418	1,154	14,592
"Mangani Aequator"	21	20	872	149	4,321
N.V. Bengkalis	12	13	127	356	--
N.V. Manado	2	3	159	19	7
N.V. Zuid Bantam	36	2	1,170	488	25,558
"Tjikondang"	3	5	151	33	8
Total (incl. minor diggings)	158	95	5,675	2,801	46,641

Source: Indisch Verslag 1941, pp. 316-317.

Precious metals were not only mined in the Indies; they were also worked into finished products. Traditional silver crafts centers such as Kota Gede near Jogjakarta, and villages in Bali, the West Coast of Sumatra, and Lampongs remained in Indonesian hands. The silver filigree work of Kendari in southeastern Celebes, however, had been largely taken over by Chinese silver smiths who produced "Kendari silver" in Makassar. Except for that in some villages in Bali, gold work ceased to exist as a rural handicraft, but was associated

<sup>61</sup> Bemmelen, op.cit., p. 133. In 1940 the "Tjikondang" concession near Soekaboemi of the Mijnbouw Mij. Redjang Lebong started production. Within a couple of years the Japanese Military Government was to give special attention to production at Tjikotok, and a decade afterwards the Indonesian Government would enter gold mining via this concession.



with jewelry shops in the larger cities, usually run by Chinese merchants.

In 1940 Indonesian diamond **diggings** in West and South Borneo produced 3467 karats. Many of these were bought up by Chinese merchants, and there was some fabrication of diamonds and other precious stones into jewelry in urban shops. However, the country's center for gem cutting and polishing was operated by Hadji Abdul Samad, a Bandjar merchant, at Martapoera in South Borneo. Five of the ten diamond polishing plants registered in the country in 1940 were in this area.<sup>62</sup>

#### Other Metals

Quantitatively the principal ore production in the archipelago was bauxite, produced since 1932 by the N.V. Nederlandsch Indische Bauxiet Exploitatie Mij. (a subsidiary of the Billiton Mij., O.B.M., and Nitem--Nederlandsch Indische Tin Exploitatie Mij.). With a staff of only sixteen and a labor force of 675, it produced a record 275,221 metric tons on the island of Bintan in 1940. Inspired by this excellent source of bauxite and the waterpower potential of the Wilhelmina Falls on the Asahan River in the East Coast of Sumatra, the Billiton Mij. established several subsidiaries to operate in the Asahan region, and grandiose plans were made for establishing an industrial center there. But before the first equipment (which had been ordered and built) could be forwarded for installation, the war intervened.<sup>63</sup>

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<sup>62</sup>. I.V. 1941, pp. 316-317, 325.

<sup>63</sup>. Bemmelen, op.cit., p. 136; Ter Braake, op.cit., pp. 77-79; I.V. 1941, p. 317; cf. "Industrialization Plan", supra. The Billiton Mij. set up the N.V. Ned.-Indische Aluminium Industrie (1939) to produce aluminum from bauxite, the N.V. Ned.-Indische Aluminium Verwerkings Industrie (1939) to produce aluminum goods, and the N.V. Mij. tot Exploitatie van de waterkracht in de Asahan River (MFWA--1940) to develop the water power.

Good deposits of nickel ore were discovered in 1939 by the N.V. Mijnbouw Mij. Celebes (an affiliate of the Billiton Mij.) near Soroako and the Boe-loebalang mountains not far from Malili, but although the company began building installation for the shipment of ore, the war interrupted its activities. The only actual nickel ore production was started in 1938 by the O.B.M. subsidiary, Mijnbouw Mij. "Boni Tolo" at Pomalaa and Tandjong Pakar, both in the South Kolaka region of Celebes. In 1940 it produced 55,540 metric tons, which was shipped to Japan.<sup>64</sup>

Formerly the producer of manganese ore at "Kliripan" in the Koelon Progo mountains of Central Java, the N.V. Algemeene Industrieele Mijnbouw-en Exploitatie Mij. (AIME) began working the "Panglaksaän" concession at Karangnenggal south of Tasikmalaja in 1932. In 1940 AIME produced 10,767 tons of manganese ore.<sup>65</sup>

### Salt

The Netherlands Indies Government had a monopoly both in the production and distribution of salt--but not everywhere in the archipelago. Its distribution area covered Madoera and Java (except for Grobogan), Sumatra (except

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<sup>64</sup>. Bemmelen, op.cit., p. 138; Ter Braake, op.cit., pp. 80-84; I.V. 1941, p. 317. In 1941 N.V. Boni Tolo shipped a similar quantity to Japan.

<sup>65</sup>. Bemmelen, op.cit., pp. 139-144; Ter Braake, op.cit., pp. 87-88; I.V. 1941, p. 317. In 1940 two concessions of J.H. Houbolt in the northern Koelon Progo mountains produced 802 tons. In 1941, 728 tons of  $MnO_2$  were produced from Goenceng Besi (lit. "iron mountain") near Pengaron in southeast Borneo.

Copper ore was found in certain areas of the Indies. But aside from very small quantities of copper produced as by-products of a gold mine in Sumatra and one in Borneo, "there had been no other production, despite the exploratory work" from 1929 to 1935 by the Japanese Ishihara Mining Company at Tirtomojo-Tegalombo between Solo and Madicen. Lead mining, which amounted to only 40 tons at the AIME mine on Goenceng Sawal north of Tasikmalaja in 1940, was suspended the next year. Bemmelen, op.cit., pp. 147-159, 161.

for Atjeh, Rieuw, and Mentawai), Borneo, northern Celebes (Menado Residency), and the Moluccas. Although it once had operated salterns on the Bodjonegoro coast and until 1936 had bought up large quantities produced by the Indonesian population on their own salterns, by 1940 its production was entirely concentrated at its own grounds around Kalianget on Madura, where output amounted to 388,837 metric tons. Besides nine small salterns allowed in central Java, salt production by the indigenous population was also permitted in Atjeh (where 1517 salterns were in operation) and in the "Great East" (islands east of Borneo and Java), except for northern Celebes and the Moluccas. Output of such smallholder salterns totalled 41,980 tons in 1940, over half of it coming from the 4137 salterns in southern Celebes.<sup>66</sup>

#### Other Mineral Products

In 1940 there were sixteen cement, trass, lime, and cement-tile works registered, all except the two in West Coast of Sumatra lying in Java, of which five were in Soerabaja Residency. By far the largest was the N.V. Nederlandsch-Indische Portland Cement Mij., which for years after it was established at Indaroeng near Padang in 1912 was the largest industrial plant in the country. Nevertheless, it experienced a number of commercial difficulties and had to be protected from Japanese competition by a quota invoked on 28 June 1933. Although it once filled two-third of the consumption needs of the Indies when operating at its capacity of 4000 barrels a day, it was still unable to meet the price of many of the Dutch, Danish, German, and French cements. Consequently, it underwent a reorganization late in the thirties.<sup>67</sup>

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<sup>66</sup> I.V. 1941, pp. 320-321. Bali had 2076 salterns. Cf. Chapter XX.

<sup>67</sup> Saroso, op.cit., pp. 96-97; I.V. 1941, p. 324; I.N.-I, p. 77; "Invoer-ordonnantie Cement 1935", Stbl. 1935 No. 86; "Invoerverordening Cement 1938", Stbl. 1937 No. 585, as amended.

The cement plant was also the leading producer of limestone, a widespread mineral for which licenses needed to be obtained only from the local authorities. In 1940, the Indies produced 640,000 tons. Trass was produced in large quantities by the Preanger Nagreg Machinale Tuftras Exploitatie Mij. Puzzolaan at Nagrek, and by other Dutch concerns in Buitenzorg Residency and Central Java. Both west and east of Batavia were many small and medium-sized brick and tile kiln operations, many of them owned by Chinese. Although there were others throughout the country, only fourteen larger concerns with a labor force of 1702 were recorded in 1939 industrial statistics (ten on Java).<sup>68</sup>

The N.V. Nederlandsch-Indische Chamotte en Klei Industri, known by its "NICKI"-brand, had factories in Ngandang near Rembang and Sepandjang near Soerabaja. The former, built in 1917, employed 600 Indonesians and produced fire-brick, insulating material, lute, and items for the telephone service. The plant in Sepandjang produced a variety of tile and sanitary work. Almost all the materials used came from Indonesian sources such as clay from near Rembang and kaolin from Bangka. Although NICKI was the sole domestic producer of chinaware, a number of small Indonesian works produced earthenware products in the Plered region of West Java, with assistance from the Fonds voor de Kleine Nijverheid.<sup>69</sup>

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<sup>68</sup>. Bemmelen, op.cit., pp. 191, 198.

<sup>69</sup>. Ibid., pp. 196-197; Harahap, op.cit., pp. 196-199. NICKI, managed by Van den Hamer, was a subsidiary of Internatie. In 1940 it produced over 2000 tons of kaolin and quartz sand on Bangka and Billiten. Another producer on these islands was Handel Mij. Aroem, and at Panoeboesan in West Java, the Kaolien Exploitatie Bakom produced small amounts of kaolin for the Padalarang paper factory.

An AIME subsidiary, N.V. Zwavelonderneming Kawah Poetih, holder of an "aannemingscontract"<sup>70</sup>, worked the rich sulfur deposits in the Kawah Poetih (White Crater) in Priangan at 2200 meters altitude. It produced 14,000 tons in 1941, when reserves for only two more years were forecast. Many of the other volcanic craters on Java were rich in sulfur, and in 1940 Indonesian workings at the 3050-meter high crater of Goenoeng Welirang in East Java delivered 660 tons (containing 580 tons of pure sulfur) to AIME's "Sepandjang" sulfuric acid plant near Soerabaja. The only important crater extraction outside Java was undertaken by the German-owned N.V. Zwavelonderneming Minahasa, which began operations in rich 1300-meter high deposits by a crater lake in Goenoeng Sepoetan in Minahasa and produced 3211 tons in 1940. When Germany invaded Holland, the company's contract was taken over by the alien property custodian, but operations continued into 1941.<sup>70</sup>

Phosphate rock, mined in the Cheribon hinterland since 1919, was crushed in three plants, one of which was N.V. Fosfaatbedrijf, an Internatio subsidiary, and all crushed rock was sold through Internatio. In 1940 four mining companies produced 34,085 metric tons in West and Central Java. Around 1854 iodine production commenced on Java near Semarang. Shortly thereafter, the production center moved to the area between Soerabaja and Modjokerto, where since 1928 the N.V. Jodiumonderneming Watoedakon has been the leading producer. Among the by-products of tin mining were monazite sands, of which

<sup>70</sup>. Bemmelen, op.cit., pp. 182-184; Ter Braake, op.cit., pp. 89-91; I.V. 1941, p. 317. AIME had mining rights to the largest deposits on Java--at Telaga Bodas, east of Garoet--and in 1941, J.H. Houbolt began working a deposit at Kawah Karaha northeast of Garoet.



123 tons were produced on Singkep in 1939 (none in 1940) and wolframite, of which only 0.6 ton was produced on Billiton in 1940.<sup>71</sup>

A gradual change was taking place in the economic pattern of the Indies in the last year of the Dutch period. Whereas large-scale commercial operations before the Depression had been overwhelmingly in the field of plantation agriculture, by the late thirties the minerals portion of primary commodity production was increasing significantly. Furthermore, manufacturing had risen to a new place of prominence. Thus compared to a valuation of f. 593 million for estate (and other exported) agricultural products in 1940, mining products were valued at f. 252 million, and (as noted earlier) "industrial" production had attained a valuation of f. 430 million.<sup>72</sup>

The backbone of both manufacturing and mining was private alien capital, although the government and joint-operations played important roles in mining, and indigenous Indonesian concerns were important producers in a few domestic industries. Despite the fact that some old mining sites were being exhausted, new ones often could be opened elsewhere, and the war brought increased demand for the minerals of the Indies. Accordingly, the outlook after 1940 for new and expanded mineral production by alien enterprises and the government had appeared to be good. Moreover, in manufacturing, industrialization plans made the prospects for increased production by alien enterprises" (with some government participation) appear bright.

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<sup>71</sup> Bemmelen, op.cit., pp. 177-179, 189-190; I.V. 1941, p. 317. The phosphate mining companies were N.V. Phosphaat Exploitatie Buning, N.V. Ned-Indische Phosphaat Exploratie en Exploitatie Mij. (NIPHEM), J.H. Houbolt, and AIME. Iodine was extracted with a SA Agreement.

<sup>72</sup> Nederlands-Indië Contra Japan, pp. 239-240.



In contrast, there was little cause for anticipating any improvement in the future of the relative role of private Indonesian business in these sectors. The relationship of the Dutch and Indonesians in business apparently was to remain that of guardian and ward, not partners. Government policies and increased intervention in industry during the thirties was aimed first at protecting alien (principally Dutch) industries abroad--especially in the Netherlands--and afterwards alien (principally Dutch) industries in the Indies so that they could take root and expand. There remained a sharp cleavage between the modern industrial sphere and "native handicrafts" (the category to which virtually all Indonesian industry was relegated), and Government policy at best was aimed at protecting the position of Indonesians in certain existing industries where they had been active, not in opening up new fields for them. This lack of any real effort to encourage even a little Indonesianization in manufacturing and mining would undoubtedly have an effect on the future thinking of Indonesians in such matters. Thus, although the war and revolution would in the short run limit Indonesianization in manufacturing and mining primarily to the more remote regions where aliens would be hesitant to resume operations, their long-range effect would be virtually a complete reversal in the ultimate prospects of alien vis-à-vis indigenous Indonesian business.

### CHAPTER III: THE ECONOMIC SERVICES

#### Public Utilities

Alien, i.e. Dutch, capital was primarily responsible for the development of the service sectors in the economy of the Indies. Among the public utilities, such private capital was invested principally in electric power distribution and in gas. The three largest distributors of electricity were N.V. Algemeene Nederlandsch-Indische Electriciteit Mij. (ANIEEM), which sold 141.4 million kwh. of power in 1940 to subscribers throughout Central and East Java and Borneo; N.V. Nederlandsch-Indische Gas Mij. (N.I.G.M.), which sold 78.8 million kwh. to many parts of West Java, Sumatra, and Celebes; and Gemeenschappelijk Electriciteitbedrijf Bandoeng en Omstreken (GEBEO), a joint enterprise in which both the Bandoeng and the central governments participated, which sold 74.4 million kwh. in the Buitenzorg-Bandoeng interior of West Java. The leading electric power producers were the government's Landwaterkrachtbedrijf, for western Java, and N.V. Nederlandsch-Indische Waterkracht Exploitatie Mij. (NIWEM), owned 50:50 by the government and ANIEM, for eastern Java. There were also small private power companies<sup>1</sup>, municipal enterprises, and industrial enterprises which generated their own power<sup>1</sup>. The principal supplier of commercial gas, as its name indicated, was N.I.G.M..

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<sup>1</sup> 1. Indisch Verslag 1941, II, 341-342; cf. Government statement, 14 Dec. 1950, in Dewan Perwakilan Rakyat Republik Indonesia, Risalah Perundingan 1950, (Djakarta: Pertjetakan Negara, 1951), pp. 2627-2634. The big electricity distributors also operated their own caloric power plants. Most water companies were municipal enterprises.

## Land Transport<sup>2</sup>

In contrast to other forms of public utilities, Chinese and Indonesians played important roles in common carriers on the streets and highways of the Indies. Moreover, although non-motorized passenger transport still played a role--in both town and country Indonesians operated horse-drawn dokars and delmans, and in Medan, Chinese pulled rickshaws--with the influx of motor vehicles, Indonesian and Chinese businesses expanded in the field of motor transport.

In Java the majority of the urban and intercity busses were owned by Chinese single entrepreneurs or firms. At the beginning of 1941, such operators accounted for almost sixty percent of the 1546 busses on the island. Furthermore, the large majority of the corporations (not enumerated by nationality) which operated most of the remainder of the busses on Java were Chinese. In East Java, where not even one Javanese bus operated, such enterprises as Tan Luxe provided frequent service, much of it "express". In contrast, in Sumatra, where many new roads had recently been opened or improved, indigenous operators, such as the Batak King Kong bus line, were able to hold their own, possessing at the start of 1941, 2240 out of the 3512 public busses operating on that island. Borneo was also the territory of Chinese bus operators, but on the islands to the east, including Celebes and Bali, both of which had several good road networks, the number of Indonesian-owned busses exceeded those of all other operators combined. The status of public bus ownership at the beginning of 1941 appears in Table 14, where "Foreign Asiatics" referred virtually entirely to Chinese, and many of the bus corporations were Chinese.

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2. See John O. Sutter, "Transport", H.R.A.F. Area Handbook on Indonesia, (New Haven: Human Relations Area Files, Inc., 1956), pp. 1135-1143.

Table 14:<sup>3</sup> Common-Carrier Motor Vehicles in the Netherlands Indies  
by Nationality of Operators, 1941

<u>Nationality</u>	<u>Busses</u>	<u>Public Autos</u>	<u>Trucks</u>	<u>Public Vehicles</u>
Indonesians	2,836	8,009	1,424	12,269
"Foreign Asiatics"	2,707	4,990	3,575	11,272
"Europeans"	96	1,264	417	1,777
Corporations	589	81	502	1,172
TOTAL	6,228	14,344	5,918	26,490

In the realm of smaller public motor transport, which required less capital, Indonesians were able to play an even more important role. Taxis were operated inside the cities and sometimes outside, but the opelet (a jitney with a sedan chassis and a locally built body) was to be found everywhere. East Java was the only province where the number of Chinese public autos exceeded those owned by Indonesians, yet although the latter had no busses in that province, they operated over a thousand taxis and opelets there. In West Java, where many Indonesian operators belonged to the Bond Autobusondernemers Hindia (Baboh) founded by R. Prawoto Soemodilogo, the number of Indonesian-owned public autos was almost twice that of the Chinese," and on Sumatra as well as Borneo, the ratio was 5:2. The "Europeans" who operated public autos were mostly Eurasians, and the corporations were chiefly railway companies.

Although the indigenous population played an important role in motorized passenger transport in most parts of the country, motor freight transport was dominated by the Chinese, who owned over half of the eleven thousand trucks in Indonesia. In every province Chinese trucks far outnumbered the trucks operated by Indonesians (although in Sumatra the difference was not very great). Unlike the situation with busses, almost half the number of

3. Statistics in this section are from I.S. 1941, p. 429. Most of the bus corporations were concentrated on Java, where they operated 563 vehicles.

trucks were not common carriers for hire but were used exclusively by private companies for their own transport needs.<sup>4</sup>

The growing number of common carriers reflected the fact that the great majority of the agrarian population by 1940 were already far from being permanently isolated within their own immediate horizons. Whereas the touring car brought the urban elite to the country, the inexpensive bus and truck brought the rural inhabitants to the city, or at least to other areas some distance from home.

### Railways

Both public and private capital had been active in the railway business. The Government's Staatsspoorwegen had lines throughout Java (2929 km. at the outset of 1940), and in South Sumatra (645 km.), West Coast of Sumatra (264 km.), and Atjeh (512 km.). On Java twelve private Dutch companies established towards the end of the Nineteenth Century operated railroads and tramways (the latter in Batavia, Semarang, and Soerabaja) with a total trackage of 2485 km. The largest of them was the N.V. Nederlandsch-Indische Spoorweg Mij. with 855 km. of track, while the N.V. Oost-Java Stoomtram Mij. (both a railroad and tramway) and the N.V. Bataviaasche Verkeers Mij. (B.V.M., a streetcar company founded in 1930) carried the most passengers in 1939, 11.5 million and 8.3 million, respectively. The only private company in the outer islands, the N.V. Deli Spoorweg Mij., had 553 km. of track radiating from Medan. With 4350 of the country's 7324 km. of trackage in 1940, the Government thus dominated the railways, the sole transport sector in which it was

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4. Out of 5004 private trucks, 3643 were owned by corporations, probably a majority of which were European (including estate and industrial companies); "Foreign Asiatics" (which may have included some Arabs and Indians), had 802; Europeans, 388; and Indonesians, only 109.

directly active.<sup>5</sup>

### Shipping and Harbor Facilities

Dutch companies dominated shipping in the Indies. The government-subsidized N.V. Koninklijke Paketvaart "Mij. (K.P.M.) received through the "Groot-Archipel Contract" a virtual monopoly in scheduled and also unscheduled transport between the islands. Operating 133 ships aggregating 322,168 B.R.T. in 1940 with crews comprising 9260 men, the K.P.M. called at all major and most minor ports in the Netherlands Indies as well as Penang, Singapore, and occasionally Bangkok. It not only dominated passenger traffic, carrying 588,000 persons in 1940, but its 5.1 million tons of cargo far exceeded that of all other shipping companies in the area combined. Besides those Dutch sister lines which plied between the Indies and the Netherlands, another one, the N.V. Java-China-Japan Lijn (J.C.J.L.) connected the Indies with other countries in the Far East. In addition to this line, the only other large freight carriers within the archipelago were the tanker subsidiaries of the two largest oil producers, which not only shipped crude and refined products between the several islands, but also to countries abroad and to depots on the islands opposite Singapore. N.V. Nederlandsch-Indische Steenkolen Handel Mij. operated a coaling, stovedoring, lightering, and tug business. There were also four Chinese companies listed with the principal shipping companies of the Indies in 1939, but each operated only one ship from ports in Sumatra and Borneo. These companies were owned by groups of

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5. I.V. 1941, pp. 385, 416-421. The Atjeh railways were only of 0.75 meter gauge. The railways were the site of the country's oldest labor union, the Vereeniging van Spoor- en Tramwegpersoneel (V.S.T.P.), founded in 1908, and within five years controlled by H.J.F.M. Sneevliet and then his pupil Semaon, the progenitors of the Partai Komunis Indonesia. Pringgodigdo, Sedjarah Perjuangan Rakyat Indonesia, p. 27.



merchants in the respective ports, and they carried goods of their members, as well as passengers, between Singapore and their home ports.<sup>6</sup>

The external trade was almost entirely in the hands of aliens and carried chiefly in Dutch and British bottoms, although Chinese junks carried cargoes of rubber from Sumatra to Singapore and Penang across the Strait of Malacca. Yet while the K.P.M. also dominated coastwise trade, hundreds of Indonesian perahus, operating principally out of Soerabaja and Makassar, carried small cargoes for relatively short distances along the coast, and large two-masted Buginese sailing perahus plied the seas between the islands." The leading organization in this field was Roekoen Pelajar Indonesia (Roepelin--Indonesian Sailors Club), a cooperative under chairman NADJAMUDDIN Saeng Malewa with head office at Soerabaja.<sup>7</sup>

Six of the leading ports of the Indies, namely Belawan (Medan), Emma-haven (Padang), Tandjong Priok (Batavia), Semarang, Tandjong Perak (Soerabaja), and Makassar, were operated by government port enterprises. In these and other ports, most of the warehouses--which since 1935 were licensed--and other harbor facilities were owned and operated by Dutch companies.<sup>8</sup>

Although the 'sLandsbaggerbedrijf (State Dredging Works) operated the

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6. I.V. 1941, pp. 398-399; Economisch Weekblad voor Indonesië, XIII (1947), 11; see Allen and Donnithorne, Western Enterprise in Indonesia and Malaya, pp. 210-224. In 1940 the J.C.J.L. with 11 ships totalling 89,805 B.R.T., carried 46,000 passengers (many of whom traveled only in portions of its routes outside the Indies). The Chinese companies were Tong Ek Handel Mij. of Pontianak, N.V. Handel Mij. Tjin Liong of Bandjermasin, N.V. Lian Hwa of Djambi, and N.V. Tiong Hoa Loen Tjoeng Kongsj of Palembang. Besides these larger enterprises, many Chinese operated passenger and cargo boats on the navigable rivers of Sumatra and Borneo.

7. Republik Indonesia! Propinsi Sulawesi, (Djakarta: Kementerian Penerangan, 1953), p. 382.

8. See "B.R.V. veembedrijven 1935-II", Stbl. 1935 No. 313, as amended.

country's only dredges, a number of large and medium-sized companies had dockyards in the major ports for construction and repair of ships and boats. Almost all of the large companies were Dutch, and most of the medium-sized enterprises were Chinese. In Tandjong Priok were two large dry dock establishments, the Droogdok Mij. Tandjong Priok, which built a large variety of vessels and repaired many others, and the K.P.M. Seven small Chinese companies were also in this port. The N.V. Tegalsch Prauwenveer, under the direction of Erdmann & Sielcken (the Germano-Dutch company), operated shipyards at Cheribon, Tegal, and Pekalongan. However, the largest such enterprise was the N.V. Droogdok Mij. Soerabaja of that city, which had a staff of 134 European and 2443 other workers plus 700 Indonesian casual workers. Its shipbuilding and repair works included a 15,500-ton floating drydock. Soerabaja was also the site of a naval base which had a large labor force (comparable to the government arsenal in Bandoeng). Among the many other smaller repair-yards (and occasional construction yard) was the Oiwa Gyogyo in Manado, operated by two Japanese for the repair of fishing vessels.<sup>9</sup> Throughout the archipelago were also hundreds of sites where Indonesians built and repaired their own perahus and other boats.

#### Aviation

In 1928 the N.V. Koninklijk Luchtvaart Mij. (K.L.M.--Royal Dutch Airlines) with the assistance of leading commercial houses in the Indies established a subsidiary to serve the Netherlands Indies. The Government subsidized the new company, N.V. Koninklijke Nederlandsch-Indische Luchtvaart Mij. (K.M.I.M.),

9. I.V. 1941, pp. 404-412. The "Tandjong Priok" drydock employed 80 Europeans and 1580 others, and its equipment included a 8000-ton floating drydock and a 25-ton crane. The K.P.M. dockyard staff consisted of 43 Europeans and 1256 others, and that of Tegalsch Prauwenveer numbered 812.

and received in turn a share of its profits. In 1940, KNILM carried 22,852 passengers, and its routes touched at Singapore and Sydney. K.L.M. itself maintained weekly flights between Medan and Bandoeng with three stops enroute.<sup>10</sup> In addition to the public carriers, the oil companies used their own planes, and a few light planes operated in certain parts of the islands.

### Banking

In the field of finance, the disparity between the Indonesians on the one hand, and the foreigners--again principally the Dutch and Chinese--on the other, was extreme:

De Javasche Bank, the bank of circulation, originally founded in 1828 as a private corporation, operated under government control in accordance with De Javasche Bank Act of 1922. Despite its character as the central bank, it continued to carry on a large commercial banking business. Three other private Dutch banking institutions also played important roles in commercial banking. The giant N.V. Nederlandsch Handel Mij. (N.H.M. or "Factorij"), founded in 1824, maintained some of its own trade and estate operations, but most of its activity was in commercial banking. In 1939 its current accounts amounted to f. 242 million, and it held long-term deposits of f. 52.8 millions. Its nearest competitor was the N.V. Nederlandsch-Indische Handelsbank, which also operated some estates. Both these banks were domiciled in the Netherlands and had financial interests in other countries, too, yet in 1940 the bulk of their business came from trade in the Indies. The only large commercial bank domiciled in the Indies was the N.V. Nederlandsch-Indische Escompto-Mij., founded in Batavia in 1857 with

<sup>10</sup> I.V. 1941, p. 450; Allen and Donnithorne, op.cit., p. 228. The KNILM service to Australia alternated with that of Qantas Empire Airways Ltd.

Dutch capital.<sup>11</sup>

Four other large foreign commercial banks operated in Batavia and some of the other major ports of the archipelago. These were the British-owned The Hongkong and Shanghai Banking Corporation (domiciled in Hong Kong) and The Chartered Bank of India, Australia, and China (of London), and two Chinese banks, the Bank of China (the state bank with head office in Peking) and the Oversea Chinese Banking Corporation, a private company domiciled in Singapore. During the late thirties<sup>12</sup> three Japanese banks began to play an increasingly important role in the Indies, namely the Bank of Taiwan, The Yokohama Specie Bank, and The Mitsui Bank. In addition, there were three small Chinese banks with head offices in the archipelago, viz., the N.V. Batavia Bank, the Chungwha Shangieh Mij. (of Medan), and the N.V. Bankvereniging Oei Tiong Ham (of Semarang)<sup>13</sup>. The British banks, concerned only with financing of imports and exports, had about five percent of the country's banking business. The two foreign Chinese banks and that in Medan were largely concerned with remittances to China, whereas that in Semarang was concerned with financing the business of its large parent company, the Oei Tiong Ham Concern, and its many subsidiaries.<sup>12</sup>

Two banks active in the field of mortgages were Dutch-owned.<sup>13</sup> The country's

11. I.V. 1941, p. 380; Cornelis Franciscus Scheffer, Het Bankwezen in Indonesië sedert het Uitbreken van de Tweede Wereldoorlog, ('s-Hertogenbosch: Zuid-Nederlandsche Drukkerij, 1951), pp. 17-24. Current accounts of the Handelsbank were f. 84 million, and its long-term deposits were f. 24.4 million; those of the Escompto Mij. were f. 57 million and f. 14.4 million, respectively.

12. Scheffer, op.cit., pp. 14-17.

13. I.V. 1941, p. 387. At the end of 1940 the N.V. Ned.-Indische Hypotheekbank and the N.V. Javasche Hypotheekbank had f. 2.2 and f. 3 million, respectively, outstanding in mortgage loans.

eight registered savings banks were also primarily Dutch institutions although they included numerous Indonesians and Chinese among their depositors. The largest was the Gemeentespaarbank, founded in Soerabaja in 1859. At the end of 1940, it had deposits of f. 7 million from 7556 depositors. Another savings institution was De Eerste Nederlandsch-Indische Spaarbank en Levensverzekering Mij. (DENIS), founded with Dutch capital at Bandoeng in 1895. The country's largest savings institution, however, was the Postspaarbank (Postal Savings Bank), founded in 1898, which held f. 50 in deposits at the end of 1940 (a fall of almost four million from the preceding year), and whose depositors numbered 310,335, of whom 174,038 were Indonesians and 102,905 were "Europeans". Besides these institutions, which (except perhaps for the Postspaarbank) were primarily set up to serve the Dutch population, there were four small provident banks in 1940, one each in Batavia, Buitenzorg, Malang, and Padang.<sup>14</sup>

The first Indonesian-owned and operated bank, the N.V. Bank Nasional Indonesia, was capitalized at f. 500,000 and founded by the Indonesische Studieclub at Soerabaja in 1929. Its first president was Raden Pandji Soenario Gondokoesoemo, and after 1935, Raden Roedjito, the head of the country's only major indigenous life insurance company. Although the bank was supported in its first years by the Permoefakatan Perhimpunan Politik Kebangsaan Indonesia (P.P.P.K.I.), the association of Indonesian political parties, and later by the Partai Indonesia Raya (Parindra, perhaps the country's largest party), despite the fact that it had five branches, it never really flourished. One reason for this situation was the opposition

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<sup>14</sup> I.V. 1941, pp. 211-214. DENIS had f. 7 million on deposit at the end of 1940.



from the Partai Sjarikat Islam Indonesia, which considered the bank's charging interest to be contrary to the teachings of Islam. In Fort de Rock at the end of 1930, ANWAR gelar Soetan Saidi set up the Abocoan Saudagar with about f. 700 paid-in capital. Under the name Bank Nasional, it expanded, and its capital increased to f. 35,000. In Pematang Siantar, Soetan Martoesa Radja operated the Bank Batak.<sup>15</sup>

#### The A.V.B. and Other Credit

In addition to the formal institutions, many Chinese were active in money-lending both among their own community and with the Indonesian population. They included not only such businessmen as intermediate and retail traders and mill operators, but the tjinaminding (derived from "Chinese" and "installment-paying") or tjet (from "Chettyar"), who were usually poor, fairly recently arrived sinkehs set up in business by established Chinese merchants in the cities. Many, once they had earned sufficient money, sent it home to families in South China and often eventually followed it home. They made their rounds especially in rural areas of Java, advancing money to farmers and encouraging repayment by installments over long periods, thereby obtaining high effective rates of interest. The minderings, who usually kept their accounts in Chinese characters, were often able to combine their money-lending with an itinerant retail business, selling textiles or other klontong (peddler's small wares).<sup>16</sup> In the north Java ports such as Tegal, where many

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15. Mohammad Hatta, Beberapa Fasal Ekonomi, II--Djalan Keekonomi dan Bank, (2d ed.; Djakarta: Balai Pustaka, 1951), pp. 63, 109-119; K. Panggabean, Menuju Bank Nasional (Djakarta: Gunung Agung, 1953), pp. 7-8; Pringgodigdo, op.cit., p. 93. Branches of the Bank Nasional Indonesia were located in Modjokerto, Malang, Jogjakarta, Magelang, and Bandoeng.

16. Ong, Chinezen in Nederlandsch-Indië, pp. 117-125; Soeroso interview, Ithaca, May 1956. The word "klontong" was derived from the sound of the peddler's clapper, used to attract customers.



civil servants were numbered among their clientele, Arab residents usually from the Hadhramaut also worked as money-lenders, readily ignoring the Koranic proscription against usury.<sup>17</sup> Along with the less scrupulous money-lenders of other nationalities, they earned the appellation, lintah darat (leech) from the Indonesians. In 1938, the Government proclaimed an ordinance requiring money-lenders in Java, Madoera, and Sumatra's East Coast to be licensed, and another aimed at wiping out usury by putting on the lender the burden of the proof that excessive acceptances were fairly made. But in the years immediately following, the great expectations for improvements in money-lending were not fulfilled.<sup>18</sup>

To provide credit for the indigenous resident whose loans would be too small to interest the large commercial banks and who otherwise would be tied by long-term and usurious payments to money-lenders, certain financial institutions were set up under the auspices of the government and primarily operated by Indonesians (under Dutch supervision). Many farmers on Java were impelled by offers of advances and need for ready cash to sell almost all their paddy to rice millers or merchants. Then during the subsequent patjeklik (the critical period of food shortage before the harvest), they would be forced to pay higher prices to obtain rice for themselves. In an effort to alleviate this situation, starting around the end of the Nineteenth Century, lumbungs (ricebanks) were established in numerous villages. By 1940, 5451 were in operation throughout Java with net capital calculated at 1,377,600

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17. Justus Marius van der Kroef, Indonesia in the Modern World, I (Bandung: Masa Baru, 1954), pp. 261-266.

18. Kaslan Abdoellah Tohir, Pengantar Ekonomi Pertanian, (Bandung: W. van Hoeve, 1952), pp. 145-147; "Jeldschieters-ordonnantie 1938" and "Woeker-ordonnantie 1938", Stbl. 1938 No. 523 and 524.

metric tons of paddy and f. 8 million in cash. The rate of interest varied from 25 to 50 percent, but since loans were repayable in paddy, if repaid after the harvest (when prices were low), the effective rate would often be as low as five percent.<sup>19</sup>

Whereas the lumbung system showed little change in the years preceding World War II, a parallel organization, the desabank (village bank), which numbered only about 2800 in 1917, experienced growth over later years, so that by 1940 there were 7443 desa banks with a capital totalling f. 8.3 million. During 1940, 1,165,000 persons borrowed f. 23.4 million from these banks.<sup>20</sup> The initial capital of such banks had come from contributions of villagers, including cash from lumbung reserves, and from advances by the afdelingsbanken (banks set up in each regency to provide financial services to the desa administrations).

By 1934 the Algemeene Volkscredietbank (A.V.B.--General Popular Credit Bank) was established in Batavia by ordinance as the successor to all the 94 afdelingsbanken. By 1941 it had 98 branches and a staff of 1819. Instead of being considered a state bank, the A.V.B. was given the rights of an autonomous legal entity. Although its predecessors were concerned primarily

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19. I.V. 1941, p. 229; Scheffer, op.cit., pp. 26-27. For comprehensive descriptions of the people's credit system, see Soemitro Djojohadiko'soemo, Het Volkscredietwezen in de Depressie (Haarlem: de Erven F. Bohn, 1943), and L.A. De Wall, Credietverschaffing door Bijzondere Personen, (Baarn: Hollandia, 1945). In 1917, approximately 11,000 lumbungs were in operation. In 1940 the residencies with the most lumbungs were Cheribon (838) and Madioen (827).

20. I.V. 1941, p. 228; Scheffer, op.cit., p. 27. Leading areas with desabanks were Priangan (688), Pekalongan (645), and Soerakarta (604). Most of the 520 in the outer island were along the West Coast of Sumatra, around Manado, and in Bali-Lombok. Although male borrowers usually outnumbered the female, the reverse was true especially in Semarang Residency and West Coast of Sumatra.

with providing credits to the indigenous villagers, its purpose as stated in its charter was broader, namely, to supply those credit needs of the inhabitants which had not been met through other organizations. In 1940, it loaned out f. 28.8 million. Such loans were used for a variety of purposes, but principally to buy or repair houses, for commerce, to finance tillage, and to amortize debts. Arrears, which had been large in the early years, had fallen by 1940 to only 6.5 percent of the loans outstanding, which amounted to f. 28.4 million at the end of the year. By that time the A.V.B. possessed a capital and reserves of f. 16.6 million and deposits of f. 48.7 million.<sup>21</sup>

Whereas the credit institutions mentioned were primarily aimed at serving the rural population,<sup>22</sup> an institution that provided cash for the townspeople as well, was the government pawn shop service. It expanded during the late thirties, and by 1940 had 488 pawnshops in all of the residencies save three. During 1940, 49,618,000 pawns were taken for which f. 93.2 million was advanced.<sup>23</sup>

Of numerous Indonesian socio-credit associations in existence around 1940, mention should be made of an institution of the association of Indonesian civil service officials (Perhimpoean Pegawai Bestuur Boemipoetera).

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21. I.V. 1941, pp. 219-227; Laporan Bank Rakjat Indonesia Tahun 1953, I--Perkreditan, (Bandung: Ganaco, 1954), pp. 10, 12, 23-24; cf. Stbl. 1934 No. 82.

22. In 1940 there were 14 fishermen's associations along the north coast of Java with net capital of f.256,000 and loans during the year of f.112,000.

23. I.V. 1941, pp. 215-218. Whereas there were no pawnshops in South and East Borneo, the Moluccas, and the eastern Lesser Sundaes, the greatest activity was in Soerabaja and Malang residencies.

The pawnshop employees union, Perserikatan Pegawai Pegadaian Boemipoetera, shortly after its founding in 1916 came under the influence of the Sarekat Islam. During the thirties it was led by dr. SOEKIRMAN Wirjosandjojo, a private practitioner and sometime chairman of Partai Islam Indonesia. Pringgodigdo, op.cit., p. 27.

By 1940 the president of the Soetardjo Bank--named for its founder, SOETARDJO Kartohadikoesoemo--was former Boepati R.M. Adipati Ario Koesoemo Oetoyo.

In East Java was the Cooperatieve Crediet Centrale Toemapel of Malang, headed by R. Poeger.

### Insurance

Commercial insurance in the Indies was virtually a monopoly of foreign companies. Besides a number of branch operations of insurance companies in the Netherlands, there were four or five foreign non-Dutch companies active in the field, including the Sun Life Assurance Company of Canada and the China United Assurance Society, Ltd. of Shanghai. In 1939, twenty life insurance companies were active in the Indies, of which only three had their head offices there. The N.V. Levensverzekering-Mij. NILIMIJ van 1859 of Batavia was the largest, with 30,928 policies in 1938 covering insurance worth f. 68.8 million. DENIS of Bandoeng also was active in this field.

The third domestic life insurance company had the distinction of being the most extensive private indigenous Indonesian enterprise, namely the Onderlinge Levensverzekering Mij. "Boemi-Poetera" ("Boemi-Poetera" Mutual Life Insurance Co.) of Jogjakarta. It had been founded in 1912 by Mas Ngabehi DWIDJOSFOWOJO, a teacher and officer of Boedi Oetomo, and since 1920 it had been managed by Raden Roedjito. At the end of 1940, it had 12,751 policies covering f. 10,144,000 in insurance, and it had investments in several small trading and industrial subsidiaries. Its importance in the Indonesian community was attested by the fact that at least nine of its officers rated an entry in the "Who's Who" of Java of the early forties.<sup>24</sup>

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<sup>24</sup> I.V. 1941, pp. 388-391; Soetomo, Kenang-Kenangan, (Soerabaja: privately published, 1934), pp. 107-109. "Boemi-poetera" (lit. "son of the earth") was the elevated Indonesian term for "Native" (Inlander); it carried the connotation "national". The founder's title was later Raden Wedono Achmad Dwidjosewojo. He was an early member of the Volksraad.

### The Dutch in Trade

The 1930 census indicated that 11,500, or 13 percent of the "Europeans" gainfully occupied in the Indies worked at commercial pursuits, and of these forty percent were in the wholesale and commission business.<sup>25</sup> The Dutch, the most numerous group in this category, were active in exporting principally to Europe and America both smallholder products (obtained from Chinese merchants and sorted further where necessary) and products of their own estates and mines. In turn, they dominated the import trade, especially of capital and consumer goods from Europe and America, and the wholesale or distribution both of such imports and of the products of European and American factories in the Indies. With the shutting out of much Japanese competition by the import quota system, they were able to prosper again after the Depression. Their large trading companies, which often had diversified interests in estates, manufacturing, and minerals, were headed by the so-called "Big Five" importers: "Internatio", "Borsumij", "Jacoberg" (Firma Jacobson van den Berg), Lindeteves-Stokvis, and Firma Geo. Wehry. Internatio had a paid-up capital of f. 20 million and a net-worth of f. 27.2 million at the end of 1940, and Borsumij, f. 15 million and f. 21.3 million, respectively.<sup>26</sup> A prominent foreign competitor of the Dutch in importing and distributing was the British N.V. Maclaine, Watson & Co. Many manufacturers abroad

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<sup>25</sup> I.V. 1941, pp. 177 ff. The census scheduled for 1940 was not completed. Although that of 1930, originally published in Departemen van Economische Zaken, Volkstelling 1930, (Batavia: Landdrukkerij, 1933-1936), was the most complete to date, it made no claim to complete reliability.

<sup>26</sup> Ibid., p. 382. The expression, "Big Five" (spoken in English) in some circles in the Indies had acquired the connotation that "Wall Street" had in the United States. Seldom could all of the five be identified by users of the expression. While the other four concerns imported a wide variety of consumer goods, Lindeteves-Stokvis was the principal importer of technical goods.



also maintained agencies in the Indies!

Rarely had the Dutch been found in retail business. However, as a result of the Depression and the increasing competition from educated Indonesians, displaced Eurasian white-collar workers set up many stores in the larger cities. Some Dutch opened specialty shops catering to those with European tastes. Also during the Depression, some Dutch importers tried to sell directly to the local retailer or (in the case of small industries) to the local producer and even directly to the consumers, rather than continue to grant credits to Chinese distributors.<sup>27</sup>

Dutch merchants during the thirties continued to maintain an exclusiveness towards the majority of their co-inhabitants in the Indies, while they accepted the camaraderie of other Europeans and Americans in their clubs. They virtually never took Chinese or Indonesians into the top echelons of their own companies. Dutch businessmen had numerous associations, such as Nederlandsch-Indische Vereeniging van Importeurs-Groothandelaren (NIVIG), founded in 1934 and covering all European importers in the archipelago. The Federatie van Middenstandsvereeningen in Nederlandsch-Indië of Batavia, a primarily Dutch association, was recognized by the government as the representative of the country's entire trading middle class. Besides chambers of commerce in the major cities, there were estate associations to assist their members in trade problems. Most of the specialized Dutch business associations in turn were affiliated with the Indische Ondernemersbond (Association of Businessmen of the Indies) in Batavia.

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<sup>27</sup>. Liem, De Distribueerende Tusschenhandel der Chineezon op Java, pp. 67, 72-75.



### The Chinese in Trade

Chinese merchants, as noted, had a near monopoly in the collection trade of the products of Indonesians, which they would then sort and sell to exporters. Although Dutch houses dominated foreign trade, many Chinese firms were also active in importing or exporting, especially in trade with Singapore, Hong Kong, and other ports of eastern Asia. The largest such company, N.V. Kian Gwan (of the Oei Tiong Ham Concern) had branches throughout southeast Asia and representatives elsewhere in the world. It was associated with an organization which operated sugar mills, cassava plantations, building and warehouse companies, and its own bank. However, it was the exception in the Chinese business community, for in general most of the trading companies--where not directly affiliated with some industry--were of no more than medium size, and large numbers of them were quite small.

In 1930 of the gainfully employed Chinese, 172,000 (37 percent<sup>28</sup>) were found in commerce. Of these, 92,500 worked in shops or as hawkers, 37,000 worked in the sale of food, tobacco, etc., and 20,000 in the sale of textiles. There were also Chinese wholesalers, especially in the Great East, and Chinese department stores in the larger cities. But most of the Chinese were found in tokos--usually specialty shops--in every town and many villages, which dominated the retail trade (outside of the local food markets and coffee-shops). Furthermore, the Chinese had a near monopoly in the klontong trade, and they hawked their goods wherever there were potential customers. In the country they peddled their wares on bicycles, and in town a Chinese peddler often had an Indonesian coolie to tote his wares on a pikul (bamboo shoulder pole). Money-lending as a form of credit-extension, was closely tied in with such

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<sup>28</sup>. I.V. 1941, p. 179.

retail trade. Nevertheless, with increased competition from all sides, and especially from the Japanese, many Chinese businesses failed. Of the bankruptcies adjudicated during the thirties, over a majority each year applied to Chinese persons'. In 1940, however, only 295 out of the 642 adjudications were for Chinese.<sup>29</sup>

Although every important Chinese center had its Siang Hwee (Chamber of Commerce), their interests were as much social as commercial. However, there was the Algemeene Chinesche Importeursvereeniging (ACIV) for small Chinese importers. In so far as internal composition was concerned, two features marked the Chinese business. First, it continued to be a small, family-style enterprise, whether or not incorporated. Kongsis, uniting larger numbers (which often took on the form of a corporation), were usually associations of relatives and close acquaintances. Thus, there were few attempts to amass large amounts of capital in an anonymous company where personal relationships might not be close. Secondly, the Chinese trading company in the Indies, whether formed by peranakans or sinkehs, almost invariably worked as an exclusively Chinese organization--at least where capital and management were concerned (although it, of course, frequently hired Indonesian labor and occasionally employed the services of a skilled European administrator or engineer). Despite the fact that socially, educationally, and to some extent politically (in the city and provincial councils) Chinese frequently associated with Dutch and Indonesians, association on the business level to the extent of becoming partners or shareholders in the same profit-seeking enterprise was virtually non-existent.

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<sup>29</sup>. I.V. 1941, p. 243. Europeans accounted for 252 bankruptcies in 1940, corporations for 12, firms for 8, and "Others" for 75.

### Other Asians in Trade

Three other alien groups were active to different degrees in the economy of the Netherlands Indies in 1940. Of the "Other Foreign Asiatics" category who had worked in 1930, over half--19,000--were in commerce. Of these, 8500 were in the textile trade, and 5800 worked in shops or as hawkers.<sup>30</sup> Seventy percent of the "Other Foreign Asiatics" were Arabs, many of whom not only played an important role in the distribution and retail trade of textiles, but also (as noted) were active in the production of batik and woven textiles. Small Arab shops were found in the several concentrations of Arab population, such as Batavia, Soerabaja, Pekalongan, Palembang, and other port cities in Sumatra, Java, Borneo, and Celebes. Almost all of the balance of the "Other Foreign Asiatics" category in 1930 were Indians (referred to as "Bombayers"), most of whom lived in and around Medan, but who also were to be found in Batavia, Soerabaja, and the major ports of Borneo. While Indians seldom had industrial or agricultural interests, they often combined credit-extension (money-lending) with their textile business.

Although for a long time there had been a very small number of Japanese in the Indies, legally included among the "Europeans", during the thirties they flooded into the Indies primarily as businessmen. The Depression enabled Japanese manufacturers, especially of textiles, to take over--temporarily--a major part of the imports into the archipelago. Their low prices, while retaining quality, almost drove the Dutch and other foreign suppliers from the market. To improve the marketing of Japanese products in the Indies (despite the fact that large numbers of Chinese and Indonesian merchants were already handling their goods), Japanese stores began to spring up in the

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<sup>30</sup>. I.V. 1941, p. 180.

cities of Java, and in Bandoeng and Soerabaja Daishin & Co. set up large modern department stores, called Toko Tjijoda. Already by 1933, the Japanese Ministry of Overseas Affairs could report the following development of Japanese business on Java:

Table 15: Japanese Sales Outlets on Java, 1933				
<u>City</u>	<u>Wholesale</u>	<u>Wholesale/Retail</u>	<u>Retail only</u>	<u>Total</u>
Soerabaja	30	-	28	58
Batavia	10	3	19	32
Semarang	11	3	13	27
Bandoeng	-	-	15	15
Cheribon	4	-	8	12
Others	-	-	280	280
TOTAL	<u>55</u>	<u>6</u>	<u>363</u>	<u>424</u>

Source: Liem, De Distribueerende Tusschenhandel der Chinezen op Java, p. 69.

There was a "Toko Japan" in over sixty-four places throughout Java, and Banjoewangi, Loemadjang, Djember, and Kediri, each had twenty or more.<sup>31</sup>

The import quota system prevented Japanese goods from taking over the Indonesian market entirely, yet the rapid growth of Japanese stores came close to threatening the position of both the Chinese intermediate and retail merchants in the economy of Java. The flashy new department stores attracted many customers away from the drab specialty shops. Japanese photo shops sprang up everywhere, and even Japanese barber shops appeared. The Japanese also tried to invade the collection trade, which had almost become a Chinese patrimony.

#### Indonesians in Trade

In the indigenous Indonesian sphere, where 1,091,000--or only five percent of the working population in 1930--was listed in commerce, virtually entirely retail, 724,000 sold food, tobacco, etc., and 147,000 worked in shops

<sup>31</sup>. Liem, op.cit., pp. 67-70.

and as hawkers.<sup>32</sup> Many of them worked only part-time in trade, and the great majority worked either in very small undertakings, such as the warung or kedai (small restaurant or coffee shop) usually in an inauspicious building, or in the food or general pasar (market)--either the large urban ones or the thousands of smaller ones throughout the countryside.

In the Muslim regions of the outer islands, some Batak, Minangkabau, Atjehnese, Palembang, Bandjar, and Buginese merchants were able to carry on business despite Chinese competition. In the Christian regions, the same was true for some Batak, Ambonese, and Manadoese merchants. There were also a few Balinese merchants. But although there were large numbers of Javanese in the retail trade, the Javanese had virtually no merchants in foreign trade (as opposed to manufacturing). The few leading Indonesian foreign trading houses--in Batavia--were originally Minangkabau. DJOHAN gelar Soetan Soleman and DJOHOR gelar Soetan Perpatih founded Firma Djohan Djohor in 1925, Rahman Tamin gelar Marah Soetan started operating Firma Rahman Tamin in 1932, and Agoes Moechsin DASAAD set up the Malaya Import Mij. at the end of the decade. Of the numerous Javanese who worked full-time in the retail trade, the most active were of the santri (devout Muslim) class, not of the educated priaji (aristocracy).<sup>33</sup>

The gradual organization of Indonesian cooperatives, encouraged by a government ordinance of 1927, improved to some extent the position of the Indonesian in trade. Perhaps the largest gains were made by the batik

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<sup>32</sup>. I.V. 1941, p. 178.

<sup>33</sup>. Djohor had been in business for himself since 1918. For a comparative study of the priaji and santri (as well as a detailed description of markets), see Clifford Geertz, Jr., "Religious Belief and Economic Behavior in a Central Javanese Town: Some Preliminary Considerations", Economic Development and Cultural Change, Chicago, IV (1956), 136.

associations of Solo and Jogjakarta. The M.B.S. of Solo in 1938 bought over half a million gulden worth of materials direct from importers for its 108 members.<sup>34</sup> The status of "native" cooperative societies registered in the Indies at the end of 1940 appears in the following table:

Table 16: Registered "Native" Cooperatives in the Netherlands Indies, 1940

Type of Cooperative	Number	Loans outstanding (end of year)	
		Number	Amount
"Mother" centrals (kepki)	1		
Other centrals	14		
Credit	437	26,080	f.611,900
Producer	41	474	15,600
Consumer	16	73	4,700
Debt amortization	53	511	9,300
Lumbung	19	312	1,700
Others	8	34	11,300
TOTAL	574	27,484	f.654,500

Source: Indisch Verslag 1941, p. 231.

In 1930 only seventy cooperatives had been registered (5 credit, 4 producer, and 1 consumer). By comparison the increases during the decade were apparently great. However, the figures would be even more impressive if all the "wild" (unregistered) cooperatives were enumerated. Nevertheless, most cooperative movements had only ephemeral success, and most cooperative societies were far from stable. For example, thirty-eight percent of the

34. "Regeling Inlandsche Coöperatieve Verenigingen", Stbl. 1927 No. 91; Licm, op.cit., p. 81. Cooperatives for aliens, based on a royal decree of 1915, were virtually copies of those in the Netherlands. Mohammed Hatta, Penundiuk bagi Rakyat Dalam Hal Ekonomi Teori dan Praktek, (3d printing; Djakarta: Pustaka Rakjat, 1947), pp. 81-85.



1504 "wild" cooperatives in 1932 collapsed shortly thereafter.<sup>35</sup>

Still, the growth of cooperatives was one sign that Indonesians were evidencing a greater, if not always sustained, interest in the commercial aspects of their economy. Moreover, many of the political movements, especially Parindra, promoted cooperatives. While the advocacy of the cooperative movement by Drs. Mohammad Hatta was somewhat stifled because of his internment at Banda Neira, members of the government's Cooperatives and Internal Trade Section such as Raden Mas HARGONO Djojohadikoesomo (who had been active in the organization of the A.V.B. and Chairman of the "Mother" Central, Gapki) provided organizational leadership and other assistance to cooperatives.

Most Indonesians who aspired to be middle-class businessmen were confronted not only by the superior position of the Dutch and Chinese business community in terms of experience and availability of capital, but also by the legal limitations of the types of business enterprise which then existed. They started business as single-entrepreneurs or members of a firma (partnership). But full liability worked against the acquisition of much capital by such enterprises. Nor was the commanditaire vennootschap (C.V.--silent partnership) an entirely satisfactory form of business for one interested both in managing and amassing capital. The Dutch corporation, naamloze

<sup>35</sup> Liem, op.cit., p. 78. The distribution of unregistered "native" cooperatives on Java at the end of 1931 appears as follows:

Region	Consumer	Savings/ credit	Agric.	Trade/ industry	Funeral	Purpose unknown	Total
West Java	112	129	4	-	15	3	263
Central Java	166	64	6	1	8	11	256
Jogjakarta	55	31	5	-	7	-	98
Soerakarta	90	42	4	-	4	2	142
East Java	403	74	9	2	14	4	506
TOTAL	826	340	28	3	48	20	1,265

vennootschap (N.V.), operated only in the sphere of European law and could not acquire proprietary rights on Indonesian land. At the other extreme, the cooperative society was not conducive to entrepreneurship and expansion.

Finally, as the result of efforts of Soendjoto, head of the Socio-Economic Department of Parindra, in 1939 the "Ordonnantie op de Inheemsche maatschappij op aandelen" was proclaimed, which established a new kind of business enterprise, the Inheemsche maatschappij op aandelen (I.M.A.--"native" joint-stock company) for the benefit of the Indonesian businessmen. The I.M.A. (subsequently referred to in Indonesian as Maskapai Andil Bumiputera--M.A.B.) was similar in form to the N.V., but with certain exceptions. It was established originally for a maximum of 30 years instead of 75. Only indigenous persons could be shareholders, and the company could not buy up its own stock. It had the right to purchase up to 75 hectares of land, of which no more than 25 could be sawah. Furthermore, it was not required that I.M.A. charters be notarized (thus avoiding notarial fees).<sup>36</sup>

The plural economy that was apparent in the production sectors extended also to the services. Where large capital aggregates were required in public utilities, transportation, finance, and trade, there alien enterprise gravitated. In all these sectors large Dutch companies predominated, and in public utilities and transportation--the sectors under the greatest degree of government control--they had no alien rivals, although the government itself had an active role in certain instances.

In finance, the position of the Dutch ironically waxed after Germany overran Holland in 1940, for immediately on 10 May Factorij and the Handels-

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<sup>36</sup>. Hasan Nata Permana, Bentuk Hukum Perusahaan, (Bandung: Sari, 1952), pp. 79-88; see text in Engelbrecht, Kitab Undang-Undang, pp. 607-608a.

bank both moved their seat of business from Amsterdam to Batavia". The free transmittal of foreign exchange from the Indies then ended with the promulgation of the "Deviezen Ordonnantie 1940", which set up the Nederlandsch Indisch Deviezeninstituut (NIDI--N.I. Foreign Exchange Institute) to control the entry and exit of foreign currencies.<sup>37</sup> The Indies thus finally became financially independent as capital flowed there from the Netherlands and as dividends were compelled to remain in the archipelago".

The Chinese continued to retain their middlemen's role in the service sectors, although they were hard-pressed by Indonesian bus operators, by government popular finance agencies, and by Japanese stores. Outside of the latter and some British banks, the impact on the economy of the services of other aliens was extremely slight.

Among Indonesians active in the service sectors, a number had quite a strong position in bus and opelet operations, where small increments of capital could be put to work. In finance, with the big exception of the "Boemi-Poetera" life insurance company, Indonesian private business was still in a tentative, embryo stage, and quite secondary to several government agencies. On the other hand, although a variety of cooperatives came and went, cooperative credit organizations made a relatively good showing.

Finally, in trade itself, the position of the Indonesians in the lower sphere of the plural economy had been most apparent. Nevertheless, even there a start had been made by a handful of merchants to penetrate the higher commercial sphere. Moreover, the I.M.A. had been devised to bridge the gap between the spheres. The new business form created great interest among the

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37. Scheffer, op.cit., pp. 32-36; Stbl. 1940 No. 205.

indigenous business community. Hatta suggested that stockholders would buy shares not because they sought large profits from such a company, but because they liked the enterprise. Thus he saw in the "native" joint-stock company spiritual ties not apparent in the M.V.<sup>38</sup> However, before it was possible for the I.M.Ai to be tested through use by many Indonesians, the war in the Pacific broke out, and as a result of subsequent circumstances, the new business form would remain relatively neglected.

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38. Harahap, Indonesia Sekarang, pp. 224-226; Hatta, op.cit., pp. 40-41.

#### Chapter IV: DICHOTOMY IN AN ADOLSCENT ECONOMY AND POLITICAL REACTION

Considering that the Netherlands Indies Government by its very nature was Dutch-managed, it is understandable that the economy of the Indies around 1940 was still overwhelmingly dominated by the Dutch.

##### Alien Investments

Data on investments in the East Indies are incomplete and somewhat conflicting. Nevertheless, there was an attempt at a synthesis of available statistics on non-indigenous investments by nationality.<sup>1</sup>

Table 17: Direct Investments in the Netherlands Indies by Nationality

1937

Nationality	Investments in Millions	
	Dollars	Gulden equivalent
Dutch	\$1,040	f. 2,600
(incl. "island-Chinese")	(150)	(375)
British	200	500
American	95	238
French	35	88
Japanese	12	30
German	10	25
Italian	10	25
Belgian	9	22
TOTAL	\$1,411	f. 3,528

f.1.00=\$0.40

Source: Callis, Foreign Capital in Southeast Asia, p. 34

Since in the Netherlands bonds and other obligations of the Netherlands Indies and its local governments, valued at around one billion gulden, were held, Dutch total investments in the East Indies were equivalent to from

1. Helmut G. Callis, Foreign Capital in Southeast Asia, (New York: Institute of Pacific Relations, 1942), p. 34. How Callis came to use that exchange rate is not known, for the gulden in 1937 ranged between 54.6¢ and 55.7¢.

one-seventh to one-sixth of the national wealth of the Netherlands.<sup>2</sup>

A breakdown of estimated direct capital investment of the Netherlands in the economy of the East Indies prepared by an American, Arthur S. Keller, appears in Table 18.<sup>3</sup> These data, which include capital investments of Chinese residents of the Indies, represented an overall decline of roughly 200 million in the value of investments from 1929-1930. This total decline was approximately the same as the decline in the sugar sector alone--the production sector which, incidentally, represented the largest resident Chinese investment.<sup>4</sup> Unfortunately, separate figures on Chinese investments were not readily available, since a major portion of them were classified as

Table 18: Investments of Dutch Capital in the Netherlands Indies, ca. 1940

<u>Economic Sector</u>	<u>Investments in millions</u>	
	<u>Gulden</u>	<u>Dollar equivalent</u>
Sugar estates and mills	f. 400	\$ 217
Rubber estates	450	245
Other estates	350	190
Plantation credit banks	274	149
Tin (private)	10	5
Petroleum	500	272
Shipping	100	54
Railways and tramways	150	82
Public utilities	100	54
Industry (private)	50	27
Misc. (incl. other mining, insurance)	250	136
<b>TOTAL</b>	<b>f. 2,634</b>	<b>\$1,431</b>
f.1.00=\$0.54		

Source: Keller, "Netherlands India as a Paying Proposition", Far Eastern Survey, 17 Jan. 1940, p. 13.

2. Cf. Arthur S. Keller, "Netherlands India as a Paying Proposition", Far Eastern Survey, 17 Jan. 1940, p. 13. This was cited along with Professors Tinbergen and Derksen in Sumitro Djojohadikusumo, Beberapa Soal Keuangan, (Djakarte: Poestaka Rakjat, 1947), p. 41, and his Persoalan Ekonomi di Indonesia, pp. 4 ff., and by Hoetomo Soepardan (in speech of 12 June 1951) in Risalah Perundingan 1951, p. 4896. Sumitro set the fraction at one-quarter, and Hoetomo, at one-sixth.

3. Loc.cit. "These figures do not include capital investment of Dutch companies located in Holland which operate in the Indies through direct branches or representatives, but which do receive a share of their income from their trade with the islands."

4. Callis, op.cit., p.36; Keller, op.cit., p. 14



domestic capital. Yet Chinese investments probably exceeded those of any other alien group except the Dutch, for the bulk of them were in trade (data on which do not appear in the above tables, which are focused on the production rather than service sectors of the economy). The Chinese, who had traditionally serviced the Dutch, had in turn been permitted to prosper as a middle class. Although representing only two percent of the population of the Indies, they received about twenty percent of the taxable income.<sup>5</sup>

The British for decades held second place among Western investors, with large holdings in estates, an important share in Dutch petroleum enterprises, and interests in trading and financial companies. Pressing close behind came American investments, which had skyrocketed from about \$23 million in 1929 to approximately \$200 million in 1941, concentrated in the fields of petroleum, rubber estates, and more recently manufacturing.<sup>6</sup>

French and Belgian interests were concentrated in rubber and oil palm estates. The investments of the Japanese, who became the largest alien community after the Chinese and Dutch, as noted above were principally in the field of trade and increased significantly during the thirties, when Japanese also entered the fields of oil exploration and estates. A community almost as numerous were the Germans, who had played a not insignificant role in public administration. Their major economic holdings had been in estates.

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5. Sumitro, Persoalan Ekonomi di Indonesia, p. 11.

6. Cf. Callis, op.cit., pp. 30-31; Consul Jesse F. Van Wickel, "United States Investments in the Netherlands Indies", American Consulate General Report, Batavia, 7 Nov. 1941. Large American manufacturers, such as General Electric, Western Electric, International Business Machines, and National Cash Register, maintained important distributorships, as did most of the large motion-picture companies. Limited real estate holdings included those of five missionary societies and Robert A. Roke's Koeta Beach Hotel on Bali. For a delightful account of life on the one cassava estate, see Mrs. Charlotte Stryker, Time for Tapioca, (New York: Crowell, 1951)

When the Netherlands capitulated in 1940, Germans were interned and eighteen German ships were captured and chartered by various Dutch shipping companies. The Indies Government took over 19 German agricultural enterprises, 227 commercial and industrial establishments, and 31 small independent businesses, and began operating the largest and most important businesses under a special government commission which exercised full rights of ownership.<sup>7</sup> Thus occurred the first and only "Netherlands-Indianization"--which in due time became "Indonesianization"--of the complete holdings of a specific group of foreign investors.

These "European" groups (which included American and Japanese, but not Chinese) represented less than 0.5 percent of the population in the Netherlands Indies. Nevertheless, reflecting their role in the country's economy, they received about sixty percent of the annual taxable national income in the thirties.<sup>8</sup>

#### Indonesians and Business

The indigenous Indonesian community, with few exceptions, had been left to form a lower economic class, which provided most of the necessary labor but little of the requisite capital or managerial skill. In 1940 it still lacked economic leaders. It had no large-scale entrepreneurs. Its largest enterprise, that of the Pengkoan nagaran, was a kind of trust under

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7. Cf. Ellen van Zyll de Jong, "economic mobilization in Netherlands Indies", Far Eastern Survey, 6 Nov. 1940, p. 257. The dominant German investor had been the Rhine-Elbe Union, a subsidiary of the Hugo Stinnes concern.

8. Sunitro, op.cit.

the management of a European superintendent!"<sup>9</sup> The influence of its "Artek King" had sharply declined and was limited merely to Koedoes. Moreover, there was only a relative handful of medium-scale businessmen (especially when compared with the Chinese business community), most of whom were concentrated in the batik and weaving industries. Indonesians were, of course, represented in all kinds of small businesses throughout the country.

Although there had been a paucity of Indonesians who exhibited a desire to compete directly in the economic arena (where the Dutch and Chinese were well entrenched), nevertheless a growing number were acquiring an education and an interest in participating in the economy or certain of its sectors". There was already a positive correlation between the Indonesian trading community and the active Indonesian Muslim community. A number of the indigenous business associations on Java in the years prior to 1940 had been largely led by santri merchants. Moreover, many Muslims who were small business proprietors were active either in the modernist Moehammadijah, notably Ki Bagoes Hadji Hadikoesoemo and Hadji Moehammad LAUH OLSAN, or in the more conservative Nahdlatoeel Oelama, notably Hadji Abdoel (AHID HASJIM, who was also chairman of the Radjlis Islam A'laa Indonesia (MIAI), the federation of Islamic organizations.<sup>10</sup> In the majority of instances, "hadji" had become synonymous with "merchant."

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9. Businesses owned by the Mangkoenagaran consisted of: (1) "Tasikmadoe" sugar estate; (2) "Tjolomadoe" sugar estate; (3) "Mojogedang" hard-fiber estate; (4) "Kerdjogadoengan" coffee estate; (5) "Betel" lime kilns; (6) "Rasamadoe" cube-sugar mill. It also owned and rented out houses in Semarang (39), Solo (32), and Wonogiri (7)". Pringgodi, do; Geschiedenis der Ondernemingen van het Mangkoenagorische Rijk, pp. 166 ff.

10. For much of the biographic data on personalities in this section, see Orang Indonesia Jang Terkemuka di Djawa.

Perhaps the outstanding member of the priaji in the economy around 1940 was Ir. R. M. Pandji SOERACHMAN Tjokroadisoerjo, head of the small-industries service and member of many government economic commissions. After him, along with increased educational opportunities, a new generation of Indonesians was moving up into intermediate levels in such government services as economic affairs, finance, agriculture, and public works (these last two being fields for which higher education facilities existed within the country).

In the realm of politics, despite the many leaders who had once worked in large enterprises or who were active in journalism and labor movements, only a few had any immediate influence in economic matters in general and business in particular. Except for Ignatius Jozef KASIMO, who worked first as an employee of a State-owned rubber estate and later as an agricultural inspector, and Raden Prawoto Soemodilogo, who inter alia founded a bus operators' association, the economic interests of other Indonesian members of the Volksraad were only incidental to their political and social interests. One Volksraad alumnus, Dwidjosewojo, however, continued his interests in the "Boemi-Poetera" life insurance company by taking a leading position in its commercial enterprises.<sup>11</sup>

Nevertheless, while the economy of the Indies under the Dutch was attaining the pattern surveyed above, Indonesians were gradually becoming more politically conscious. During the three decades before World War II, numerous movements had sprung up, and the more radical of them were suppressed by the colonial authorities. With most of these Indonesian political movements, the disparity between the economic status of the alien and that of the indigenous people was a matter of almost constant concern. For a better under-

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11. Kami Perkenalkan!, (Djakarta: Kementerian Penerangan, 1954), p. 94; Harahap, Indonesia Sekarang, pp. 84-87. Dwidjosewojo was president of the most modern of the all-Indonesia rice milling corporations.

standing of successive economic programs and policies in independent Indonesia, some of which led to Indonesianization, there is presented a very brief survey of Indonesian political attitudes towards economic affairs, especially towards the more highly developed sectors of the economy.<sup>12</sup>

S. I. and P. S. I. I.

By 1940 the political party with the longest record of political action was Partai Sjarikat Islam Indonesia (P.S.I.I.--Indonesian Islamic League Party). On 10 September 1912, a month after the S.D.I. had been suppressed, it reappeared in Soerabaja as the Sarekat Islam (Islamic League) under Hadji Oemar Said Tjokroaminoto and Hadji Samanhoei, and promotion of the business spirit of the Indonesians was one of the goals specified in its first charter. However, during the second decade of the Twentieth Century, the S. I. developed as the first mass political organization, attracting persons from all walks of life including most of the Marxists then active in the archipelago. Thus, at its Second Congress in 1917, the S.I. resolved not only that autonomy was the goal of its political struggle, but also that all exploitation by "sinful capitalism" was to be opposed. The following year it decided to oppose the government so long as it "protected capitalism", and to organize labor and other organizations in opposition to capitalism.<sup>13</sup>

As Marxist and non-Marxist leaders vied for control of members, some urged that the society be changed and the means of production be organized in a socialist way. Soerjopranoto, a more moderate leader, explained that

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12. Much of the following data is from Pringgoudigdo, Sedjarah Pergerakan Rakjat Indonesia. For a detailed account of the growth of the nationalist movement, see Kahin, Nationalism and Revolution in Indonesia, pp. 64-100.

13. Pringgoudigdo, op.cit., pp. 14-18; Kahin, op.cit., pp. 67-68, 71-73. After the 2d Congress, Tjokroaminoto described "sinful capitalism" as foreign capitalism, implying that private enterprise by Indonesians was acceptable.



victory in the class struggle and the public ownership of means of production had to be achieved not through armed action, but through moral suasion, discussion, protests, and if necessary strikes. Although the Communist faction in the S.I. continued to grow in strength, in October 1921 Agoes Salim was able to evict them from the party. At the 1925 Congress of the party--then called Partai Sjarikat Islam--Muslim principles were reaffirmed by Tjokroamiono, who declared that Islam would help free the Indonesian people from economic oppression and exploitation. The party also declared its continued opposition to harmful capitalistic undertakings and imperialism which resulted therefrom. In 1927, it identified Islam, socialism, and Indonesian nationalism as the bases for its action, and Soerjopranoto announced plans to set up a Madjelis Perniagaan (Commercial Council) as an instrument of economic action.<sup>14</sup>

In 1930, the year after the party assumed its present name, it announced a six-point Program of Principles, one of which concerned economic life:

In order to give rise to the greatest possible wealth in the ummat [here freely interpreted as "nation"] for the common needs of the people, enterprises must be operated by the State with supervision as completely as possible by the people, all in accordance with the principles of Islam.<sup>15</sup>

The same year, the P.S.I.I. held numerous rallies throughout Java calling, inter alia, for no extension of erfpachts. In 1932 meetings were held to propagandize against capitalism and imperialism, to which the econ-

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<sup>14</sup>. Pringgodigdo, op.cit., pp. 18-19, 36-37, 47-54. At the March 1921 Congress a statement of principles drafted by Benaoen and Agoes Salim asserted that imperialism in national and economic affairs resulted from capitalism, which could only be defeated by a union of workers and farmers, in cooperation with other parties with similar principles throughout the world.

<sup>15</sup>. Kepartaian dan Parlemenaria Indonesia, (Djakarta: Kementerian Penerangan, 1951), pp. 340-341.



omic crisis was ascribed. People were urged to produce their own goods by handicraft, to set up farmers' cooperatives, and to expand agriculture especially by using lands of expired agricultural concessions. The 1933 congress extended its resolution on erfpachts to urge an end to granting new ones and to urge that those not yet utilized be revoked. Later in the thirties the P.S.I.I. undertook investigations of conditions in the people's economy under the direction of General Secretary Mas ARO DJI Kartawinata, who as a result of these studies, wrote a book entitled Plan Ekonomi Indonesia in collaboration with Raden ABIKOESNO Tjokrosoejoso, chairman of the party executive council.<sup>16</sup>

The leading Muslim offshoot of the P.S.I.I. in the thirties was the Partai Islam Indonesia (Parii, and after 1938, P.I.I.), headed by "Dr. Soekiman. Its charter, which advocated the Indonesianization of government offices, contained an economic section calling for the government to provide work opportunities for the population, to end the entry of aliens who threatened the livelihood of the Indonesian population, and to turn all monopoly businesses into state enterprises. The section on taxes proposed higher export duties, the removal of regulations which placed an economic burden on the people (import quotas, licensing), and protection of native enterprises against alien competition. Despite its moderate and democratic qualities, correlated to the participation of the Moehammadijah in it, the P.I.I. was forced to suspend activities in mid-1940.<sup>17</sup>

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16. Pringgodigdo, op.cit., pp. 55-56, 140-143. Abikoosno was an architect in private practice. Aroedji thereafter would be in the forefront of those calling for economic planning.

17. Ibid., pp. 146-149.

P.K.I.

The oldest of the completely Marxist parties, the Indische Sociaal-Democratische Vereniging (I.S.D.V.), founded in 1914, was not only of alien ideology, but of alien parentage, being founded by a Netherlander, Sneevliet. It endeavored to become a revolutionary movement based on class struggle. After the first world war, during which its influence in Sarekat Islam had grown, it lost its moderate socialist membership and commenced actively to oppose the twin evils of "capitalism and imperialism". In 1920 it changed into the Perserikatan Komoenis di Hindia (Communist Federation of the Indies) and joined the Komintern. Senoeten, returning from a visit to Russia, in 1922 announced that the Bolshevik method of seizing power by violence and general strikes could not be used in Indonesia, since Lenin had told him that communist organization and activities depended on conditions in the respective countries. Nevertheless, the party, renamed Partai Komoenis Indonesia, grew increasingly more violent in its agitation and activities. Having been expelled from the S.I., its members attacked the S.I. (and later the P.S.I.) as a tool of the interests of Indonesian capitalists, which allegedly had squandered money received from the people. The party rules drafted in 1923 declared:

There is conflict between capitalism and the proletariat everywhere in the world (except Russia); the only way colonial authority can be removed--since colonies arise because of capitalism--is through the liquidation of capitalism: increasing exploitation will finally lead to a fight bringing victory to the proletariat; but political and economic independence is only possible if the means of production are in the hands of "people's councils (soviets).

The party's political fighting program called for a soviet system of government; freedom of movement and of striking; and socialization of enterprises. In its charter the P.K.I. declared that it would lead the

proletariat (labor and farmers) in the struggle against Indonesian capital--not just against "sinful capitalism" (an S.I. term)--but against all capitalism. However, after a series of strikes ending in an abortive revolt in 1926, the P.K.I. following government police sweeps, passed from the active political scene for two decades.<sup>18</sup>

#### P.N.I. No. 1

Although the leading Communists were in concentration camps or in exile in the Soviet Union or elsewhere abroad, Marxist doctrine continued to have a strong attraction for many Indonesians, both those at home and those studying in the Netherlands, many of whom were associated with Perhimpunan Indonesia. The existence of the colonial structure isolated them from readily accessible administrative and economic roles in their own country. It also disposed many of them to accept as a general law without further examination the Leninist doctrine of capitalist-imperialism. Consequently, many Indonesian political leaders embraced the Marxist interpretation of history while rejecting the violent Marxist political action of the Communists as alien to the nature of their nation and religion.

In 1927 the Algemeene Studieclub of Bandoeng led by Ir. Soekarno set up the Perserikatan Nasional Indonesia (renamed Partai Nasional Indonesia the next year), which attracted many persons who did not feel at home with other existing organizations, including members of the now leaderless P.K.I.--sponsored Sarekat Harkjats. The party, according to Soekarno, was based on

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18. Ibid., pp. 24-45. Chairman Aliarchan at the P.K.I. congress in 1924 declared that the religious-nationalist movements would fail because the tiny domestic capitalists would lose out in opposition to very large alien capital. He also denied that intellectual-nationalist movements (primarily Boedi Oetomo) would expand since they were not based on economic grounds. The P.K.I., however, would allegedly eradicate capitalism and flourish, being based on economic principles.

the marhaen--the little man in all walks of life--a term considered more appropriate in Indonesia's case than the Marxist "proletariat". However, its leaders ran heavily towards lawyers in private practice, although one of them, Dr. Samsi Sastrowidagdo, who ran a private administration and tax office, had been the first Indonesian to receive a doctorate in economics. The P.N.I.'s program in the economic field called for the promotion of trade, handicrafts, banks, and cooperatives by Indonesian nationals, and many of its members became active in setting up cooperatives.

P.N.I. doctrine declared that past Dutch efforts to make as huge profits as possible through such methods as monopolies, forced cultivation, and private enterprises had brought imperialism with dire results to Indonesia. It asserted that capitalism was the enemy of colonial peoples throughout Asia, who were enslaved by "Western imperialism", for Western (including American) imperialism and capitalism mutually supported each other. Consequently, all persons opposing capitalism were friends, and the entire Indonesian People together--without considering class differences--had to oppose it. Influenced by Karl Kautsky, Soekarno called for revolutionary changes without a revolution. However, the Netherlands Indies Government considering Soekarno's attacks on "capitalism" and "imperialism" as attacks on the Dutch per se and on the government itself, imprisoned him, with the result that the P.N.I. in 1931 was dissolved.<sup>19</sup>

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19. Ibid., pp. 55, 71-78, 126. Samsi, who wrote his thesis on "The development of the Commercial Policy of Japan", received his degree at the Handelshoogeschool at Rotterdam. In a plea for unity among Indonesians in working for independence, Soekarno and Gatot Mangkoepradja even explained the history of capitalism and imperialism before a P.S.I.I. regional congress in 1929.

For Soekarno's defense in court of his attacks on capitalism and imperialism, see his Indonesia Penggugat, (2d printing; Djakarta: S. K. Seno, 1956).

P.N.I. No. 2

Later in 1931, a new P.N.I., Club Pendidikan Nasional Indonesia (Indonesian National Education Club), which emphasized cadre training rather than mass action was set up by Soetan SJAHRIR, just back from studying in the Netherlands. The following year, Hatta, returning from a sporadic period of studies at the Handelshoogeschool at Rotterdam, became chairman. The party reflected a general acceptance of a Marxist interpretation of previous history but had a tempered program of political action. Only through the endeavors of the people itself, based on nationalism and democracy, it preached, could the control of imperialism and capitalism be broken. When this occurred, political democracy based on popular sovereignty would supersede the old authority and economic democracy, cooperation, and equal rights for all men (termed "collectivism") would replace the exterminated capitalism. Since classes had to disappear, it concluded that the means of production had to be held by the state. However, the new P.N.I. suspended operations after Hatta and Sjahrir were arrested in 1934 prior to being exiled.<sup>20</sup>

Sjahrir, writing in 1933 on the meaning of labor movements, asserted that labor's enemy was international capitalism and that only in a non-capitalist society could labor get the full product of its work. He urged labor movements to make workers conscious of the capitalistic process which he alleged kept them in misery and to defend labor against capitalist tendencies to exploit it by forming movements for workers cooperatives.<sup>21</sup>

Hatta, probably the leading Indonesian economic theorist, while interned

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20. Pringgodigdo, op. cit., pp. 127-129.

21. Sjahrir, Pergerakan Sekerdja, (Jogjakarta: Badan Penerangan Poesat, Sarikat Boeroeh Pertjetakan Indonesia, 1933), pp. 1-2, 32-33.

managed to get several articles and books on economic matters published, including Krisis Ekonomi dan Kapitalisme, which showed the influence of Werner Sombart, and a textbook, Panundjuk bagi Rakyat dalam Hal Ekonomi Teori dan Praktek (A Guide for the People in Theoretical and Practical Economic Matters).<sup>22</sup>

### Moderate Parties

Whereas the two P.M.I.'s adopted a policy of non-cooperation with the Netherlands Indies Government while fighting for their political goals, a number of political organizations accepted representation in the Volksraad and "cooperation" (occasional intercession with the government) in furthering their political aims. One was Pakempalan Politik Katolik Djawi, established as an independent party of Javanese Catholics in 1925 and later expanded into the Perkatolan Politik Katolik Indonesia. Kasimo, its chairman, who was to become the man to serve the longest of all Indonesian party heads, was also the only party chairman to work full time in the economy. The Persekutuan Kaoem Christian, a Protestant party, urged in its program that utilization of land by European estates not be too great, that terms of erfpachts not be extended, that all work without pay be abolished, that all surplus aliens be removed from work or government offices, and that the taxes of large companies owned by Westerners be increased.<sup>23</sup>

Influential in West Java, the Pagoejoeban Pasoendan was set up originally

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22. In Krisis..., (Batavia: Soetan Lembaq Toeah, 1935), pp.85, 89, Hatts urged dealing with the problems of business cycles through economic planning. Noting that Indonesia's "export economy"--directed by aliens--was especially vulnerable to depressions, he called for a balanced agrarian structure.

23. Pringgodigdo, op.cit., pp. 87-88.



by medical students in 1914, becoming active politically five years later. At its 1931 congress, under chairman Oto Iskandardinata, it discussed the government proposal to grant land rights to Dutch Peranakans and concluded that there could not be equality in land rights so long as the economy of the Indonesians remained weak. At its 1935 congress which gave attention to credit problems, it decided to set up its own bank for the use of the lenders. Its 1938 Congress approved setting up a Bale Ekonomi Pasocndan to propose improvements in the people's economy, and its 1940 Congress requested that the government establish a minimum wage and set up a commission to investigate private lands conditions.<sup>24</sup>

#### Dr. Soetomo and the Indonesische Studieclub

The first Indonesian organization with nationalist proclivities was Boedi Oetomo (Sublime Endeavor), founded at Batavia on 20 May 1908 with the 19-year old medical student, Raden Soetomo, as chairman. Two of the six points in its working program were directed at the economy, namely: (1) to promote agriculture, animal husbandry, and trade; and (2) to promote technical work and industry. Later, however, after early efforts to sponsor cooperative takos ended in failure largely because of commercial inexperience and alien competition, B.O. concentrated its efforts on education and politics.<sup>25</sup>

Dr. R. Soetomo, who by the time of his death had become the most beloved

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<sup>24</sup>. Ibid., pp. 151-153; Kepartaaan dan Parlemenaria Indonesia, pp. 239-240. One P. P. member who would later take up the banner for the cause of the economically weak Indonesians was Ir. Djoeanda.

<sup>25</sup>. Imam Supardi, Dr. Soetomo: Kiwajat Hidup dan Perdjuangannja, (Djakarte: Djambatan, 1951), pp. 26-28; Ma'roef, Pedoman Pemimpin Pergerakan, p. 75; Sarose, Ko-operasi dan Masalah Batik, pp. 14-15.

Indonesian leader, was a nationalist and democrat of moderate cast. He was the great liberal leader of pre-independent Indonesia--although the term "liberal" was not considered by most Indonesians to be one of approbation, having acquired in their country the singularly narrow interpretation linked with Dutch "capitalism and imperialism". During the dozen years after his graduation, Soetomo first worked at hospitals in a succession of towns and then completed his studies in Europe. On finding the somewhat conservative B.O. moving too slowly for him after returning to Soerabaja, on 11 July 1924 he founded Indonesia's first liberal action organization, the Indonesische Studieclub. Emphasizing practical remedies to existing problems rather than merely agitation and debate, reflecting its motto "Facta non Verba" (Actions not just Words), the I. S. undertook studies of community problems, determined upon a solution, and enlisted several members to put it into practice! Once an undertaking appeared to succeed, the I. S. withdrew from it, letting it stand on its own feet. Through the initiative of the Indonesische Studieclub thus were set up a weaving school, a meat cooperative, a handicraft central, trade unions, the N.V. eBank Nasional Indonesia, the Indos press and numerous dailies and magazines, and many social and educational bodies. The club was active in working for the establishment of cooperatives and fostered the setting up of a central purchasing organization, the Persatoean Cooperatie Indonesia.<sup>26</sup>

#### P.B.I. and Parindra

In 1931 the I.S. was reorganized as the Persatoean Bangsa Indonesia

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26. Gusti Majur, "Memperingati Hari lahir Dr. Sutomo", Mimbar Indonesia, 27 July 1949, pp. 13-14; Fringgodigdo, op.cit., pp. 70-71. Soetomo's personal set of five principles were: truth, justice, purity, love, and sacrifice.

(P.B.I.--Union of the Indonesian Nation) with Dr. Soetomo as chairman. Problems were studied by its leaders and solutions arrived at which were disseminated through lectures and courses. Such methods followed by clearly beneficial work activated the energies of the people, and in the economic field stimulated handicrafts, trade, business, agriculture, and cooperatives. At the 1932 congress, the P.B.I. **concentrated** attention on the latter subjects, and shortly thereafter set up a cooperative farmers organization, Roekoen Tani, under Mas Soendjoto of the P.B.I. Social-Economic Department. Within one year the Roekoen Tani had 158 branches. At the P.B.I. congress in 1934 one of the topics receiving much attention was the promotion of Indonesian interinsular shipping via cooperatives. The next year, the Roekoen Pelajar Indonesia (Roepelin), an association of perahu sailors, commenced activities and soon became the leading association in its field.<sup>27</sup>

At the end of 1935, the P.B.I. and Budi Utama merged with other moderate groups to form the Partai Indonesia Raya (Parindra--Great Indonesia Party), with Dr. Soetomo as chairman until his death in 1938. Mr. SOL SANTO Tirtoprodjo headed its Economic Department. Support of Roekoen Tani, by then the largest of the farmers organizations, and of Roepelin was continued by Parindra. A resolution passed at the Parindra fusion conference in 1935 opposed new leases by sugar estate associations of lands of the people, which were contrary to the people's interests. At the 1937 congress resolutions were passed for improving perahu shipping (the government was urged to open schools to train Indonesian seamen) and increasing the number of Roepelin

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27. Gusti Majur, op.cit., pp. 13-15; Prin godigdo, op.cit., pp. 134-137; E.S.G. Mullá and K.A.H. Hidding, Ensiklopedia Indonesia, III (Bandung: W. van Hoeve, 1956), pp. 1192, 1195. At the 25th Anniversary Congress of Budi Utama (the new name) in 1933, attention was also given to measures for improving agriculture and animal husbandry through farmers' cooperatives.

branches. The next year, however, Roepelin severed relations after its chairman, WADJAMOLLEDDIN Daeng Malewa was suspended by Farindra on charges of smuggling. Among resolutions at the 1938 congress were those advocating social and labor laws, strengthening the economic capacity of settlers in the new transmigration colonies, and Indonesianization of all ranks.<sup>28</sup>

### Soepomo

The year 1941 saw the inauguration of Mr. Dr. Soepomo as professor at the Law College at Batavia. The thinking of many Indonesian politicians on economic matters had naturally been influenced by their own Weltanschauung. Soepomo was one of the first to propound a coherent balanced relationship between the modern individual and his society. In his inaugural address on "The Relation of the Individual and Society in Adat Law", he rejected both all-out individualism and all-out socialism. The problem, he felt, was one of finding the right place for the private person in the society and the society in the personality. Surveying adat business relationships, he noted that contracts were meant to be in the spirit of gotong-rojong (mutual assistance): the parties were expected to act in a sociable manner toward one another and to consider propriety and justice. There was no excuse for inconsiderate treatment by one of the other, and if a debtor could not pay his bill on time, he was given an extension. Unfortunately, with increased business contacts with foreigners, good fellowship in credit matters had become largely replaced by the principle of "business is business". On the other hand, with the increased freedom of the individual from the old social order, the process of self-realization had a chance to flourish. Soepomo concluded by declaring that the future ideals for East and West would be "a condition of the

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28. Pringgodigdo, op.cit., pp. 138-140; Ensiklopedia Indonesia, p. 1195.

spirit in which the self-realization of the person is in harmony with a living social consciousness, for only in a social intercourse in which individuals possessing self-respect have become social personalities (persons conscious that they are part of the whole) would it be possible to attain a true balance between the individual and society." Reflecting his position as a leading Indonesian student and teacher of law, the proponent of such views would play an important role in the drafting of constitutions for independent Indonesia.<sup>29</sup>

#### Gapi

Efforts for joint action by all the political parties in the Indies culminated in 1939 in the Gaboengan Politiek Indonesia (Gapi--Indonesian Political Association), with Abikoeshno as general secretary. Under its auspices was held the Kongres Ra'jat Indonesia (Indonesian "People's Congress) at Batavia from 23 to 25 December 1939. Although its attention was focused on demands for a parliament for Indonesia, economic matters were not overlooked. Aroedji presented a working paper on the economic burden on the people resulting from the depression, which contained recommendations that unused erfpacht lands be returned to the people in connection with an interest-free loan of capital from the state, and that no further land grants be made to foreign capital. The congress passed a motion incorporating his points.<sup>30</sup>

Oto Iskandardinata spoke on the subject of a minimum wage and on the

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29. Soepomo, Hubungan Individu dan Masyarakat dalam Hukum Adat, (Indon. ed.; (Djakarta: Jajasan Dharma, 1952), pp. 7, 24-28.

30. Pringgodigdo, op.cit., pp. 160-161; Gaboengan Politiek Indonesia, Kongres Ra'jat Indonesia ke-1, pp. 15-16, 77. Aroedji also called for an improved tax system; the abolition of heerendienst (compulsory labor); price supports for the people's crops and assurances of a permanent market; and the opening of the forest reserves.

dangers to the economy of an unchecked immigration, by implication, of the Chinese. Noting that the Indonesian people were still at the beginning of the economic struggle, he observed that in countries where the indigenous population was only starting to advance economically, they received complete protection. In the Netherlands Indies, however, instead of giving preference to the indigenous people, the government felt it had to act equally towards all national groups--even alien groups! Because of this stand and the fact that foreigners had more capital, more commercial experience and insight, were more skillful in competition, and had come to the archipelago expressly to find a livelihood, it was easy for Indonesians to be shoved aside by them in business. He noted that rice milling was in alien hands although rice was the staff of life of the people, and that despite his repeated urgings in the Volksraad for the government to protect Indonesian weaving enterprises, small Indonesian weaving businesses were steadily passing into the hands of aliens (primarily Chinese, but some Arabs, too). The Congress accepted Iskandardinata's working paper and moved that the entrance of aliens be reduced and that those permitted to enter be required to fulfill the stipulation that their presence would not injure the welfare of the residents.<sup>31</sup>

The principal speaker at the Kongress Ra'jat Indonesia was Dr. G.S.S.J. Ratulangie, chairman of Persatoean Minahasa and one of the most popular of Indonesian leaders. In offering his party's analysis of the economy, he noted that:

- (1) since Indonesia had no national capital, it was forced to pay millions annually for the use of foreign capital and intellect;
- (2) since Indonesia did not have its own industry, it was compelled to buy industrial goods from foreign countries, where

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31. Kongres Ra'jat Indonesia ke-1, pp. 35-44, 78-90.



wages were far higher than in Indonesia.

(3) such factors had brought poverty to the land and a wretched standard of living to the people;

(4) to achieve a lasting change, the largest industrial, agricultural, and transport companies had to be in the hands of the state, and the state had to encourage nationals to go into industry;

(5) the flow of money abroad had to be restricted legally;...

(6) transmigration had to have the complete backing of the country.<sup>32</sup>

Speaking on the "Economic Foundations of the Indonesian People", Ratulangie observed that an effective change in the people's economy might take up to a generation, but could be speeded up over the rate then existing. He noted three possible relationships between a government and the people's economy: (1) one in which free trade and free competition is promoted, the strong win out, and production is large (which he termed "liberalism"); (2) one in which the government protects the weak and restricts the strong, considering each human being as entitled to seek his own tranquility; and (3) one in which human beings are considered only as parts of the whole (state) and as tools for furthering the glory and prosperity of that state. In a reference to the so-called Ethical Policy of the Dutch, Ratulangie commented that although once some believed that the second system prevailed in the Indies, this was only about ten percent true. In colonial Indonesia, he charged, the government frequently restricted the freedom of the Indonesian people to compete up to the limits of their capacity, and he cited the state salt production monopoly, the extra duties on smallholders rubber, restrictions on smallholder rubber, sugar, and tea, rent regulations over sugar-cane lands, the penal sanction on contract labor, prohibition of strikes, quotas and licenses in foreign trade. Consequently, because of its continual interference in the economic life of the Indonesian people, Ratulangie declared, the government was solely responsible for the deplorable conditions that

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32. Ibid., p. 13. The foregoing is a free translation.

existed in the economy of the people--not the people's lack of economic ability.<sup>33</sup>

As long as the people's economy showed progress, continued Ratulangie, the government would not need to act" according to any specific economic plan. But since the economy of the Indonesian community was on the verge of collapse, the guardian of the country's welfare had to work according to a plan. He urged that Indonesia endeavor that its economy not be so dependent on foreign countries and that manufactured goods consumed in Indonesia be to a greater extent produced at home. After giving priority to domestic consumer demands, such industries could look for markets abroad. Not only had raw materials produced in Indonesia to be processed there--to avoid having Indonesians pay "industrial wages" for goods processed abroad from their materials--but technicians, too, had to be obtained at home. The goal was not to be achieved by attracting foreign capital to Indonesia, for he felt that would only raise the payments made to foreign capital and intellect, making the country more dependent on others. Since the people themselves had no capital, Ratulangie asserted that the government had to establish industries with the country's money, which was also the people's since they paid taxes. Profits from the state's industries--several of which already existed--could be used on behalf of the people's enterprises. Thus, he concluded, the Indonesians, with rich lands and industrious people, were capable of building prosperity for themselves. Following Dr. Ratulangie's working paper, the Congress accepted a motion urging the government to pass legislation removing foreign capital from Indonesia and setting minimum crop prices, and urging the "country" to establish industries and to encourage and support industrial

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33. Ibid., pp. 21-24

undertakings of Indonesians.<sup>34</sup>

Enthusiasm for Gapi was great! However, economic problems took a back seat far behind political matters, for the conference held in January 1941 drafted a plan for an autonomous government system for the Indies. Plans for a second Kongres Rakjat Indonesia to discuss economic problems were shelved, and a Madjelis Rakjat Indonesia (Council of the Indonesian People), which included religious and labor federations in addition to Gapi, was set up instead--only to dissolve shortly thereafter when war came.<sup>35</sup>

The foregoing survey has compared the role of the Indonesian in his economy with that of alien groups prior to the end of the Dutch period and has noted some of the reaction of articulate Indonesians thereto. Already a variety of views on the economy and on the role of Indonesians in business existed, influenced by personal and political sentiments. There was a growing demand by Indonesians for economic change--and indeed the economy had already been experiencing a number of changes though not many could have been considered beneficial to the indigenous community. This demand envisaged an enlargement of the role of the Indonesian in his economy. The instruments advocated for economic Indonesianization--depending on one's political outlook--were the government, labor unions, cooperatives, and private enterprise. Virtually all Indonesian groups sought a reduction in the relative role in the economy of aliens. Years later a similar span of political attitudes towards the nation's economic structure would exist, although, of course, there would be many new and different political labels.

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34. Ibid., pp. 32-34, 76.

35. Pringgodigdo, op.cit., pp. 162-167.

In organic terms, Indonesia was economically as well as politically coming to the end of a prolonged childhood. The role of the alien administration towards the nation was apparently not the sound relationship of a wise parent who educated his children for an autonomous maturity such as the promoters of the Ethical Policy may have wished, but rather one of a foster parent who, despite protestations to the contrary, slighted without totally abandoning its step-child--hardly a "liberal" attitude. By 1940 the Indonesian nation was well into adolescence politically and determined to make its own decisions. Secondary characteristics of nationalism--including economic ones--were appearing. Although there was no significant increase in indigenous capital holdings, the number of persons gaining managerial experience was growing, and positive interest in economic action was rising sharply. There were, moreover, many signs that with additional educational and training opportunities and the chance to assume responsibilities, Indonesians could eventually play the leading role in the business of their country. From this base of increasing interest and experience, which had been building during the last days of the Dutch foster-parentage, and after an interim of tutelage by Japan in the role of "big-brother", the age of youth for the Indonesian nation--commencing actual Indonesianization--would arrive. Unfortunately, however, the maladies of war and civil strife would leave the Indonesians a weakened material base upon which to build.

I N D O N E S I A N I S A S I

PART TWO

ReORGANIZATION OF THE INDONESIAN ECONOMY UNDER THE JAPANESE

## CHAPTER V: A NEW CUSTODIAN FOR THE INDIES

### Fall of the Indies

As early as September 1940, Japan had determined to include the Netherlands Indies along with the rest of Southeast Asia in her New Order in East Asia.<sup>1</sup> After attempting to secure her economic and political objectives in the Indies by diplomacy, and failing, she launched the Dai Toa Senso (Greater East Asian War) on 8 December 1941.

The Dutch administration in the Indies immediately seized the Japanese banks<sup>2</sup> and commercial facilities and interned hundreds of Japanese, including many businessmen. Most of the internees were sent on to Australia.<sup>3</sup> However, of the approximately 8000 Japanese--principally businessmen and their families--resident in the Indies in the years immediately preceding the outbreak of the war, only a small fraction were hereby neutralized. Most of the

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1. Decisions by Conference of Prime Minister, Ministers of War, Navy, and Foreign Affairs, 4 Sept. 1940, and by Liaison Conference, 19 Sept. 1940. International Military Tribunal for the Far East [henceforth IMTFE] Exhibit 541, Outline of Japan's Basic National Policy, cited in Willard H. Elsbree, Japan's Role in Southeast Asian Nationalist Movements 1940 to 1945, (Cambridge: Harvard University Press, 1953), p. 16.

For studies of the Indies under the Japanese, see Muhamed Abdul Aziz, Japan's Colonialism and Indonesia, (The Hague: Martinus Nijhoff, 1955), esp. Part II; Harry Jindrich Benda, The Crescent and the Rising Sun: Indonesian Islam under the Japanese Occupation of Java, 1942-45, (Ph.D. thesis, Cornell University, 1955); Muhammad Dimiyati, Sedjarah Perdjuangan Indonesia, (Djakarta: Widjaya, 1951), esp. Part II; Elsbree, op. cit.; Kahin, Nationalism and Revolution in Indonesia, esp. Ch. IV; G. Pakpahan, 1261 Hari Dibawah Sinar Matahari Terbit, (n.p., 1947); A.A. Zorab, De Japanese Bezetting van Indonesië en haar Volkenrechtelijke Zijde, (Leiden: Universitaire Pers, 1954).

2. Scheffer, Het Bankwezen in Indonesië sedert het Uitbreken van de Tweede Wereldoorlog, p. 36.

3. Aziz, op. cit., p. 159..



others had returned to Japan before December 1941 and so were available for a reappearance either along with the invading army or shortly thereafter.<sup>4</sup>

The large Dutch corporations, which had previously moved their head offices from the Netherlands to Batavia, and had a flourishing business before the outbreak of the war in the Pacific, had built up large stocks of goods, including office materials, in anticipation of expanded operations in their Indonesian locations. Now most evacuated their seats to Paramaribo in Surinam and Willemstad in Curacao, the only remaining parts of the kingdom not immediately threatened.<sup>5</sup>

Already in the latter months of 1941 and on into early 1942, most Dutch and Eurasian men were called up into the expanded Koninklijke Leger (Royal Army), the Koninklijke Nederlandsch-Indische Leger (Royal Netherlands Indies Army), the militia, or the hastily set up home defense.<sup>6</sup> Anticipating the Japanese attack, the army had set about training several

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4. Goro Taniguchi, "Indonesia To Tomo Ni Ikite" (My Experiences in Indonesia), from Hiroku Dai-To-A senshi (Secret History of the War in Greater East Asia), VI, (Tokyo, 1944), (translation typescript), p. 3; Kahin, op.cit., p. 103.

5. Scheffer, op.cit., pp. 36-37. The seat of the Nederlandsch-Indische Handelsbank was removed on 2 March from Batavia to Bandoeng and subsequently to Paramaribo, where the Nederlandsch Handel Maatschappij /Factorij/ was set up on the 11th. The Nederlandsch-Indische Escompto Mij., which had always been a company domiciled on Java, stayed in Bandoeng, whither it had been removed on 28 Feb. 1942. The gold reserves of De Javasche Bank, the island's central bank, had been shipped already to Australia and South Africa. Reinier Ernst Smits, ed. Report of the President of the Java Bank and the Board of Directors for the 114th to 118th financial years 1941-1946, and the 119th financial year, 1946-1947, of the company, /henceforth Java Bank Report 1941-1947/ (Batavia: Kolff, 1948), pp. 11-12.

6. Dimyati, op.cit., p. 50; Johan Fabricus, Brandende Aarde, De Vernieling en de Evacuatie van de Oelieterreinen in Nederlandsch-Indië, ( 's-Gravenhage: H.P. Leopolds, 1949), p. 12. The home defense included the Stadwacht, Kortverband, and Landstorm. A number of Chinese joined these units, and approximately 100,000 young Indonesians answered the government's

thousand Dutch, Eurasian, Chinese, Ambonese, Menandonese, and other Indonesians in techniques of demolition.<sup>7</sup> Mining installations were razed, and the important Oembilin and Boekit Asem coal mines in Sumatra were set afire.<sup>8</sup> The important oil installations of Shell's B.P.M. subsidiary--the primary target of the Japanese in their drive to the south--were one by one destroyed before the advancing Japanese.<sup>8</sup> Hoping to stop the destruction of useful resources, Japanese Marshal Terauchi threatened with death those who would wilfully destroy industrial installations. Consequently, when the Japanese Army moved on to Balikpapan in eastern Borneo from Tarakan, which on 12 January 1942 had received the scorched-earth treatment, and found the installations there also wrecked, eighty-one Dutch were executed.<sup>9</sup>

Where the civilian committees were not overwhelmingly Dutch, the destruction orders were only half-heartedly carried out and sometimes

call for 18,000 volunteers. Among the officers of the KNIL were Indonesians who had trained at the Royal Military Academy, which had been moved from Breda to Bandoeng, and who were to rise high in the Indonesian army after the proclamation of independence.

7. "Anti-Japanese Activities in Java" (Djakarta 1944), (translation typescript), pp. 11ff. (Document in the Rijksinstituut voor Oorlogsdocumentatie te Amsterdam, 006357 ff.)

8. Republik Indonesia: Propinsi Sumatera Selatan, (Djakarta: Kementerian Penerangan, 1954), pp. 483-484. Beeus, the very popular manager at Boekit Asem, committed suicide after turning over the mine.

Fabricus, op.cit., passim. J.B. Aug. Kessler, Joint Managing Director of the Royal Dutch Shell Group estimated the value of the destroyed installations at a half billion dollars. Cf. Henry van Dam, "Kessler describes Scorched Earth Results in East Indies", in World Petroleum XIII, 1942, pp. 35, 45.

9. IMFE Exhibits No. 1340-1341, cited in Aziz, op.cit., pp. 144-145.

ignored altogether.<sup>10</sup> Although many of the sugar mills on Java were damaged, a number of sugar mills and most other factories escaped unscathed. Notably the N.K.P.M. petroleum refinery at Soengei Gerong in South Sumatra, whose American personnel had been evacuated, was captured intact by the Japanese. The Japanese later asserted that the greater portion of the oil fields in Java and over sixty percent of those in South Sumatra had been captured undamaged.<sup>11</sup>

Whereas land transport was thoroughly disabled by the retreating armed forces of the Dutch, shipping that was unable to escape was destroyed by the Japanese. Their bombers sank ships trying to flee from such important ports as Padang's Emmahaven, Batavia's Tandjong Priok, and Soerabajas Tandjong Perak, thereby closing down these ports. On the other hand, a number of ships which had left port, on finding their escape route cut off, were scuttled.<sup>12</sup> Many of the ships of the pre-war inter-insular shipping monopoly, K.P.M., which were not thus sunk, left the seas around Indonesia (evacuating thousands of persons) and entered into service for the Allies.

This departure of thousands of Dutch from the ranks of government and business from mid-1941 on had afforded an opportunity for Indonesian

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10. Many of the Indonesians who had carried out their "scorched-earth" orders were imprisoned by the Japanese, and some of them died as a consequence thereof. Conversely, in 1945 and 1946 the returning Dutch executed some of those who had not carried out their demolition orders. Much of the foregoing is from an interview with Tuan Soeroso at Ithaca, 6 Nov. 1955.

11. Cf. Syonan Times, Syonan (Singapore), 7 and 12 Mar. 1942t

12. The writer once spent a month on a K.P.M. ship, the S.S. Reael, which had set something of a record through being twice scuttled-- by the Dutch early in the war and by the Japanese late in the war--and subsequently raised.

personnel to move up in the ranks of such offices sometimes to positions never before held by Indonesians. By the time of the takeover, however, Dutch business had come to a standstill. With the disappearance of most of the Dutch officers, the senior Indonesian employees in some companies in the large cities took charge of the businesses and their warehouses and supervised the continued sale of goods." The receipts were then distributed among the large staffs, which otherwise would have been without income, before the businesses were closed down. Some profiteering and hoarding, as might be expected, also occurred.<sup>13</sup>

During the brief interregnum in many parts of the Indies there was some looting by local mobs, who attacked not only Dutch commercial installations, factories, and residences but also many Chinese establishments. Since the Japanese were eager to have a compliant population in their newly won territories, the very first act of the new military administrations such as that on Java, consequently forbade theft and sabotage after announcing the establishment of the New Order.<sup>14</sup>

#### Japanese Military Control

On 7 March 1942, two days before the unconditional surrender of the Dutch forces and their Allies on Djawa, Lt. Gen. IMAMURA Hitoshi, the Saikoo Sikikan (Commanding General) of the Japanese 16th Army, at Batavia,

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13. Soeroso, interview Ithaca, 6 Nov. 1955.

14. Pakaphan, op.cit., pp. 4-6; "Oendang-oendang No. 2", 8 Mar. 1942, Kan Po, Nomor Istimewa, (Djakarta) pp. 7-9. Dimiyati (op.cit., p.50), a novelist follower of Tan Malaka, suggests that special Japanese troops infiltrated the cities and incited the populace to raid the Dutch property in order to break the morale of the defending Dutch forces.

assumed authority over the Gunseibu (Military Administration) of Djawa (and Madoera), claiming all powers once exercised by the Dutch Governor General. All government bodies and legislation of the old government were temporarily to continue in effect so long as they did not conflict with regulations of the military administration!<sup>15</sup>

The Occupation ended the political and administrative unity of the Netherlands Indies, which was divided among a number of military administrations. The commander of the Japanese 25th Army at Syonan (the new name for Singapore) in the beginning supervised the administration of both Malaya and Sumatra. However, the following year, after the 25th Army moved its headquarters to Sumatra, a separate office of military administration for the island was opened at Bockittinggi (the new name for Fort de Kock).<sup>16</sup> The mayor of Syonan was given jurisdiction over the strategic former Dutch-held islands in the vicinity of that port and in the seas to the east.<sup>17</sup> The Navy-occupied regions--Dutch Borneo (renamed South Borneo) and the islands to the east--came under the

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15. "Oendang-oendang No. 1", Kan Po, Nomor Istimewa, p. 6. Cf. ITAKAKI Yoichi, "Outlines of Japanese Policy in Indonesia and Malaya During the War with Special Reference to Nationalism of Respective Countries", in The Annals of the Hitotsubashi Academy (Tokyo), II, No. 2, p. 183.

16. Zorab, op.cit., pp. 4-9. Malaya became occupied by the 29th Army, and British Borneo (renamed North Borneo) by the 37th Army. The armies in the archipelago were under the command of the commander of the Seventh Area Army, an army group, with headquarters at Syonan, who along with the fleet commanders at Syonan and Soerabaja received commands from Marshal Terauchi, supreme commander of the Southern Expeditionary Forces with headquarters at a number of places, principally Saigon.

17. Syonan Times, 4 May 1942. Riau, including the bauxite island of Bintan, Lingga, including the tin island of Singkep, Tembelan, Karimun, Anambas, and Natuna.



Minseifu (Civil Administration) headquarters at Makassar. Under it were three provincial offices (Minseibu), at Bandjarmasin (South Borneo), Makassar (Soelawesi), the new name for Celebes, and Singaradja ("Ceram"--the island archipelagoes to the east and New Guinea).<sup>18</sup> This civil administration in the hands of the Navy was responsible to the admiral of the Second Southern Seas Fleet at the Soerabaja Naval Base.

#### Emergency Economic Measures

Japanese propaganda had continually stressed the Dai Toa Kyoeikon (Greater East Asia Co-prosperity Sphere), which was intended to be an economically self-sufficient area under Japanese political hegemony. The Imperial Government's program for the "Southern Seas", as for the rest of the Sphere, gave priority to the acquisition of resources for the prosecution of the war. The second goal--autarky within the Sphere--would be achieved by reorienting the economies of the various countries in the direction of self-sufficiency, which involved economic collaboration, no economic exclusion, guidance and regulation of production, and if necessary restrictions on certain branches of production in accordance with the needs of the Sphere as seen by Japan.<sup>19</sup> Military policy for the Southern Regions gave priority to acquiring control of resources important for the prosecution of the war. The military forces were also

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18. Zorab, op.cit., pp. 8-9. Each of the provinces contained a special district (syuu) with seats at Manado, Balikpapan, and Ambon, respectively. Although the 17th Army occupied New Guinea, civilians there were administered by the Navy.

19. IMTFE Exhibit 1271, Telegram from German Ambassador in Tokyo to German Foreign Office, 29 Jan. 1942, cited in Elsbree, op.cit., p. 28. Ambassador Eugen Ott discussed Prime Minister TOJO Hideki's speech to the Diet in December 1941. Aziz, op.cit., p. 183.



instructed to take control of transportation, communication, commercial and financial facilities.<sup>20</sup> Consequently, as the first step in controlling the economy, all transport companies were required to register and were brought directly under the control of the authorities, and foreign and interinsular trade was temporarily prohibited. At the same time all businessmen were ordered to report their inventories.<sup>21</sup> However, the immediate task confronting the military authorities, especially on Djawa where the damage was greatest and the population most numerous, was one of rehabilitation, rather than of reorganization of production.

As they began to take measures against other elements of the population in the Indies, the Japanese announced that "under the new economic structure, the most important place is given to the welfare of the natives!"<sup>22</sup> As quickly as possible the more dangerous elements among the Dutch, including many of the Eurasian men (who, being primarily pro-Dutch, were treated like them) were interned--no simple task on densely populated Djawa. First went the Military, and then around the end of March the civil officials, who had stayed at their posts in compliance

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20. IMTFE Exhibit 877, Details of the Execution of Administration in the Southern Occupied Territories, Decisions of Liaison Conference, 20 Nov. 1941, cited in Elsbree, op.cit., pp. 16-19.

21. "Oendang-oendang No. 2" Even the lowly dokar and gerobak were affected by the registration.

22. "D.E.I.'s Remarkably Rapid Recovery After Surrender", Syonan Times, 19 Mar. 1942.

with the first orders of the Saikoo Sikikan.<sup>23</sup> Those who held key positions in the economy and were not immediately replaceable, such as laboratory scientists and production engineers, were registered. Some of these were permitted to retain their homes (although with restrictions on their movements) and to continue working (with greatly reduced emoluments). Some of the Dutch, seeing no other way out, of necessity collaborated; those who refused were immediately separated from their family and interned. Sometimes their work was forced upon them, but some who had been interned were afterwards reunited with their families if they were willing to work for the occupation authorities.

As in Syonan, the Japanese authorities in the archipelago were at first apprehensive about the Chinese population, for after the outbreak of the "China Incident" there had been much support for anti-Japanese boycotts, and considerable sums had been sent to the government in Chungking. Consequently, in the early days of the occupation a number of Chinese were also rounded up and interned. On the whole, however, the Chinese were sufficiently supple to recognize the strength of the new authorities and to desire a resumption of order and an end to possible pillaging by the Indonesians, so that the Japanese had little occasion for complaint against the lack of Chinese collaboration.<sup>24</sup> By the threat

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23. Cf. Raden Adipati Aria Soedjiman Mertadimedja GANDASOEBRATA, An Account of the Japanese Occupation of Banjumas Residency, Java, March 1942 to August 1945, (Ithaca: Cornell University Southeast Asia Program, 1953), p. 3. The Japanese had originally considered permitting all but the top Dutch officials to retain their positions. See IMTFE Exhibit 628, Tentative Plan for Policy toward the Southern Region, 4 Oct. 1940, cited in Elsbree, op.cit., p. 18.

24. Syonan Times, 19 and 31 Mar. 1942. The Japanese noted a "sweeping change" that came over the previously inimical Chinese on Java and were pleased by their unexpected cooperation.

of punishment and the severity of actual Japanese measures against disturbers of the order, the authorities were able to force cooperation in the early days and break the rice log-jam which had quickly arisen at the start of the occupation and had led to shortages in many parts of the country. The Japanese spread the blame for the jam evenly, attributing it not only to the destruction of transport by the Dutch, but also to hoarding by the Chinese, and pillaging by the Indonesians.<sup>25</sup> On the other hand, Japanese officers and men, fascinated by what they found in wealthy Batavia and other cities, were not adverse to helping themselves to booty in Dutch homes and even public buildings.<sup>26</sup>

On 11 April 1942 a general bank and contract moratorium was declared, but it was announced that steps would be taken to reopen the proper financial offices as quickly as possible.<sup>27</sup> On 29 April, the Emperor's Birthday, tax offices, offices of the government monopolies (including the opium and salt monopoly and the opium factory in Batavia), and government pawnshops were reopened.<sup>28</sup> Meanwhile, branches of the Yokohama Specie Bank (Yokohama Specie Bank), Taiwan Ginko (Bank of

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25. "Pengoemoeman tentang persediaan pendjocalan beras", 28 Mar. 1942, Kan Po, Nomor Istimewa.

26. Taniguchi, op.cit., p. 13; Gandasabrata, op.cit.

27. "Oendang-oendang No. 9 tentang penoendaan pembajaran octang-ploe-tang" and "Peringatan tentang memboeka kembali kantor-kantor keoeangan", Kan Po, Nomor Istimewa, p. 42

28. "Oendang-oendang No. 13 tentang Kantor Keoeangan Pemerintah Kantor Padjak Beja dan Tjoekai Kantor Monopoli Pemerintah (Regio) dan Roemah Gadai Pemerintah", ibid., pp. 12-13; "Normal Live in Java to Begin April 29", Syonan Times, 22 April 1942.

Taiwan), and Mitsui Ginko (Mitsui Bank) were reopening in Batavia, Semarang, and Soerabaja.<sup>29</sup>

The Japanese army lost no time in starting to rehabilitate the oil fields, apparently with equipment acquired from the United States three years previously.<sup>30</sup> By the end of March, the refinery at Pangkalan Brandan was reported back in operation, and within two months that at Balikpapan had reportedly been repaired.<sup>31</sup> On 24 March the authorities advertised that they could use all B.P.M. and N.K.P.M. employees "regardless of nationality" and, to forestall any apprehensions about treatment, offered them a warm reception. Virtually none of the former European employees responded to the invitation, however.<sup>32</sup> Besides petroleum, the only other of Indonesia's many mineral resources in which Japan was immediately interested was bauxite. Accordingly, a similar call went out to all old bauxite employees.<sup>33</sup> Production of the other major mineral export--tin--had far exceeded Japan's ability to consume, and even greater quantities were available in Malaya. Consequently, under the management of the

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29. Syonan Times, 3 April 1942.

30. New York Herald Tribune, 9 Aug. 1942, and Chicago Daily News, 13 July 1942, cited in Aziz, op.cit., p. 186.

31. Syonan Times, 2 Apr. and 18 May 1942. Later news articles suggest that many more months were required to restore output to near pre-war levels.

32. Cf. "Penggoemoeman tentang panggilan kembali kepada pegawai-pegawai B.P.M. and N.K.P.M.", Kan"Po, Nomor Istimewa, pp. 28-29. Since not a single European technical or petroleum expert showed up the first day, the Japanese followed up with broadcasts for the Europeans not to be afraid to come.

33. "Peringatan tentang panggilan kepada pegawai Bintang Maatschappij", 17 Apr. 1942, ibid., p. 41.

Ishihara Mining Company, only limited production was maintained on Bangka and Billiton.<sup>34</sup> The Japanese problem in these islands, it was soon realized, was one of a surplus working population that had somehow to be maintained.

Sugar, once Djawa's leading export crop, was ostensibly given priority in the rehabilitation of agricultural commodities because it provided a livelihood for hundreds of thousands and particularly because of its potential military use. Although eventual curtailment of production was secretly anticipated since the Co-Prosperity Sphere already had a surplus of sugar production, the Military Administration announced that cultivation would continue as usual in 1942 and the mills were to be put back into operation. Since the torch had been applied to a number of the mills, the Military Administration provided some capital for rehabilitation.<sup>35</sup>

To keep the economy together, attention was also placed on restoring land transport and rebuilding many of the destroyed bridges. On Bali an "Indonesian Voluntary Labor Corps" was reported repairing the roads in March. By the first week of April, the Soerabaja--Batavia rail line had been reopened.<sup>36</sup> The only sea transport that was immediately

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<sup>34</sup>. Syonan Times, 5 Mar. 1942.

<sup>35</sup>. "Makloemat tentang teboe jang baroe dipotong dan jang baroe ditanam", 7 Apr. 1942, Kan Po, Momor Istimewa, p. 35. See IMTFE Exhibit 1271.

<sup>36</sup>. Radio Tokyo, 27 Mar. 1942, cited in U.S. Office of Strategic Services, Research and Analysis Branch, Programs of Japan in Java and Bali with Biographies [henceforth Java Programs], (Honolulu, 18 June 1945), p. 35; Syonan Times, 4 and 10 Apr. 1942. This reference to a "voluntary labor corps" preceded the regular establishment of such groups in the archipelago by about two years.

encouraged, however, was that which supplied food to Syonan from eastern Sumatra. It fell to the Chinese of that city to activate such transport.<sup>37</sup>

The efficiency of the Japanese army and its engineers had apparently been quite good. Only one month after the surrender of the Dutch forces order had been restored and, with the cooperation of the Chinese and Indonesian population, the work of rehabilitation of the scorched-earth sectors had been begun and was comparatively well advanced. The collapse of Dutch military and political power had been accompanied by a reduction of the position of the Dutch in the economy to one of ~~impotence~~. Now, with the consolidation of its position on Djawa and Badoera, it was possible for the Japanese Army there to work out plans for military administration to control civil affairs and thereby control the direction of the economy. On the other islands the military authorities similarly assumed control of economic affairs in their respective areas, and so the integrated economy of the Indies disappeared along with its political unity.

Simultaneous with the new fragmentation of the country's economy came a new phenomenon in the economy of Java. Although the Japanese military authorities had cautiously permitted several offices and enterprises to resume operations, many Indonesian employees of the government and the larger alien companies found their old security gone. As the ban on the reopening of a great number of government offices and companies continued, many such Indonesians without work began to sell their household furnishings, which often brought only small sums since there were a lot of stolen goods in the market. Some went back to

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37. Syonan Times, 9 and 11 Apr. 1942." It was expected that 50-100 coastal steamers would be mobilized by the Chinese for this purpose.



their home kampong in the country. Others, however, tried something new. Want to or not, large numbers of better-educated Javanese went into trade and set up their own shops, commuted between the country and the city with rice, or became vendors. Many of them joined the Persatocan Waroeng Bangsa Indonesia (Perwabi--Union of Indonesian Shops) set up on 3 April as a counter to the Chinese association of shopkeepers and headed by a thirty-year old merchant from Palembang, Basjaroeddin Rahman MOTIK.<sup>38</sup>

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38. Pakpahan, op.cit., pp. 7-9. Under the circumstances of the times some of the new commerce was not unconnected with the black market. Much of the biographic material here and in the following chapters is from Orang Indonesia Jang Terkemuka di Djawa.

## CHAPTER VI: THE ECONOMY DURING THE FIRST YEAR UNDER MILITARY ADMINISTRATION (1942/1943)

### Military Administration

With the internment of the Dutch officials, those government organs which were in operation carried on their work under the Indonesian officials who had hitherto been in subordinate positions. Not for long, however, for eventually hordes of Japanese "officials" in military uniform arrived to fill a hierarchy superimposed upon the staffs already in existence. Many of them appeared to be poorly trained, hastily chosen, and unsuited for the work assigned them.<sup>1</sup>

Nevertheless, by August it was possible to institute a complete re-organization in which all key positions of the military administration on Djawa were held by Japanese. The Cunseikanbu (Office of Military Administration), headed by the Gunseikan (who was simultaneously Chief of Staff of the 16th Army), was divided into several departments, among which the Zaimubu (Finance), Sangyoobu (Production), and Kootuubu (Communications) represented the economic field. Other central bureaus and government-controlled boards created by December included the Tekisan Kanribu (Enemy Property Control), Rikuyu Sookyoku (Land Transport), Kaikei Kantokubu (Audit Affairs), Hudoosan Kanrikoodan (Realty Control), Saibai Kigyoo Kanri Koodan (Estate Control), and Siryooti Kanri Koosya (Private Lands Control).<sup>2</sup>

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1. Gandasoebrata, An Account of the Japanese Occupation of Banjumas Residency, p.8; Soeroso, interview, Ithaca, 6 Nov. 1955. Unfortunately for the populace of the Indies, one of the first ships carrying better-trained personnel for the military administration and economic experts along with the invasion fleet was sunk. Cf. Zorab, De Japanese Bezetting van Indonesie en haar Volkenrechtelijke Zijde, p. 32.

2. "Pemandangan tentang Pemerintahan Balatentera" /henceforth "Pemandangan..."<sup>7</sup>, Kan Po, II, No. 14, pp. 3ff. The first Gunseikan was Maj. Gen. OKAZAKI Seizaburo. Sangyoobu, literally the "Department of Industry," is translated in its broadest sense.

during the latter part of 1942 several offices of the Military Administration in Syonan opened branch offices in one or more cities of Sumatra. Active in the economic sphere were the Bureaus of Communications, Marine Affairs, Public Facilities (Public Works), and Railways.<sup>3</sup>

The three old provinces on Djawa were abolished, but the Syuu (a term equivalent to province in Japan, but applicable to the old residency) governments were strengthened, as were those of the Tokubetsu Si (Special Municipality) of Batavia (changed to "Djakarta" in December 1942) and the four kooti (principalities) in central Java. The syuu governments on Djawa consisted of four sections--each headed by a Japanese official--one of which was the Keizaisbu (Economic Section), which in turn had three branches, viz., Noogyooka (Agriculture), Tikusanka (Animal Husbandry), and Syoogyooka (Commerce).<sup>4</sup>

As Nipponization progressed, the Dutch, who had been required to register, were progressively removed from the scene. It then sometimes became necessary for the authorities to remind the people that the once Dutch economic interests had become the property of the Dai Nippon Army and therefore no longer a proper target for pillaging. In September, the enemy property custodian office, Tekisan Kanribu, was established.

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3. Syonan Times, 15 December 1942. The Marine Affairs branch office was in Medan; the Railways branch offices, in Medan, Padang, and Palembang.

4. "Pemerintahan daerah Atawi", Kan Po, I, No. 5, pp. 12-13c

The following month the management of all enemy realty was made one of the tasks of the Hudoosan Kanrikoodan.<sup>5</sup>

The use of spoken Dutch in public was soon outlawed by the authorities. Dutch street and park names were replaced by Japanese, and other landmarks were similarly affected. At first the propaganda and information offices suggested the use of Japanese writing on commercial signboards, as part of an overall effort to increase the use of Japanese in the archipelago. By October, however, it was mandatory that all signs or advertising in Dutch had to be replaced with Japanese or Indonesian. "Tokos, restaurants, schools, companies, associations" were specifically reminded to comply.<sup>6</sup>

Large numbers of civilian experts eventually appeared in Indonesia to take their place beside the Japanese military hierarchy. The Sakura (cherryblossom, from their insignia), mostly well-educated businessmen and engineers in mufti, came to manage Dutch enterprises and to participate in the reconstruction of agriculture, forestry, and commerce. Many of them had worked with Japanese companies operating in the southern regions in

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5. "Jogjakarta Makloemat No. 52", 25 Oct. 1942, ibid., I, No. 2, p. 20; "Osamu Seirei No. 10 tentang Hudoosan Kanrikoodan", 10 Oct. 1942, ibid., I, No. 5, pp. 3-5; "Pengoemoeman Gunseikanbu: Hudoosan Kanrikoodan", 11 Dec. 1942, ibid., I, No. 9, p. 7; "Pemandangan...", pp. 3-11; Radio Tokyo, 10 Dec. 1942, Java Programs, p. 153. The H. K. was established in Batavia with a capital of f. 2 million; branch offices were opened in Bandoeng, Semarang, Jogjakarta, Malang, and Soerabaja.

6. "Pemberitahoean Soerabaja: Kesempatan jang bergoena sekali bagi mereka jang mempoenjai peroesahaan", Kan Po, I, No. 2, 10 Sept. 1942; "Soerakarta: Larangan menggoenakan bahasa Belanda", ibid., I, No. 5, p. 15; "Jogjakarta Pemberitahoean tentang penggantian segala matjam papan dengan toelisan bahasa Belanda", ibid., I, No. 6, p. 9. Dutch family names were specifically exempted from the prohibition. The famous Hotel des Indes in Batavia became the Miyako Hoteru, and the Oranje Hotel in Soerabaja, the Yamato Hoteru.

earlier years. In general, they showed themselves to be of a higher calibre than their coarser military counterparts, who usually discriminated against them, and with whom there was frequent disagreement.<sup>7</sup> By November there were about fifty Japanese companies in Java managing factories and estates and trading in fuel and export commodities, and the giant Mitsui Bussan Kaishu Kaisha was resuming activities in Sumatra and Malai (new form for Malaya) as well.<sup>8</sup>

The economic and business experts were directed to plan and supervise only the "main lines of the economy" and not bother with less important activities.<sup>9</sup> As the ever-increasing shortage of shipping became felt, however, it became evident that one of their major tasks was to help attain self-sufficiency in food throughout the various parts of the archipelago as well as in other occupied areas.<sup>10</sup> In Djawa the Nookigyo Kanri Koodan (Farm Control Board) was set up to supervise subsistence

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7. Soeroso, interview, Ithaca, 6 Nov. 1955; Taniguchi, "Indonesia To Tomo Ni Ikite", Hiroku Dai-To-A Senshi, p. 22; Radio Tokyo, 22 Sept. 1942, Java Programs, p. 143. Employees from sixty out of over 200 Japanese trading companies which had operated in the southern regions had been designated for the early echelons. Cf. Syonan Times, 15 Apr. 1942. To meet the great demand for Japanese economic experts in the Southern Regions, several schools and training courses were opened in Japan. Cf. ibid., 19 Aug. 1942, and Syonan Sinbun, Syonan, 18 Jan. 1943. The less-developed areas under naval administration were not overlooked. Cf. Syonan Times, 11 Sept. 1942.

8. Radio Tokyo, 15 Nov. 1942, Java Programs, p. 211; Syonan Times, 2 Sept. 1942.

9. IMTFE Exhibit 675-A, Article by Lt. Col. HASHIMOTO Kingoro in Taiyoo Dai Nippon, 5 Jan. 1942, cited in Elsbree, Japan's Role in South-East Asian Nationalist Movements 1940 to 1945, p. 28. The leading consideration in economic planning for Greater East Asia, however, was the objective of "making the countries incapable of separating from Japan politically."

10. "Self-sufficiency in food first consideration in Nippon and S. Regions", interview with Nippon Minister of Agriculture, Syonan Times, 6 Aug. 1942.

farming. The Syokuryoo Kanri Zimusyo (Foodstuffs Control Board) under the Sangyoobu was empowered to cope with shortages and possible inflation arising from the virtual cessation of imports by regulating prices of foodstuffs, primarily rice, and supervising distribution via the Beikoku Grosisyo Kumiai (Rice Merchants Association), in which Chinese rice wholesalers participated. Food production on Java during the first year of occupation appeared adequate, and it was sanguinely announced that surpluses could be shipped to Sumatra and other parts of the Southern Regions.<sup>11</sup>

Plans were made to increase rice output in the rice-deficit areas of the archipelago. In the important plantation syuu of Eastcoast Sumatra, a number of the tobacco lands were converted into farms for rice or corn cultivation. Plans called for over 10,000 ha. of sawah in the syuu, so that not only would Sumatra become self-sufficient in rice but Syonan and Malai might receive rice from it as well. In order to clear Karo forest land to make way for new farms, Indonesian prisoners of war were used.<sup>12</sup> Plans for increased rice output on Borneo included the introduction of improved types and compulsory planting of rice, and by the end of 1942 it

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11. Radio Tokyo, 15 June 1942, Java Programs, p. 174; Syonan Times, 12 Aug. 1942; "Tentang"penjoesoenan masjarakat baroe dipoelau Djawa", 9 Sept. 1942, Kan Po, I, No. 2, pp. 8ff.; "Pendjelasan Osamu Seirei No. 14", ibid., II, 20, p. 12; Syonan Sinbun, 4 Feb. 1943, Tan Tjong Yan, "De rijstpellcrijen in"Midden-Java gedurende de Japansche bezetting," Economisch Weekblad voor Nederlandsch-Indië, XII (1946), 161. The S.K.Z. appears to have been a revised version of the pre-war Voedingsstoffenfonds. The B.O.K. was a successor to the Rijst Verkoop Centrale set up in April 1941.

12. "Sumatra forges ahead with more food drive", Syonan Times, 9 Aug. 1942; "Nippon Experts Planning to Adjust Sumatran Economy", ibid., 4 Nov. 1942.



was announced that Borneo no longer was dependent on rice imports! Shortly thereafter, the authorities in Celebes reported self-sufficiency in rice and corn for that island! <sup>13</sup>

However, food produced in the Indies was not destined solely for consumption by the resident population. Japanese military needs received first priority. <sup>14</sup> Since Japanese military personnel were accustomed to eating more vegetables and meat than usually found in the Indonesian diet, Japanese seeds were introduced by army personnel into the leading vegetable districts (such as the Lembang and Malang--Batoc highlands of Java) and by naval personnel into some of the island in the east, while livestock raising--especially pig-raising (by the Chinese)--was encouraged. <sup>15</sup>

#### Estate Control

The policy for estate agriculture on Java provided for the maintenance of the more important plantations as well as the protection of the welfare of the people (in order to avoid mass unemployment). The Saibai Kigyoo Kanri Koodan (Estates Control Board) was established in Batavia with branches in Bandoeng, Semarang, and Soerabaja. Managers--many of whom

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<sup>13</sup>. Ibid., 17 July 1942; Syonan Sinbun, 14 Dec. 1942; 3 Feb. 1943.

<sup>14</sup>. On Djawa alone, by mid-1945, there were 23,242 Japanese officials in the employ of the Military Administration--only a fraction of the total military personnel there. Aziz, Japan's Colonialism and Indonesia, p.159.

<sup>15</sup>. "Makloemat: keboen pertaroohan keloearan sajoer-sajoeran", Kan Po, I, No. 7, p. 7; "Timor Islanders, under out"Bluejackets learn to be expert farmers", Syonan Times, 7 Aug. 1942; ibid., 25 July 1942. As the first step in attaining self-sufficiency in dairy products for Djawa," which previously had obtained sizeable amounts from Australia and Japan, the Sangyoobu ordered the merger of the large and small-scale livestock farms (of"the old Bandoengsche Melk Centrale) in the Priangan, Goenoeng Slamet, and Malang areas. It was hoped that the number of milch cows could be raised within a year from 6500 to 10,000. Ibid., 22 Jan. 1943.

were still Dutch--were enjoined to continue on the job in the proper manner. Estates producing cinchona, coffee, rubber, and tea--all of which had become surplus products after the loss of the European or American markets--were designated "supervised estates" and brought under the control of the S.K.K.K. which was primarily concerned with procuring estate requirements and in purchasing, storing, and selling their products. Thus the estates retained a small degree of autonomy over their internal operations, although most work on them other than simple maintenance was forbidden. Allegedly in order that the livelihood of smallholders not be neglected, on 1 October 1942 the S.K.K.K. was also authorized to buy their produce. But when kapok--primarily a smallholder product--was brought under its supervision, the farmers were far from satisfied, for this meant fixed low prices in place of the more favorable ones they had obtained when kapok could be sold freely.<sup>16</sup>

The Takacho Company took over the N.V. Bandoengsche Kininefabriek plant and in 1943 processed an amount of cinchona far exceeding immediate pre-war levels. Because of the importance of quinine to the

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16. "Oendang-Oendang No. 22 tentang pengawasan peroesahaan keboen", 5 July 1942, Kan Po, I, No. 1, pp. 305; "Pendjelasan tentang Oendang-oendang No. 22", ibid., p. 12; "Osamu Seirei No. 7 tentang peroebahan Oendang-Oendang No. 22", 1 Oct. 1942, ibid., I, No. 4, p. 5; Syo-nan Times, 4 Oct. 1942; P.M. Prillwitz, "De ondernemingslandbouw tijdens de Japansche bezetting," Economisch Weekblad voor Nederlandsch-Indië, XII (1946), 13-16. New cultivation or production of cinchona was prohibited (for great stocks of bark were on hand), and the production or sale of coffee, tea, and rubber was brought under a stringent permit system. Estates of the Gouvernements Landbouwbedrijven were brought under a new Office for Government Estates.

The reaction of the farmers is from an interview with Tuan Selosoemardjan, then an official in the Jogjakarta civil service, Ithaca, 17 Feb. 1957.

Smallholders and even proprietors of city lots in Bandoeng and Malang were encouraged by the Sangyoobu to plant young acacia trees, as a source of tannic acid and also as a means of "enhancing the scenic beauty". Syonan Times, 28 Aug. 1942.

Japanese war effort in widely scattered tropical regions with malaria, the plant's capacity was expanded, and its output directly controlled by the Japanese Army.<sup>17</sup>

On Sumatra, the military authorities announced plans to restore 216 plantations covering 673,200 ha. to production, and Japanese enterprises took over the operation of all European estates (except those of neutrals). Chinese residents were also invited to invest in them. Yet since there were already surplus stocks of materials from tobacco, rubber, and other estates, the authorities were soon confronted by the problem of seeking reemployment for several hundred thousand estate workers.<sup>18</sup>

Rubber was a strategic material of great importance, but the production of the Indies as well as Malai far exceeded Japan's capacity to consume. The Malayan Rubber Control Association, later reorganized as the Syonan Jomu Kumiai (Syonan Rubber Association), operating through a contract with the Army, controlled rubber production, collection, and export in Malai and Sumatra as well as other rubber-producing areas in the Southern Regions. In Sumatra it also undertook the supervision of the cultivation of several thousand hectares of land in foodstuffs for the rubber estate workers. A large number of repatriated Japanese planters and other rubber "experts" were assigned by the S.G.K. to producing areas in Sumatra and Malai, but

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17. Syonan Times, 17 June 1942; Prillwitz, op. cit., p. 15.

18. "70 per cent of estates in Sumatra re-opened", Syonan Times, 25 July 1942; ibid., 25 Sept. 1942. When the authorities in Atjeh decided to expand the former Government's resin and turpentine enterprise at Takengeun and considered constructing a paper factory nearby, they brought the former Dutch manager Oosterling out of internment for a period of several months until it was realized that the plans could not be achieved. Arie Johannes Piekaar, Atjeh en die Oorlog met Japan, (Is-Gravenhage, W. van Hoeve, 1949), pp. 190, 202.

despite early optimistic pronouncements that new uses could be found for surplus rubber, production there was sharply curtailed. On Java (primarily an estate area) except for parts of West Java, rubber production was virtually suspended. Production on Borneo, where several hundred thousand inhabitants had been dependent solely on rubber, suffered a similar fate despite attempts to find new industries to consume the large surpluses.<sup>19</sup>

Of the 130 sugar mills in Java in 1940, only 32 escaped destruction or damage during the retreat of the Dutch forces. Since a large cane crop was in the fields, during the first months of the occupation many of the Dutch managers were called upon to assist in the rehabilitation of the mills and the operations of the plantations. Thus there were eighty sugar mills in production by late 1942. To coordinate the return of the sugar plantations to production, the old sugar syndicate was replaced by the Java Toogyoo Rengo Kai (Java Sugar Enterprises Federation) which was given supervisory powers over the sugar plantation industry on 1 June 1942. In the sales field the NIVAS regulations were revised, and NIVAS was replaced by the Java Sato Hanbai Rengo Kumiai (Java Sugar Sales Association).<sup>20</sup>

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19. Syonan Times, 11 May, 14 Aug., 12 and 18 Sept., 17 Oct. 1942; Syonan Sinbun, 18 Feb. 1943; "Pemandangan...", p. 10; cf. IMTFE Exhibit 1271; Aziz, op. cit., p. 189; Prillwitz, op. cit., p. 14. A factory in Selangor was reportedly producing gasoline from rubber. Syonan Sinbun, 19 Dec. 1942. Japanese scientists attempted to construct ships of crude rubber to carry vital materials to Japan and to be dismantled and consumed on arrival. Ibido 6 Feb. 1943.

20. Syonan Times, 1 July 1942; "Pemandangan...", p. 9; G. Rodenburg, "De Suikerindustrie op Java tijdens de Japansche bezetting," Economisch Weekblad voor Nederlandsch-Indië, pp. 38-39. Apparently only in the sugar plantation industry did the Military Administration at this early date install albeit temporarily, the system of control through a federation of producing companies, utilizing the remnant managements of Dutch companies along with Chinese and Indonesian before the advent of the Japanese sugar men. The 1942 harvest yielded about 1,311,235 tons of sugarcane.

Following orders issued on 1 November, the operation of the Dutch sugar estates was taken over by six Japanese sugar companies, with the same number of mills distributed proportionately to the size of their holdings on Taiwan. In addition to the sugar mills in operation, they took over mills put in reserve before the outbreak of the war and old mills that had been permanently closed down. Dutch personnel stayed on to work for the new employers".<sup>21</sup> But despite early plans for continued production of sugar on Djawa at a high level, in 1943 it was apparent that a glut in sugar had arisen in the Co-Prosperity Sphere, and it was rationalized that only Japan herself (including Taiwan) needed to maintain an export surplus". Accordingly, in 1943 only half the cane acreage under cultivation on Djawa in 1942 was allowed, and most of the remaining acreage was retained by the farmers for rice cultivation.<sup>22</sup>

Edible oils came under Japanese control. In December 1942, the Copra Production Society was formed for Soelawesi. Coconut-oil mills on Djawa were first placed under the supervision of the Yashiyu Toosei Kumiai (Coconut-oil Control Association), which controlled their copra purchases. On 11 December 1942, however, the Copra Kyoodoo Toriatukaisyo (Copra Joint Trading Association) was given the monopoly in buying copra on Djawa and

<sup>21</sup>. Syonan Times, 3 Sept. 1942; "Pemandangan...", p. 9; Rodenburg, op. cit., pp. 39, 45. The Japanese sugar companies, which produced as well as sold, were the Dai Nippon Seito, Taiwan Seito, Meiji Seito, Ensuiko Seito, Okinawa Seito, and Nanyo Kohatut. All the sugar estates of a certain Dutch company, regardless of location, were assigned to a specific Japanese company.

<sup>22</sup>. Syonan Times, 15 Aug. 1942; Rodenburg, op. cit., p. 38a. Thus for 1943, only 600,000 tons of sugar were authorized to be produced from 51 mills.



other islands and selling it to the coconut-oil mills, and two months later its monopoly was extended to peanuts and the supervision of peanut-oil companies. At the beginning of 1943, the Y.T.K. was abolished and its work of distributing coconut oil was assigned to the Mitsui B.K.<sup>23</sup> Despite the policy at the outset of the Greater East Asian war of dividing the same kind of resources in each country among two or more Japanese companies so as to avoid the evil of monopoly,<sup>24</sup> army authorities eventually found it more expedient to deal with one organization, as in this case, rather than several.

#### New Crops

Because the lubricating qualities of castor oil made it useful in the maintenance of military machinery, djarak (castor-oil plant) cultivation on Djawa received the attention of the military authorities. Although 10,000 ha. were soon planted, floods damaged many plots, leading to discouragement of the farmers. Before the end of 1942, castor bean production was put under sharp controls, and sales could be made only to the Takenokoshi company through two Chinese companies in Semarang, viz. Firma Sie Sam Yang and N.V. Kian Gwan, while the local production of castor oil was prohibited. To encourage farmers to increase castor bean production in 1943, the

23. Radio Tokyo, 9 Apr. 1943, in U.S. Office of Strategic Services, Research and Analysis Branch, Program of Japan in the Celebes with Index to Biographical Data, [henceforth Celebes Program], (Honolulu, 8 Sept. 1945), p. 44; "Maklumat tentang pembelian Copra di Semarang Syuu", Kan Po, I, No. 7, p. 12; "Perdagangan kopra dan minyak kelapa di Semarang Syuu", 26 Dec. 1942, ibid., II, No. 10, p. 19; "Maklumat tentang peroesahaan minyak katjang di Semarang Syuu", 26 Feb. 1943, ibid., II, No. 14, pp. 27-28.

24. IMTFE Exhibit 1332. Outline of Economic Counter Plans for the Southern Area, Sixth Committee, 12 Dec. 1941, cited in Elsbree, op. cit., p. 68.



Sangyoobu distributed seeds and informed each syuu of the amount of land to be planted and the quota of castor beans to be produced. The djarak campaign continued throughout the occupation. <sup>25</sup>

Most of the Southern Regions and Djawa in particular had been virtually completely dependent upon imports for their textile needs. However, in view of the lack of shipping for transporting such textiles--had there been any available in the Co-Prosperity Sphere since most of Japan's production had been diverted to war uses--it was soon foreseen that some measures to encourage local production of textile fibers such as cotton would be vitally required. Accordingly at the end of 1942 a five-year plan for cotton cultivation was announced for eastern and central Djawa as well as Tjirebon (the new name for Cheribon). The Nippon Raw Cotton Cultivation Association set up the Djawa Menka Saibai Kyookai (Djawa Cotton Cultivation Association) under Dr. ISHIKAWA Takehiko and a Japanese staff, to oversee the cultivation of cotton, distribute seeds, operate experimental farms, etc. The plan emphasized the cultivation of several thousand hectares

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<sup>25</sup>. Syōnān Times, 31 July 1942; "Makloemat Keizaibutyoo Semarang", 4 Nov. 1942, Kan Po, I, No. 7, p. 12; "Tentang tanaman djarak", ibid., II, No. 13, p. 6. Japanese preoccupation with castor oil production after acquiring the richest petroleum fields in the Far East might be ascribed to several factors. Despite the sanguine reports of early repairs of oil installations, it undoubtedly took longer to rehabilitate the refineries than the oil fields. Possibly new widely scattered sources of lubricating oil were felt to be preferable to one or two petroleum refineries in case of air attack. Moreover, even in time of peace the petroleum of the Indies had ordinarily not been reduced to lubricants, the latter having usually been imported, primarily from the United States.

of waste land in Malang and Besoeki Syuu. The first crop of cotton on Djawa with seed originally from Soelawesi, was considered a success.<sup>26</sup>

The cultivation of cotton was also encouraged on the other islands. In the Palembang area of Sumatra and on Bali and Lombok cotton cultivation was also undertaken with Japanese overseers as part of 5-year plans.<sup>27</sup> In Soelawesi with its dry climate the first cotton crop was quickly produced by Japanese pre-war residents, who had returned immediately after the Japanese invasion. Areas in the north of the island as well as the south were brought under cultivation.<sup>28</sup>

Because of the great demand for gunnysacks (the Indian sources having been cut off), the Sangyoobu on Djawa announced a 1943 plan for increasing gunnysack production through the use of sisal and rosella, worked with hand looms.<sup>29</sup>

#### Private Lands

Not long after the Japanese Army had commenced direction of the economy of Djawa, on 1 June, it announced that all non-Indonesian "private lands" had become its property. Consequently, Chinese too lost their proprietary

26. "Tentang penanaman kapas rentjana lima tahoen", 31 Deco 1942, Kan Po, II, Noo 10, p. 8; "Tentang mendirikan 'Djawa Menka Saibai Kyookai'", ibid., II, No. 12, p. 11; "Rentjana 5 tahoen tentang penanaman kapas di Djawa", ibid., II, No. 17, pp. 14-15; Syonan Times, 6 May and 15 Nov. 1942.

Experimental plantings of a related fiber, widuri, were undertaken along the Pekalongan coasto "Pekalongan Si Makloomat No. 182", 16 Febo 1943, Kan Po, II, No. 16, p. 18a.

27. Radio Tokyo, 20 Aug. 1942, 5 Maro and 20 May 1943; U.S. Office of Strategic Services, Research and Analysis Branch, Programs of Japan in Sumatra with Biographies, Hencforth Sumatra Programs, (Honolulu, 10 Sept. 1945), p. 31; Syonan Times, 25 Aug. and 19 Sept. 1942; Syonan Sinbun, 19 Dec. 1942o.

28. Radio Tokyo, 22 Jano 1943, Celebes Program, p. 43; Syonan Times, 27 Apr. and 19 Sept. 1942o.

29o "Berita Gunseikanbu tentang hasil Goeni akan ditambah", 8 Feb. 1943, Kan Po, II, Noo 13, p. 4.

rights". A Badan Pengoeroes Tanah Partikoelir (Private Lands Administration Board) was set up to supervise the private lands. Everyone on the lands had to continue working, including the ex-owners and managers, who were to manage on behalf of the military administration. They were told that if they carried out their jobs well, they might become employees of the military administration. The land was not to be distributed among its inhabitants". Instead, they were to continue working and paying the rodi (kompenian), rice excise, land rent, house-yard rent, etc. But whereas formerly profits flowed into the landlords' pockets, the new Japanese Army landlord promised to return them to the occupants in the form of roads, schools, irrigation, and other needs, so it was announced.<sup>30</sup> In July the Siryooti Kanri Koosya (Private Lands Control Board) was set up over the B.P.T.P., and the following January the latter was abolished by a new decree. The occupants thereby became directly responsible to this new office in place of the old landlords". They were informed that those failing to perform their duties would be subject to punishment. A step forward, however, was the rescinding of the obligation to work or pay the kompenian.<sup>31</sup>

30. "Oendang-oendang No. 17 tentang peroebahan tanah partikoelir mendjadi tanah Negeri", Kan Po, Nomor Istimewa, p.17; "Pendjelasan Oendang-oendang No. 17", ibid., pp.27-29; "Penerangan tentang Oendang-oendang No. 17", Kan Po, I, No. 1, p.11. In view of early rumors following this decree, the Army felt called upon to disclaim seizing or plundering the lands. Within two months, however, a survey had found the new program to be operating smoothly. Cf. "Tanah-tanah partikoelir dan ketenteraman di Daerah Djakarta", ibid., p. 13. The most extensive private lands in Semarang Syuu had belonged to the large sugar enterprise, the Oei Tiong Ham Concern. Cf. Asia Raya (Djakarta), 30 June 1945.

31. "Osamu Seirei No. 2 tentang Siryooti Kanrikoosya", 30 Jan. 1943, Kan Po, II, No. 12, pp.3-5.

Supervision over the financing and sale of estate products from private land estates, however, was a task of the Saibai Kigyoo Kanri Kodan. Cf. P.M. Prillwitz, "De Pamanoecken-en Tjiasenlanden tijdens de Japansche bezetting," Economisch Weekblad voor Nederlandsch-Indië, XII (1946), p. 118.

## Manufacturing and Mining

To meet the minimum requirements of the population as well as to supply the armed forces, the army endeavored to rehabilitate the industries, most of which produced consumer goods for local consumption. Japanese companies and businessmen were assigned to take over the operation of the enemy, i.e., Dutch, British, and American, plants. Two months after the surrender, the largest iron foundry in the Indies (that of N.V. Constructie Winkel De Bromo at Pasoeroean) was back in operation, and a few months later the match factory at Soerabaja was reported to be producing at five times the pre-war level.<sup>32</sup> Periodically, decrees were published requiring the re-registration of different materials; all such stocks had to be reported to the authorities. By the end of the first year of occupation most industries had been rehabilitated and restored to production, and a policy was announced for the second year of expanding industries to meet the requirements of the war.<sup>33</sup>

Because clothing, next to food, was the leading consumer need, attention was given to the operation of the weaving mills. In view of the already important role of the resident population in this industrial sector, heads of textile mills were early given responsibility in the supervision of the industry. In Soerabaja the Kigyoo Toosei Kai (Textiles Control Board) was

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32. Radio Tokyo, 17 May and 17 Sept. 1942, Java Programs, pp.224,230; Syonan Times, 17 June 1942; "Tentang pertoendjoekan barang-barang boeatan di Djawa", 18 Feb. 1943, Kan Po, II, No. 13, p.7. The General Motors Corporation assembly plant was assigned to the Toyoda Zidoosya K.K., and the Goodyear tire plant (renamed Djawa Tyre Koozyoo) to the Nippon Tyre K.K. In Soerabaja, the De Vulkaan machine factory was operated as the "Takhashi-Tekkoshu". Cf. Orang Indonesia jang terkemoeka di Djawa, p. 239.

33. "Makloemat", 22 July 1942, Kan Po, I, No. 1, pp. 33-35; "Pemandangan..", p. 9; Syonan Times, 18 May 1942".

established in June 1942 to control the production and trade of textiles in the eastern half of the island. It was given the power to decide which weaving mills could remain open and which firms could act as wholesalers. The managerial board consisted of the heads of four of the leading textile enterprises in the region, including one Indonesian--Agoes Moechsin Dasaad, two Arabs, and--provisionally--one Dutch.<sup>34</sup> In Priangan, the leading weaving center in the Indies, the same type of indigenous local control did not arrive so quickly. In September a weaving mills commission was established consisting of Indonesians, Chinese, and Dutch who were experienced in the business, but it was only empowered to advise the syuu's economic section. Two months later, however, a Balai Pengerohan Perorasaan Tenoen (Weaving Enterprise Administration) was established with approximately the same authority in the Priangan that the K.T.K. had in the eastern part of the island.<sup>35</sup>

In view of the need for development of all possible kinds of textiles, a Rami Regulation was proclaimed in November 1942, which established a Rami Kanri Zimuso (Rami Control Office) to develop and control a rami industry in Priangan.<sup>36</sup>

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<sup>34</sup>. "Oendang-oendang Kigyo Toosei Kai", 27 June 1942, Kan Po, I, No. 1, pp. 38-39; "Pemberian tahoe dari Kigyo Toosei Kai", ibid., II, No. 2, p. 43. Members of the managing board were Dasaad, head of the "Kantjil Mas" weaving mill at Bangil; S. Achmad bin Said Awad Martak of the Firma Alsaad bin Awad Martak; M. Surtel, manager of the Martak weaving mill at Kesono; and C.H. Caals, head of the N.V. Textiel Industrie "Java" mill at Soerabaja.

<sup>35</sup>. "Komisi perorasaan textiel", 7 Sept. 1942, Kan Po, I, No. 3, p. 15; "Maklumat: Perorasaan tenoen di Priangan Syuu", 20 Nov. 1942, ibid., I, No. 7, p. 5.

The two largest Dutch textile companies on Java, De Preanger Bontweaverij and T.I. "Java", were taken over by the Oyo Weaving Co. and the Kurashiki Booseki K.K., respectively. Syonan Times, 5 Aug. 1942; "Tentang pertoendjoekan barang-barang bocatan di Djawa", Kan Po, II, No. 13, p. 7.

<sup>36</sup>. "Peratoeran oentoek sementara waktow tentang perorasaan rami di Priangan Syuu", Kan Po, I, No. 8, pp. 11-12.



Industrial enterprises producing important consumer goods such as soap were required to register with the industry section of their Syuu Keizaibu, specifying the nationality of the owner".<sup>37</sup> Factories producing cigarettes (including kretek) also underwent registration. All plants of the British-American Tobacco Co. were back in operation by the end of 1942. But since it and other companies had produced cigarettes with popular brand-names in English, the military administration held a contest at the beginning of 1943 for appropriate Japanese names to replace those of the three most popular cigarettes". Three months later, a new contest was held for new names in the "Malayan language" to replace those on seven brands of cigarette and pipe tobacco.<sup>38</sup> In Sumatra, where huge stocks of tobacco had accumulated, dozens of small cigarette manufacturing plants, mostly owned by Chinese, sprung up.<sup>39</sup>

To keep pace with ship-building plans (see below), the Gunseikanbu on Djawa kept the island's lumber mills working full time". The panglongs along the eastern coast of Sumatra also continued working, but under the jurisdiction of the Syonan municipality.<sup>40</sup>

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37. "Makloemat tentang mendaftarkan peroesahaan saboen didalam Soerabaja Syuu", 17 Mar. 1943, ibid., II, No. 16, p. 23.

38. Radio Tokyo, 3 Dec. 1942, Java Programs, p. 186; "Mengganti nama-nama" rokok", 11 Jan. 1943, Kan Po, II, No. 11, pp. 14ff.; "Tentang pendaftaran peroesahaan rokok didalam Soerabaja Syuu", ibid., II, No. 14, p. 29; "Sajembara: tentang mengadakan 'Sajembara memboeat nama-nama rokok dan tembakau-iris'", ibid., pp. 34-35; Syonan Sinbun, 13 Jan. 1943. "Mascot" brand was replaced by "Kooa" (Asia rises), "Davios" with Mizuho (literary name for Nippon), and "Double Ace" with "Sekidoo" (equator).

39. Syonan Times, 3 Oct. 1942.

40. "Syonan Tokubetu-Si Notice No. 65: Outstanding royalties in respect of firewood etc., to be paid", Syonan Times, 18 June 1942; "Syonan Tokubetu-Si Notice No. 122", ibid., 26 Sept. 1942; ibid., 1 Nov. 1942.



by the end of the first year of occupation petroleum production had been restored to a level sufficient to meet Japanese needs. In Sumatra, as well as Malai, gasoline for civilians was controlled by the Oil Distribution Department of the Military Administration in Syonan.<sup>41</sup> Exports of tin and bauxite to Japan were resumed, and production of bauxite on Bintan exceeded pre-war levels. Nickel ore was shipped from Pomalaa in Soelawesi, where a nickel matte plant was put into operation. Production of other minerals such as manganese, phosphorus, sulfur, iodine, and calcium oxide was continued, but non-essential mining, such as that for precious metals, was suspended. The Gunseikanbu on Djawa offered awards to persons who would report any important ore sites, and proudly announced that new mining of coal, copper, and iron, never undertaken by the Dutch, had also begun. Significantly, no output figures accompanied the announcement.<sup>42</sup> Coal was necessary for the railroads and industries of Djawa, but since shipments from Sumatra and Borneo became increasingly uncertain, workable deposits on Djawa itself were sought. Despite the original plans for sending Indonesian coal elsewhere in the Co-Prosperity Sphere, in the absence of shipping, most of the coal mines in eastern Borneo were left to deteriorate.<sup>43</sup>

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41. "Former Socony--Shell Products: New Organization", ibid., 30 Sept. 1942; Syonan Sinbun, 18 Feb. 1943. One method resorted to to supply Japan was the flotation of drums of oil. Kahin interview, Ithaca, 30 Apr. 1956.

42. "Makoemat No. 1 Pokalongan Syuu", 25 Sept. 1942, Kan Po, I, No. 4, p. 17; "Pemandangan...", p. 10; Syonan Sinbun, 4 Feb. 1943. Despite official pronouncements, no iron mining actually got underway.

Extraction from the important sulfur deposit at Telagabodas was started and the Kobayashi Company set up a sulfur refinery near Wanaradja. Cf. "Pengoemoeman Gunseikanbu", 26 Nov. 1942, Kan Po, I, No. 8, P. 8,

43. van Bemmelen, The Geology of Indonesia, II, pp. 78, 973

### Public Utilities and Transport

All public utilities operated by the Netherlands Indies government were brought under the direct control of the military administration, and those on Djawa formerly owned by Dutch corporations were also directly administered by the Kootuubu rather than by Japanese business. A GEBEC powerline from Bandoeng to Tjirebon started by the Dutch was quickly completed by the Japanese, most communications were restored, and bridges rebuilt.<sup>44</sup>

During the first year of occupation the Nipponization of land transportation expanded. On Djawa the Rikuyu Sookyoku took over supervision of the railway, streetcar, bus, and truck lines as well as the forwarding and hotel businesses. On 16 October 1942 the railroads on Djawa, which had gradually been rehabilitated, were brought together under a single management. On Sumatra plans were drawn up for two new railroad lines, one to run along the north--south axis of the island, and a second to cross through the center, terminating at Pakan Baroe. Work on the roadbed of the latter actually got underway. Rolling stock and motor vehicles throughout the country were repainted and given Nippon-go (Japanese) names, and the Japanese introduced the 3-wheeled pedicab or sanrinsha, called locally betjak, which appeared in numerous cities as motorized passenger transport was curtailed.<sup>45</sup>

Shipping necessarily commanded the attention of the military authorities. A number of ships that were sunk in the harbors were salvaged and repaired

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<sup>44</sup>. Syonan Times, 4 July 1942; "Work of our Railroad Reconstruction Corps in S. Regions reads like Romance", ibid., 18 July 1942. Telegraphic communications linking Syonan with major cities of Sumatra were quickly put into operation and the postal service resumed.

<sup>45</sup>. "Pemandangan...", pp.10-11; Syonan Times, 1 and 23 Aug., 16 Oct. 1942; Syonan Sinbun, 20 Jan., 14 Feb., 1943; Radio Tokyo, 7 Oct. 1942, Sumatra Programs, p. 42.

during the first year as harbor facilities were reconstructed. On 20 October 1942, the Malai and Sumatra Salvage Association, with headquarters in Syonan, was organized to undertake salvage in the harbors of the two areas.<sup>46</sup>

Since large ships were not available to handle necessary interinsular trade, attention was given to small vessels and perahus. In June 1942, military representatives from Malaya and Djawa met in Syonan to coordinate the transport between Malaya, Sumatra, Djawa, and adjacent regions. As an outcome of this conference, Japanese experts were "invited" to come to oversee the construction of wooden vessels of 200 to 300 tons, and construction was started in several Javanese harbors. Efforts were also begun to produce Diesel engines in some of the machine plants on Djawa. In Syonan several junks were built for the trade across the straits, and the Syonan Kainu Kumiai (Syonan Shipping Association) was formed to operate twenty motor vessels in this traffic.<sup>47</sup>

The estimated 15,000 sailing vessels and perahus came into their own with the disappearance of the K.P.M. ships from the Java Sea. Makassarese, Buginese and Madurese vessels plied the seas between Soelawesi, Borneo, Djawa, and the Lesser Sundas, and rode the monsoons between Makassar and Syonan. To take full advantage of these vessels, and allegedly to set standard freight rates, the military authorities required their registration. In October 1942 it was decreed that all boats over five tons belonging to

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<sup>46</sup>. Radio Tokyo, 7 June 1942, Java Programs, p. 239; "Over 125 Sunken Enemy Vessels now Salvaged", Syonan Times, 24 Oct. 1942; "Pemandangan...", p. 11.

<sup>47</sup>. Syonan Times, 23 and 27 June, 7 Oct., 27 Nov. 1942; "Tentang membocat kapal-kapal dari kajoe", 17 Dec. 1942, and "Tentang menoeroenkan kapal kelaoet", Kan Po, II, No. 10, pp. 6-7; "Tentang portjobaan mondjalankan motor-kapal 'Diesel'", ibid., II, No. 17, p. 11.

indigenous, Chinese, or other oriental residents of Djawa had to be licensed.

Owners of perahus over ten tons were brought together in the Djawa Hansen Kumiai (Djawa Perahu Association). In Soelawesi authorities at Makassar had issued 825 licenses to Indonesian sailing vessels already in April and the following February such perahus were brought under the supervision of the Soelawesi Marine Transportation Association, which replaced the Minsobu's Civilian Sailing Vessel Control Bureau. <sup>48</sup>

To guarantee a continuing supply of seamen for all the mobilized vessels, the registration of former seamen was undertaken. Not only were Indonesian, Chinese, and other alien East Asian nationals eligible, but Indo-Dutch were also given this opportunity. <sup>49</sup>

Not long after the occupation began, Japanese fishing companies resumed their activities in Indonesian waters. Within a few months frozen fish plants were reported under construction in Soelawesi in order to supply Japan and other parts of the Co-Prosperity Sphere. <sup>50</sup>

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48. "Pemberitahuan: 'Djawa Hansen Kumiai'", 15 Sept. 1942, "Soerabaja Kaimusyo Makloemat No. 1", and "Oendang-oendang jang terpenting dari 'Djawa Hansen Kumiai'", Kan Po, I, No. 4, p.20; "Osamu Seirei No. 11 tentang mendaftarkan kapal kepoenjaan pendoeboek", 20 Oct. 1942, "Petoendjoek", and "Pendjelasan Oendang-oendang No. 42 tentang pendaftaran perahoe", ibid., I, No. 5, pp.5-8; Syonan Times, 20 and 23 June 1942; Syonan Sinbun, 9 Feb. 1943; Radio Tokyo, 8 Feb. 1943, Celebes Program, p.58. The D.H.K., founded on 13 May 1942 and supervised by the Kaizi Sookyoku (Bureau of Maritime Affairs), had offices in Batavia, Semarang, and Soerabaja.

49. Syonan Times, 10 Oct. 1942; "Tomei Kanrei No. 5", ibid., 30 Oct. 1942; "Tentang pendaftaran anak kapal bangsa Indonesia", 22 Dec. 1942, Kan Po, II, No. 10, p. 6; "Pendaftaran anak kapal", ibid., II, No. 12, p. 18.

50. Syonan Times, 12 Sept. 1942. The Nippon, Daizyo, and Kinzyo fishing companies operated in Malayan and Sumatran waters. Syonan Sinbun, 13 Apr. 1943.

## Banking and Credit

As soon as possible after the Japanese occupation began, the Japanese commercial banks in the archipelago had reopened and began expanding. Since they usually held a monopoly of business in their respective areas and had to report back to Tokyo, they provided an instrument of government control over the domestic companies. The Yokohama Syookin Ginko opened 15 branches on Djawa and 10 on Sumatra, following a policy of "one bank in each state"; the Taiwan Ginko opened 3 on Java, 5 on Borneo, 2 on Celebes, 2 on Bali, 1 on Timor, and 1 on Ambon, and doubled its capital to accommodate its increased business; in addition, both the Fana Ginko and the Mitsui Ginko each had one branch on Djawa, although the latter's branch at Soerabaja was replaced by one of the Teikoku Ginko on 1 April 1943.<sup>51</sup>

To serve as the central bank for the countries of the Southern Regions (and to replace, among others, De Javasche Bank in the Indies) the Nanpo Hainatsu Kinko (Southern Regions Development Bank), established in Tokyo on 30 March 1942, opened branches throughout the Southern Regions, in order to supervise the operations of the other banks and to facilitate the supply of capital necessary for industrial and other reconstruction. The N.K.K. was also authorized to grant development loans to individuals at six per cent interest, sometimes without security. Four N.K.K. offices were opened on Djawa (that at Batavia on 2 July), and eventually four on Sumatra, with head office at Boekittinggi.<sup>52</sup>

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51. Syonan Times, 3 and 23 June 1942; Syonan Sinbun, 14 Dec. 1942; "Pemandangan...", p.9; Scheffer, op. cit., p.47; Elsbree, op. cit., p.68. The Y.S.G. also opened branches in Malai, North Borneo, Indo-China, Burma, and Thailand; the Taiwan Ginko, also in Hainan and the Philippines.

52. IMTFF Exhibit 675-A, op.cit., cited in Elsbree, op.cit., p.28; Syonan Times, 23 May 1942; Syonan Sinbun, 1 Jan. 1943; Radio Tokyo, 4 July 1942 and 8 June 1944, Java Programs, pp.252-253; Aziz, op.cit., p.192; Scheffer, op.cit., pp.39,47; "Pemandangan...", p.9. The N.K.K. did not open branches in Thailand, Indo-China, South China, or the Mandated Territories. Its other branches on Djawa and Sumatra were in Bandoeng, Semarang, Soerabaja, Palembang, Padang, and Medan.



At the beginning of 1943 the Malai--Sumatra Bankers Association was set up in Syonan with a membership consisting of all banks in the two areas.<sup>53</sup>

On 20 October 1942 it was decreed that De Javasche Bank, the N.H.M., the Nederlandsch-Indische Handelsbank, the N.I. Escompto Mij., and the branches of the four foreign British and Chinese banks, as well as the Batavia Bank would commence liquidation. Japanese liquidators were appointed by the army commander, and later the N.K.K. undertook to coordinate their work. It was announced that since the major part of the banks' property had been invested in Holland, only a fraction of the deposits in the banks could be repaid. Simultaneously the moratorium on contracts was ended and it was decreed that De Javasche Bank currency as well as currency and metallic money of the old government was to continue in circulation alongside currency of the military administration.<sup>54</sup>

Safe-deposits were disposed of in accordance with instructions issued in February 1943. Contents "needed by our army" such as gold and diamonds were taken over by the authorities, who paid minimum prices, which in the case of non-enemy nationals were paid to the depositors--the balance for enemy nationals being held "in trust." A sum of f.1.9 million was eventually paid for the gold obtained from the safe deposits of the four Dutch banks, and

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<sup>53</sup>. Radio Tokyo, 15 Jan. 1943, Sumatra Programs, p. 47; Syonan Sinbun, 30 Jan. 1943.

<sup>54</sup>. "Osamu Seirei No. 13 tentang memboebarkan bank-bank moesoch dan montjaboet Oendang-oendang No. 9" and "Pendjelasan Oendang-oendang No. 44 tentang likwidase dan pentjaboetan atoeran tentang penoendaan pembajaran oetang", Kan Po, I, No. 5, pp. 8-9, 11-12; Scheffer, op. cit., pp. 38ff; Java Bank Report for 1941-1946, pp. 13-14.



f.1.5 million for the diamonds, f.200,000 for the silver, and f.900,000 for other articles".<sup>55</sup> A cache of diamonds, brilliants as well as those of poorer quality, was shipped to Japan for use in industries there".

The N.V. Bankvereniging Oei Tjong Ham and the Chungwha Shangieh Mij" were able to avoid liquidation and resume business, although they worked under the close surveillance of the authorities.<sup>56</sup>

The most wide-spread of the "banking systems throughout the archipelago, the Algemeene Volkscredietbank, came under the control of three separate military commands. On 3 October, the 16 branches in West Djawa, the 25 in Central Djawa, and the 28 in East Djawa, were reopened to meet the population's needs for Lebaran, (the feasts at the end of Puasa). The name was changed to Syomin Ginko, and among the Indonesians it was called the Bank Rakjat (People's Bank). Four months later, the Makassar office was reopened for business, and followed not along thereafter by the three other branches on Soelawesi. The bank's work was to continue to be that specified in the old A.V.B. charter, in addition to which the Gunseikan could assign special tasks. Since some f.30 million of the A.V.B. assets had been invested in the Netherlands and accordingly was no longer accessible, and since one of the bank's tasks had been to assist in desa-financing, the military administration included in its Djawa budget for fiscal year 1943 a contribution for the desa treasuries. Although the bank's central management was Japanese, Indonesians filled the positions of heads of all the branch banks, a number of them replacing their Dutch supervisors, who had

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<sup>55</sup>. Aziz, op. cit.; "Report of the liquidation proceedings of enemy banks in Java by Hiroshi Yamamoto", April 1944, cited in Scheffer, op. cit., pp. 44-45.

<sup>56</sup>. Ibid., pp. 45-46.

been interned. For awhile after reopening, the S.G. received little attention from the authorities, but although it was eventually able to contribute to the financing of the budding national middle-class which was moving into some of the vacancies in the economy left by the Dutch, its grants of credits to villagers and pensioners continually declined. 57

The tjinamindring (Chinese money-lender) at first attempted to continue his business into the occupation. But he soon ran into complications. Late in 1942 the Bandoeng Municipality was authorized to license tjeti (money-lender) operators. A month later, the provincial governors of Sumatra were authorized to grant one-year licenses for f.500 (renewable at f.250). The activities of the money-lenders were strictly circumscribed. Interest was limited to 10 per cent per annum (simple) in cases of secured loans, or 15 per cent, without security. Agreements whereby borrowers were made liable for other charges were invalid, and money-lenders were forbidden to collect interest payments in advance. They were required to maintain books of their transactions and submit monthly statements to the authorities. Violators were liable to fines up to f.10,000. 58

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57. Laporan Bank Rakjat Indonesia tahun 1953, I; pp. 10, 13-14; "Osamu Seirei No. 8 tentang pemboekaan Syomin Ginko (Bank Rakjat)", 3 Oct. 1942, and "Pengoemoeman Gunseikanbu tentang pemboekaan Syomin Ginko", Kan Po, I, No. 4, pp. 5-6, 9-10; "Tentang ocang sokongan centoe perbendaharaan Ku", ibid., II, No. 16, pp. 13-14; "Radio Tokyo, 13 Apr. 1943, Celebes Program, p. 64; Radio Tokyo, 8 June 1944, Java Programs, p. 253; Syonan Sinbun, 10 Feb. 1943. F.J. Muller, "De Algemeene Volkscredietbank gedurende en na de Japansche bezetting", Economisch Weekblad voor Nederlandsch-Indië, XII (1946), 108-109.

58. "Bandoeng Si pemberitahoean", 21 Dec. 1942, Kan Po, II, No. 10, p. 17; "Tomi Seirei No. 19; An ordinance to make provision for the Regulation of Money-lending", Syonan Sinbun, 12 Jan. 1943.

These regulations, the restrictions on the movements of Chinese, and the requirement that farmers deal directly with many government-sponsored bodies soon resulted in the virtual disappearance of this once profitable business.<sup>59</sup> Nevertheless, many farmers quickly became debtors of toko operators or produce merchants working in their vicinity.

#### Minorities and the Economy

During the first year some Dutch were permitted to remain at work in industries and in temporary tasks such as assisting in the liquidation of the banks, although they and their families were completely restricted to their places of work and their homes, and thus they were effectively removed from the commercial scene. Finally in April 1943 the last Dutch in the government service were interned. For reasons of security, police permits were required for travel of persons other than Indonesians or Japanese outside his town, and consequently the freedom of travel of Chinese--merchants and others--was somewhat restricted during the first year of occupation. Not only were Eurasians usually treated like the Dutch--and many were interned--but since many of the Christian Ambonese and Menadonese had assimilated to Dutch ways, for a few months early in 1943 those on Djawa were also required to obtain police permission for travel outside their syuu".<sup>60</sup>

Japanese civilian residents of Djawa were organized in the Hoozin

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59. Soeroso conversation at Ithaca, 13 May 1956".

60. "Belanda Totok dilarang meninggalkan roemah", Kan Po, II, No. 10, p. 14; "Osamu Seirei No. 4 tentang mengawasi hal pindah dan bepergian", 4 Feb. 1943, ibid., II, No. 12, pp. 6ff.; "Tegal Si Makloemat No. 16 tentang mengawasi hal pindah dan bepergian oentock orang Ambon dan Manado", ibid., II, No. 13, p. 16; "Pekalongan Si Makloemat No. 3," ibid., II, No. 17, p. 19; Beppan Bandoeng Branch, 16th Army Staff, Intelligence Summary for April 1943 (typescript translation), pp. 2-4, (R.V.O. Document 006450-52).

Zimukai (Overseas Japanese Association), an organization which facilitated the administration's control over its own nationals in business.<sup>61</sup>

As the Chinese continued to exhibit readiness to collaborate with the Japanese authorities in the archipelago, their position in the economy and especially in the internal trade became enhanced! One of the richest businessmen in the island, Oei Tiong Hauw, head of the Oei Tiong Ham Concern of Semarang, urged Chinese merchants to support the Co-Prosperity Sphere. All other Chinese organizations (except the pro-Japanese Hoo Hap) were forbidden, and in July 1942 on Sumatra and by the end of 1942 on Djawa the Kakyo Sookai or Hoa Kiauw (Hua Ch'iao Chung Hui--Overseas Chinese General Association) was being set up in the larger cities as the new general association. Oei headed the Semarang organization, and Oey Tiang Tjoei--publisher of the Djakarta daily Kung Jung Pao during the occupation--that of Djakarta! The Gunseikanbu worked through the K.S. to coordinate the efforts of the Chinese in producing and distributing commodities, as it had previously in some instances worked through the Tionghoa Siang Hwee (Chinese Chamber of Commerce)! When Chinese merchants in Semarang found it difficult to determine list-prices for their goods, the syuu economic section permitted them to set up a board of a dozen merchants, each representing a different trade, to assist them in their work. Similar Chinese Merchants' Associations were permitted to be set up in other cities.<sup>62</sup>

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<sup>61</sup>. Zorab, op. cit., p. 11.

<sup>62</sup>. "Semarang Pemberitahoean", 7 Aug. 1942, Kan Po, I, No. 1, p.35; "Semarang Pemberitahoean", 21 Oct. 1942, ibid., I, No. 6, p.10; "Jogjakarta Makloemat dari Barisan Propaganda kepada semoea toko-toko", 7 Jan. 1943, ibid., II, No. 11, pp.12-13; "Pemandangan...", p.11; "East Indies Chinese pledge support for Nippon", Syonan Times, 11 July 1942; Syonan Sinbun, 17 Apr. 1943; Radio Tokyo, 26 and 27 Mar., 9 July, 30 Oct. 1942, Java Programs, pp.35,63,73; Radio Tokyo, 28 July 1942, Sumatra Programs, p. 10.

Radio Tokyo glowed over the spirit of cooperation and service found among the Chinese and Indians on Djawa, who had thitherto been "preoccupied with commerce." It considered their increased savings in Japanese banks as proof of trust in those banks. Yet, in a confidential survey of the Indian population of Djawa, the Gunseikanbu found that although middle-class Indian merchants were thriving, the upper-class foreign traders from Sind were virtually out of business because of the cessation of imports and exports and stringent price controls. Even after a branch of the Indian Independence League was opened in Djawa, moreover, the Indians reportedly continued to be far more interested in profits than politics.<sup>63</sup>

#### Indonesians and the Economy

Most Indonesian businesses which operated immediately before the outbreak of the war and many set up in the early days of the occupation continued operations, but the status of private Indonesian businessmen--except in isolated instances like Dasaadts did not rise appreciably during the first year of occupation, for virturally all of the choice business positions which the Dutch vacated and which continued to function were filled by Japanese. One new company established during this period was the Wahido Shoten trading companytset up in Djakarta by Abdulwahid gelar Soetan Radja Lelo Wahid, originally of Padangt Although a few tokos closed down and a few others were opened by Indonesians, and some Indonesian publications--under strict control--appeared to replace those suspended, virutally no new Indonesian industrial enterprises were founded. Industrial and trading cooperatives, if they continued to function at all, were unable to flourish because of the economic conditions. Meanwhile the authorities

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63. Loc. cit., 8 Apr. 1943, Java Programs, pp. 251-252; "Investigations of tendencies among Indonesiant/ sic/, Batavia, 30 Oct. 1942, (typescript translation)t, pp. 1-3 (R.V.O. Document 006536-38)..



endeavored to maintain some control over Indonesian retailers by working with the several new warung associations that had been set up, a leading example of which has the Kemadjoean Ekonomi Indonesia (Indonesian Economic Progress) in Jogjakarta. <sup>64</sup>

Two Indonesian nationalist leaders exiled by the Dutch reappeared during this period and accepted the delicate task of appearing to work with the Japanese in order to further Indonesian preparations for independence. Mohammand Hatta, who had returned from exile in Banda and Soekaboemi, accepted an appointment as an economic adviser to the administration. He used the opportunity to collect his articles which had been printed in Indonesian periodicals during his exile, and published some in his classic Beberapa Fasal Ekonomi (Some Economic Matters). <sup>65</sup>

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64. "Jogjakarta Makloemat dari Barisan Propaganda kepada semoea toko-toko," Kan Po, II, No. 11, p. 12; Radio Djakarta, 23 Feb. 1944, Java Programs, p. 96; Selosoemardjan interview, Ithaca, 17 Feb. 1957. "The K.E.I." was founded originally for warungs in the city of Jogjakarta by RAMELAN Djojoadigoeno, owner of Toko Moerah and former chairman of the P.S.I.I. Economic Department. Later it expanded throughout the Koo (principality) of Jogjakarta. Dr. Soekiman, former chairman of the P.I.I., was active in it

65. Pakpahan, 1261 Hari Dibawah Sinar Matahari Terbit, pp. 14-15. Beberapa Fasal Ekonomi (Djakarta, 1942; 4th ed., 1950) eventually appeared in two parts and went through four printings in ten years. Vol. I, Djalan Keekonomi dan Kooperasi, was a plea for the cooperative form in "business". Hatta urged that people learn from the mistakes of past cooperatives and remember that cooperatives to thrive must be based on "solidarity" (readiness to work together) and "individuality" (which he identified as confidence in the cooperative), not "individualism." Ibid., pp. 21-26. Hatta considered the tragedy of the colonial period to have been the failure of allegedly many artificial attempts to create a strong Indonesian middle class, noting that people had not been content to await its arrival as a result of economic progress. Ibid., p. 80. Vol. II, Djalan Keekonomi dan Bank, which first appeared in book form in 1945, provided a history of banking in Indonesia. Two chapters argued at length why Muslims should accept the idea of banks and interest.



Ir. Soekarno only two days after returning from exile in Sumatra was required by the Japanese to speak in support of the Co-Prosperity Sphere. Yet most Indonesian businessmen, reading between the lines and possessing only limited means anyway showed no enthusiasm for contributing materially to the Japanese efforts at this time. Later in 1942, the two along with other leading Indonesians were appointed to a commission to study and advise on adat law and public institutions! One of its findings was that the country had been extremely backward in industry during the Dutch period, the consequences of which were being felt since the Indies were cut off from other countries! Accordingly, the commission recommended to the Military Administration that it set up large-scale industry, allegedly in order to help the war effort!<sup>66</sup> There is no indication that the Japanese heeded this advice!

Despite the imposition of a Japanese hierarchy, many Indonesian officials including those in the economic sectors were holding higher positions than they had held under the Dutch, and despite the fact that policy-making positions were not yet available, with increased responsibilities came excellent experience. Some, with increased salaries but fewer goods to buy, contributed funds to the Japanese authorities. However, the military occupation also brought more work, for effective 29 April 1942,

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66. "Indonesian leader lauds Nippon's great efforts", Syonan Times, 15 July 1942; Pakpahan, op. cit., pp. 17-18.

In order to develop Indonesia for independence, nationalist leaders at the start of the occupation made a compact whereby Soekarno and Drs! Mohammad HATTA agreed to assume positions in or near the Japanese military administration in order to use their influence on behalf of the population, and Soetan SJAHRIR and Mr! Amir SJARIFOEDDIN would work underground for this purpose. Cf. Sjahrir, Out of Exile, translated by Charles Wolf, Jr., (New York: John Day, 1949), pp. 215 ff.

Shortly after the Japanese Occupation began, Abikoeshno, an architect, reportedly was designated to set up an Indonesian Government. He reportedly chose Soekarno, also an architect, to be Minister of Traffic and Waterways. Pakpahan, op. cit., pp. 9-11. Nothing materialized at the time, but three years later Soekarno apparently returned the compliment.

the 3-hour afternoon siesta was ruled out! <sup>67</sup> Furthermore, labor regimentation under the Japanese started to make its appearance, first in the guise of the Malai Sumatra Romukanri Kyokai (Malaya-Sumatra Labor Control Office), set up to control all labor forces in the two areas. <sup>68</sup>

All things considered, by the end of their first year of occupation, the Japanese military authorities could look with satisfaction on the work of rehabilitating the economy of Djawa and Madoera, and to some extent even in the other islands. Moreover, the rehabilitation had been accompanied by a marked degree of Nipponization. However, neither a Japanese-ruled administration nor a Japanese-run economy was what the Indonesians desired, and their enchantment with the new "elder brother" was quickly wearing off. Disillusion over the lack of even further Indonesian advancement in the administration and the economy was heightened by repeated evidences of stupidity and cruelty by the Japanese military and especially its secret police!

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<sup>67</sup>. Syonan Times, 28 Apr. 1942; "Yen 35,000 Given to Imperial Army and Navy," Syonan Sinbun, 15 March 1943. On Army Day, a Donation Committee in Semarang, headed by Dr. R. BOENTARAN Martoatmodjo, head of the city hospital, made such a donation. New government office hours of 9 to 5 replaced the old ones of 9 to 3. All shops were required to stay open from 9 to 9 in place of 9 to 7.

<sup>68</sup>. "Notice", Syonan Times, 27 Aug. 1942; "Authorities will 'Fully Safeguard' Interest of Labourers", ibid., 10 Sept. 1942. All labor suppliers had to register with the M.S.R.K.

~~CHAPTER~~ VIII: "NEW JAVA", "NEW SUMATRA", AND THE ECONOMY  
(1943/1944)

New Voices in the Administration

During the first year of the occupation Indonesia had experienced a remarkable rehabilitation of those segments of its economy devastated by the scorched-earth tactics of the Dutch. However, although propaganda for the Greater East Asia Co-Prosperity Sphere was intensified in 1943, Indonesia found itself contributing but unable to obtain the reciprocal advantages envisioned in its membership. The early hopes that the war would be quickly over soon vanished, and its prolongation only served to create new strains on the economy.

As early as 20 December 1942, at a conference in Djakarta of the top Japanese civil authorities, the Gunseikan, Lt. Gen. Okazaki, had announced that victory was still probably a long way off. Since one of the conditions necessary for achieving it was an increase in all kinds of production, he called on Djawa to assume more productive initiative in order to take its rightful place as a valuable member of the Sphere.<sup>1</sup>

The first anniversary of the conquest of Djawa, 9 March 1943, saw the celebration of the founding of Djawa Baroe (New Java), which became a shibboleth for obtaining additional support for the army and military administration in prosecuting the war, in order that the "supreme goal"--the Co-Prosperity Sphere--be achieved.<sup>2</sup> Since the chief interest of the

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1. "Pidato Gunseikan dalam permoesjawaratan pemerintah di Djakarta pada tanggal 20-12-2602", Kan Po, II, No. 10, pp. 9-10. Djawa's "place" came to mean serving as the number one source of labor in the Southern Regions. Cf. "Petoendjoek Soomubutyoo", ibid., III, No. 54, p. 12.

2. "Berita Gunseikanbu tentang Pergerakan Rakjat Baroe", 27 Feb. 1943, and "Pidato-pidato jang dioctjapkan dalam Rapat Besar oentoek marajakan hari Pambangoenan Djawa Baroe jang diadakan di Djakarta", ibid., II, No. 14, p. 3ff.

Japanese military authorities in the Indies had been economic--they sought to exploit the resources of the islands in the most effective way--they generally felt that ideas of independence or even increased nationalist political activity would only interfere with their plans. The command on Djawa, however, was more inclined towards encouraging the nationalists.<sup>3</sup> Accordingly, the "New Java" celebrations were made the signal for the establishment of a new movement on the island, the Poetera (Poesat Tenaga Rakjat--Center of the People's Power), headed by the Ampat Serangkai (Four-Leaved Clover) of Soekarno-Hatta-Dewantoro-Mansoer.<sup>4</sup> A couple of weeks later another anniversary, the birth of "New Sumatra", was celebrated,<sup>5</sup> but outside of Djawa, and especially in the areas under naval administration, the authorities felt no need for setting up a quasi-nationalist organization to mobilize the energies of the inhabitants.

<sup>3</sup>. Elsbree, Japan's Role in Southeast Asian Nationalist Movements 1940 to 1945, p.44. Only the Japanese Foreign Office favored granting the East Indies independence from the outset. See IMTFE Exhibit 1344, Course of Events Leading Up to Decision on Political Control and Revision of East Indies in Second World War, in ibid.

<sup>4</sup>. The Ampat Serangkai had headed a Badan Persiapan (Preparatory Board) set up in December 1942. Its other seven members were Mr. R. Samsoedin, Mr. R.M. Sartono, Sjarifoedin, Mas SOEKARDJO Wirjopranoto, Mas SOETARDJO Kartohadikoesoemo, R. Oto ISKANDARDINATA, and Mr. R.M. SOEMANANG Soerjowinoto. Although the board was primarily a group of politicians, Hatta was an economist, Sartono--between political stints in the late thirties--had helped set up a dozen smallholder rubber cooperatives and processing plants in Leuwiliang (cf. footnote 30, infra), Soetardjo and Iskandardinata had records of social-economic service, and Soemanang had majored in sociological-economic studies at the law school in Batavia. Cf. Djawa Baroe, (Djakarta), I Jant 1943, pp.4-5; Kami Perkenalkan!, pp.66, 126. Despite the early preparations, the military preferred to postpone action until the auspicious anniversary.

<sup>5</sup>. "Birth of New Sumatra Celebrations Conclude", Syonan Sinbun, 20 Mar. 1943.

The establishment of Roctera fell far short of Sockarno's and Hatta's requests for immediate independence! <sup>6</sup> But half a loaf was better than none, and so they set about to develop a nationalist movement. Unbeknownst to the Indonesians, Prime Minister TOJO Hideki, like the Japanese Foreign Office, favored independence for Indonesian. However, the Supreme Command insisted that direct Japanese control was necessary in order to secure the resources needed in the war. Consequently, at the Imperial Conference of 31 May 1943, it was decided to incorporate the Netherlands East Indies into the territory of Japan but to allow "political participation of the natives according to their abilities".<sup>7</sup>

On 16 June 1943, in a speech before the 82nd session of the Diet, Premier Tojo promised "participation in politics within this year to Malai, Sumatra, Djawa, Borneo, and the Soelawesi, according to their cultural conditions!" The promise in regard to Djawa was repeated on 7 July during Tojo's visit to that island, when he personally urged the indigenous inhabitants to work under the leadership of the military administration for final victory in the Greater East Asian war and contribute their utmost to the government and economy in building New Java. <sup>8</sup>

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6. During the visit in May 1943 of AOKI Kazuo, Minister for Greater East Asian Affairs, to Java, the two leaders had continually urged that independence be granted! Cf. "Interrogation of Rear Admiral MAEDA Tadashi at Changi Gaol, Singapore Island, between 31st May and 14th June, 1946" (typescript), p.9. (R.V.O. Document 006909); Djawa Baroe 15 Dec. 1943, p. 4.

7. IMTFE Exhibit 1344, op. cit., and Testimony of Tojo, IMTFE, pp.36,399, cited in Elsbree, op. cit., pp.47-48. The decision was kept secret in order to avoid Allied propaganda.

8. Transcript of Tojo speech in Japan Yearbook 1943-44, pp.200-202, cited in Elsbree, op. cit., p. 48; "Octjapan Perdana Menteri Toozyoo pada rapat besar oentoek menjatakan terima kasih rakjat", Kan Po, II, No. 23, pp. 7-8.



The following month, the Saikoo Sikikan, Lt. Gen. HAYADA Kumakichi, explained how increased political participation would come about! (1) Advisory boards consisting of "residents of Djawa" (virtually a euphemism for Javanese or Indonesians) of outstanding character and wisdom would assist the military administration: (a) at the seat of government, a Tyuuoo Sangi-in (Central Advisory Council); and (b) in each syuu, a Sangi-kai (Advisory Council. (2) Residents of skill and ability would be placed in important positions: (a) in the Gunseikanbu, as Sanyo (Adviser), for a Department; and (b) in the regional administration, especially in the syuu offices, as an "executive." <sup>9</sup>

In September, the Tyuuoo Sangi-in and the Sangi-kai were set up by decree! The Tyuuoo Sangi-in, a weak successor to the Volksraad, had the advantage of being--at least in its deliberative form--an all-Indonesia body. Although primarily a body of political leaders, economic matters were included among the matters on which it would render advice to the Saikoo Sikikan. Approximately a third of its original 43 members (three of whom were Chinese) had experience in the economy, including: <sup>10</sup>

Mas Aris, chief of the Tjeppe forestry office;  
Mr. R. Sundoro BUDHYARTO Martoatmodjo, lawyer and head of Porera (People's Trading Center) at Djember;

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9. "Keterangan Saikoo Sikikan tentang hal toeroet mengambil bahagian dalam Pemerintahan Negeri", 1 Aug. 1943, ibid., II, No. 24, pp. 10-11t

10. Much of the biographic material here and elsewhere in this chapter is drawn from Orang Indonesia Jang Terkemoeka di Djawa. See Appendix B. The council was "all-Indonesia" in the sense that all of its members including those of Chinese and Arab ancestry were permanent residents who considered Indonesia their home! Nationals of the metropolitan power had no seats on the council, although of course the Japanese secretariat provided a check on its activities. Among the members mentioned, Budhyarto, Hatta, and Samsi had been in the P.N.I.'s; Roosseno and Soeroso had been in Parindra; Wongsokocsoemo had been in both the P.N.I. and Parindra; and Sofwan and Wachid Hasjim had been in Nahdlatol Oelama.



Drs. Mohammad HATTA;  
 Vice chairman R.M.A.A. KOESOEMO ONTOYO, (former bupati and Volksraad member), president of the "Soetardjo Bank" and active in socio-economic affairs;  
 OEI Tjong Hauw, head of Oei Tiong Ham Concern, N.V. Kian Gwan, and subsidiaries;  
 R. Rooslan Wongsokoesomo, insurance company branch head, founder of the Indonesian Chauffeurs Union (and manager of Asia Raya and Djawa Shimbun branch offices in Soerabaja);  
 Ir. R. RCOSSENO Soerjohadikoesoemo, chief of District II (East Djawa) Public Works Office, at Kediri;  
 Ir. Mas Achmad SOFWAN, manager of the central plant of Scibu Djawa Djigio Kosha (successor to N.-I. Gas Mij.);  
 Dr. SAMST Sastrawidagda, head of a private administration and tax office;  
 Mas Soetisna Sendjaja, merchant, at Tasikmalaja;  
 Mr. R. Soenarko, lawyer, chief of Poetera economic section for Malang Syuu, and chairman, Perserikatan Pedagang2 Indonesia (Indonesian Merchants Federation) for Malang Syuu;  
 R. Pandji SOEROSO, (former Volksraad member and deputy-mayor of Modjokerto), ex-chairman of government and private employee labor unions;  
 K.H. Abdoel WACHID HASJIM, (former chairman of MIAI), merchant

Many of the elected or appointed members of the new Sangi-kai had also been active in the economy, and in the councils of Pati and Malang Syuu and Metropolitan Djakarta, at least half of the members were businessmen. <sup>11</sup>

Two of the first seven men designated Sanyo were assigned to departments in the economic sphere: R. PRAWOTO Soemodilogo, former Volksraad member, member of numerous government economic commissions, General Manager of the Perserikatan Pensioenan Soemipoetera (P.P.B.--Federation of Native

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11. Twelve of the Sangi-kai members listed in the "Who's Who" for Java had been active in economic affairs, four of them in agriculture! One with economic experience--Aris--headed a syuu council (Pati) and two were vice chairmen: Ir. Roosseno of Kediri, and Dasaad, the textile manufacturer, of Metropolitan Djakarta, respectively. At least six other businessmen were on the Metropolitan Djakarta advisory council, including Atmadipoera, merchant, Soepadiono, manager of a soap factory, R. M. Masihono and Bachri bin Marjasan, book-dealers, R. H. Oened DJOENAEADI, merchant and publisher, Ir. Sofwan, and Tjipto ALIMIN, printer (son of the P.K.I. leader). However, active Muslim candidates topped the list in most of the Djawa syuu elections. Cf. Hatta, op. cit.; Radio Tokyo, 1 and 6 Oct'. 1943, Java Programs, pp. 34,36; Soeara Asia, (Soerabaja), 17-28 Sept'. 1943.

Pensioners) and a founder (in 1936) of the Centrale Pensioen Bank, went to the Sangyoobu, and MOCHTAR bin Praboe Mangkoe Negara, former Volksraad member and director of the Batavia Regency Works and the Tandjong Priok Port Facilities, to the Kootuubu.<sup>12</sup>

The fourth part of the plan for increased political participation called for appointments to actual positions within the administration, rather than to advisory posts. In March an examination system for appointments and promotions had been introduced, and on 1 July came a revision of civil service ranks and salaries patterned after the system in Japan.<sup>13</sup> The first appointment of an Indonesian to head a department of the central administration coincided with the first appointments as chief of the syuu (residency) administration. All three were members of Senior Civil Service Class-2 (the highest then occupied by Indonesians--a rank which included Soekarno and Prof. Mr. Dr. R. Soepomo).<sup>14</sup>

Three others promoted to ~~SCS-3~~ and assigned as Chief of Syuu Keizaibu (Economic Section) were: R.M. ISO Reksohadiprodjo (ex-head of the Agriculture and Fisheries Office at Semarang) for Bogor, R. Dendadikoosoema

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12. "Pengoemoeman tentang"pengangkatan Gunseikanbu Sanyo", 4 Oct. 1943, Kan Po, II, No. 28, p. 29. Soekarno became Sanyo for the Soomubu (Department of General Affairs), the most powerful department in the Gunseikanbu.

13. Syonan Sinbun, 19 Mar. 1943; Djawa Baroe, 15 Dec. 1943, pp. 3,5. Three major personnel levels were set up.

14. "Pengangkatan Syuutyookan bangsa Indonesia", 10 Nov. 1943, Kan Po, II, No. 31, p. 4. Significantly, this announcement referred to "Indonesian nationals" instead of "residents of Java". Prof. Dr. Pangeran Ario Hoesein Djajadiningrat, former Acting Director of Education and Religious Affairs under the Dutch, became Syuumubutyoo--Director of the Department of Religious Affairs; Mas Soetardjo became Syuutyoo (Residency Chief) of Djakarta Syuu; and R.M.T. Ario Soerjo, Syuutyoo of Bodjonegoro Syuu.

(ex-Patih of Djakarta Kabupaten) for Banten, and Mr. R. Ali Sastroamidjojo (ex-public attorney and Deputy Chief of the Soerabaja Syuu Administrative Section) for Madoera. Although there were no Indonesians in the top executive levels of the central administration--except for the Department of Religion-- a number were appointed in the echelons immediately following, and many of these were eventually to rise to positions of great importance in economic affairs". The Zaimubu had thirty-five Indonesians of Senior Civil Service rank, headed by two of SCS-4, namely Mr. M. Slamet general adviser on tax affairs, and Dr. M. Aboetari, Chief of the Soerabaja Tax Office". The Kootuubu had twenty-five Indonesian senior officials, headed by three of SCS-4, namely Ir. Herling LAOH of the Bandoeng Public Works Office, Ir. R. Soerjomihardjo, Chief of the Irrigation Section, Eastern Public Works Office, and Ir. Pangeran Moehamad NOOR, Chief of the Bondowoso Irrigation Office. About half of the former had degrees in law--the closest field then available in Djawa for persons"interested in finance or economics, and two-fifths of the latter had degrees in engineering from Bandoeng.<sup>15</sup> Most of these men had received their first official experience during the last few years of the Dutch administration".

The key department in the economy, the Sangyoobu, was originally dominated by the Japanese. However, a few experienced Indonesian officials were designated for executive positions.

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<sup>15a</sup> "Pengoemoeman tentang pengangkatan, pemetjatan dan pemindahan Pegawai Negeri Tinggi" [henceforth "PPNT"], 25 Sept. 1943, Kan Po. II, No. 28, p. 33,40-41,45. Among SCS-5 officials of the Zaimubu were Mr. Soetikno Slamet, R. Achmad Natanegara, Mr. R. Lockman Hakim, Mr. R. SJAFROEDIN Prawiranegara, Mr. R. Abdurachim KARTADJOEMENA, Mr. R. Socgiarto, and Mr. Mas Saubari; among the SCS-5 Kootuubu officials were Ir. R. Djoeanda, Ir. Mananti SITOEMPOEL, Ir. R. Anonda, and Ir. Roosseno".

These included: <sup>16</sup>

- Ir. R.M. Pandji SOERACHMAN Tjokroadisoerjo (SCS-4 Technical), previously head of the Small Industries Information Sub-section, to Chief, Central Industrial Office;
- Ir. TEKSO Soemodiwirjo (SCS-4 Technical), former head of the Cooperatives and Internal Trade Section, stayed on as Chief of the renamed Central Cooperatives Office in the Bureau of Trade;
- Ir. DARMAWAN Mangoenkoesoemo (SCS- Administrative), Chief, Soerabaja Syuu Industry Section, a position he had already held for ten years;
- R. Soerasno (SCS-4 Administrative), continued on as Chief, Office of General Economic Affairs;
- R. Soetisno (SCS-4 Technical), Sangyoobu official;
- R.M. MARGONO Djojohadikoesoemo, formerly with the A.V.B., headed the Cooperatives Section in the Central Cooperatives Office;
- R. Soeleiman SOERIAATMADJA (SCS-5 Administrative), formerly secretary of the A.V.B. board of directors, to Chief, Western Djawa Cooperatives Information Office, at Djakarta; and
- Mr. R. KASMAN Singodimedjo (SCS-5 Technical), Chief, Agricultural Information and Inland Fisheries Section in the Bureau of Agriculture,

In November 1943, a large part of the administrative affairs of the four KOO (principalities) in central Java, including numerous economic powers, were restored to the princes by the Gunseikanbu. This enhanced the position of such officials as Mr. R.M. SUNARIA (Kalapaking), an LL.B. from Leiden who had formerly lectured at the College of Literature and Philosophy at Batavia, and who was the new Superintendent of the Mangkoenagaran Enterprises, and Ir. R.M. SOEPARDI Prawirodipoero" (SCS-4 Technical), who for nine years had been Chief of the Jogjakarta Industry Section". <sup>17</sup>

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16. "PPNT", Kan Po, passim; Kami Perkenalkan, p. 95". Kasman later became a Daidantyo in Peta. During the Dutch period Darmawan" was believed destined to become head of the Industry Division. Hubertus J. van Mook, Indonesië Nederland en de Wereld, (Amsterdam: De Bezige Bij, 1949), p. 137.

17. "Pengoemoeman Gunseikanbu tentang penjerahan oeroesan pemerintahan kepada Koo", 15 Nov. 1943, Kan Po, II, No. 31, p. 5; "Pendjelasan Pengoemoeman Gunseikanbu," ibid., II, No. 32, pp. 17-18.

In order that the peoples of the occupied areas could further appreciate the greatness of Japan and her efforts in carrying on the Greater East Asian war, inspection teams of leading local residents were sent to Japan. A twenty-man delegation was selected for Djawa headed by Mas Soetardjo (who, while abroad became Chief of Djakarta Syuu), on which there were four officials from the economic sector, namely, Ir. Soerachman, R. Achmad Natanegara, R. Soetijo (Chief of the Forestry Section, Djakarta Syuu), and Soemarsono (official in the Kaizi Sookyoku--Bureau of Maritime Affairs). Several days after an audience with the Saikoo Sikikan on 31 July 1943, the delegation departed for Japan. After several weeks of touring and indoctrination, it returned to Djawa on 1 November. <sup>18</sup>

Sumatra was also permitted a degree of local autonomy. Following negotiations with higher authorities, the Sumatra Military Administration had been allowed to separate itself from that in Malai, although it was still responsible for providing food for Syonan and Malai. However, Indonesian participation was only permitted on an advisory basis on the syuu (provincial) level, where Sangi-kai's were set up, starting with one in Atjeh, which convened on 8 December 1943. During October a fifteen-man party of Sumatrans, headed by Teukoe Mohammad HASAN, made their inspection tour of Japan. <sup>19</sup>

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18. "Penetapan oetoesan ke Nippon", Kan Po, II, No. 24, pp.16-17; Djawa Baroe, 15 Aug. 1943, pp.6-7; ibid., 15 Nov. 1943, p.6; Radio Tokyo, 2 Nov. 1943, Java Programs, p. 70.

19. Radio Tokyo, 21 Sept., 4 and 23 Nov. 1943, Sumatra Programs, pp.1,17, 29; Elsbree, op. cit., pp.112-113; Piekaar, Atjeh en die Oorlog met Japan, pp.220,344ff. Of the 30 members of the Atjeh Syuu Sangi-kai only three had economic experience, of which one was an uleebalang (noble) former tax collector, one was an oelama (religious leader)--Teungkoe Sjech Ibrahim--and head of a silk enterprise at Montasie, and one a merchant. At this time the Sangi-kai was also introduced into Malai and North Borneo.



Several months after Djawa and Sumatra, the areas administered by the Navy, which had been set against any Indonesian independence from the outset, were permitted an increased pseudo-autonomy with Sangi-kai on the regional levels. The first was inaugurated at Manado Syuu (for northern Soelawesi) on March 1944, after which others were established in Makassar (for southern Soelawesi), Singaradja (for the lesser Sundas), and Bandjarmasin (for Southern Borneo). Several municipal advisory councils were also set up later.<sup>20</sup>

On 5 November 1943, after the two groups of Indonesian tourists had returned safely home, a Conference of Greater East Asia was held in Tokyo, with delegates from the several autonomous countries. Indonesia, of course, was not invited. However, on 10 November, Soekarno (chairman of the Tyuwoo Sangi-in), Hatta, and Ki Bagoes Hadji Hadikoesoemo (chairman of Moehammadijah) left Djakarta by plane for a two-week visit of Japan as a delegation to express the thanks of the people for the increased participation in the government and their intention to work for final victory in the Greater East Asian war. Soekarno pressed Premier Tojo for independence for Indonesia, but in view of his government's policy at that time Tojo confined himself to evasive replies.<sup>21</sup>

The Tyuwoo Sangi-in held its first session in Djakarta from 16 to 20 October 1943, and suggested four steps be taken to speed up the achievement of final victory for the nations of Greater East Asia. Three of the four were of an economic nature. First, it was proposed that an organization be formed to register workers and provide them for placement in other areas.

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20. Radio Singapore, 8 Apr. 1944, Celebes Program, p. 1; Radio Tokyo, 8 Dec. 1943 and 16 May 1944, ibid., pp. 8-9. Manado, Bandjarmasin, and Makassar had the first such municipal councils.

21. "Pengoemoeman Cunseikanbu", 12 Nov. 1943, Kan Po, II, No. 31, pp. 4-5; Elsbree, op.cit., p. 49; Kahin, op.cit., pp. 106-107; Zorab, op.cit., p. 15.



Second, it was recommended that the spirit of tolong menolong (mutual help) be strengthened, wiping out the attitude of self-profit and self-interest, by establishing neighborhood associations". It was suggested that people should economize on foodstuffs, by such means as ceasing to hold salamatans (feasts) or receptions; economize on textiles by simplifying their dress; try to produce items for their daily needs themselves; and make savings deposits. Third, it was recommended that output of foodstuffs and textile fibers be increased (by planting rami on tea estates and cotton and kapok on empty lots and in backyards), and that regional industries, including handicrafts, be established to meet the people's needs.<sup>22</sup>

The recommendations of the first session of the Tyuuoo Sangi-in reflected two things". First, the economy of Djawa was steadily deteriorating as the lack of shipping cut off vitally needed consumer and capital replacement goods and as the Japanese Army continued to drain the region of raw materials and local manufactures". Second, the recommendations themselves of this first session were probably as much the product of the Japanese as the Indonesians, for although no Japanese sat as member of the council"it had a Japanese secretariat, was well briefed by the Gunseikanbu, and offered some typically Japanese solutions.

#### Roomusha and Rooken Totangga

Only two weeks after the Tyuuoo Sangi-in's first session ended, plans to obtain increased (low-cost) manpower were implemented with the establishment of a Roomu Kyookai (Labor Board) in each syuu to register workers." "Volunteers" for labor were drafted, and by the end of the year groups of

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22. "Tyuuoo Sangi-in", Kan Po, II, No. 29, pp. 3ff.; "Djawaban Ke-4 Bunkakai atas Pertanyaan Saikoo Sikikan", ibid", II, No. 30, pp. 7-10.

such laborers, called Roomusha, were being sent to perform heavy labor outside their home regions and even outside Djawa and the Indies. By March 1944, the first labor mobilization plan had been concluded, and a second one was under preparation.<sup>23</sup>

Shortly after the recommendation to establish neighborhood "associations (Rockoen Tetangga) based on the spirit of tolong-menolong (gotong-rojong-- mutual aid), the Tonari Gumi was introduced on Djawa modeled after the Japanese prototype. In addition to such assigned duties as fire-protection and air-raid defense, they assisted in the distribution of food and other rations. In Jogjakarta, they were credited with a universal savings campaign, in which each of 41,240 households would make regular monthly deposits in the postal savings banks. In short order, the Tonari Gumi made its appearance elsewhere in the Indies.<sup>24</sup>

#### Local Autarky and New Estate Controls

In regard to the council's last proposal, already on 2 August the Toozyoo Zyuusan-Kai, the Tojo Foundation for Constructing Small Industries and Providing Work, had been established, with funds which the Premier had left for such purposes at the conclusion of his visit to Djawa! Such a

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<sup>233</sup> "Pengoemoeman Pemerintah berhoeboeng dengan pembangoenan Djawa Baroe jan" ke-2", Kan Po, III, No. 39, p.23; "Keterangan Tyuuoo Sangi-in Zimukyokutyoo", ibid., III, No. 43, p.23; Djawa Baroe, 15 Dec. 1943, p. 8; Asia Raya, 21 Dec. 1943; Radio Djakarta, 22 Mar. 1944, Java Programs, p.144! The new R.K.s had broader powers than the old Roomuka (Labor Branch) of the Naimubu (Department of Internal Affairs) or the local Roomu Kyoku (Labor Office). The Roomusha had been told that they might work outside Java, but not outside the country. Pakpahan, op. cit., pp. 45-46.

<sup>24</sup>. Radio Tokyo, 13 Jan. 1944 and Radio Djakarta, 24 Feb. 1944, Java Programs, pp. 94,256; Radio Tokyo, 8 Mar. 1944, Celebes Program, p. 7; Aziz, Japan's Colonialism and Indonesia, pp.222-223; Elsbree, op. cit., pp.126-127. One of the earliest was set up at Manado!

body was to be set up in each syuu to assist in creating household industries and encourage household gardening, and to assist each desa and larger political unit in establishing a special industry. The plan aimed at self-sufficiency on the regional, local, and household level and encouraged cooperation among neighboring units. The T.Z.K. began to supervise plants producing such items as mixed-fiber textiles, wrapping paper, soap, iron implements, and straw mats. <sup>25</sup>

Meanwhile, new regulations were tightening the administration's control over the economy while endeavoring to induce increased production. To increase rice production inter-ken (kabupaten) and inter-syuu contests were held in mid-1943 on Djawa. However, any production increases--in view of large portions reserved for the Japanese Army on Djawa and elsewhere--did not preclude hoarding by the farmers, which was induced by the fall in the purchasing power of the Japanese occupation rupiah along with the growing shortage of other consumer goods. This led late in the year to regulations on the syuu level requiring all padi producers to sell "a portion of" their padi at very cheap prices to specified Soimaigyo Kumiai (rice-milling associations). Even rice set aside for planting or for home consumption fell subject to what in effect became requisitions for the military. <sup>26</sup>

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25. "Pendirian. 'Toozyoo Zyuusan-Kai'", Kan Po, II, No. 24, pp. 17-19; Radio Tokyo, 11 Feb. 1944, Java Programs, p. 208. Ninety per cent of the employees of the T.Z.I. industries were women.

26. "Garis-garis besar tentang perloembaan oentoek menambah penghasilan padi", Kan Po, II, No. 22, pp. 21-22; "Djakarta Syuurei No. 2: peratoeran tentang padi dan beras" and "Djakarta Syuu Kokuzyi No. 3", 15 Nov. 1943, ibid., II, No. 32, p. 49.

The system of forced deliveries had its political as well as physical consequences. Since the local Indonesian Pangreh Pradja (administrative service) had the unpleasant job of overseeing that such deliveries were made, their task earned not a few of them the enmity of the rural population. The second session of the Tyuuoo Sangi-in, meeting at the end of January 1944 to consider the assigned agenda of proposing ways of increasing the Javanese contribution to the war effort, was informed that one way was to increase agricultural output. However, Mr. Samsedin sharply criticized the conditions under which farmers were experiencing food shortages, and he proposed that they be left more rice for their own needs! As a result, several months afterwards he lost his seat on the council. When discontent among the farmers spread, the Nahdlatol Gelama leader Nyahi Zainal Mustafa capitalized on it and on 18 February 1944 started a short-lived revolt at Singaparna near Tasikmalaja.<sup>27</sup>

Sumatra continued its drive towards self-sufficiency in food by such means as converting sections of plantations to rice. Eventually, a quarter of a million hectares of old tobacco estates in the Deli region were parcelled out among the population. Not only former estate workers were encouraged to take up farming, but farmers from less fertile areas in the hills moved down into the old estate lands. To get increased output of food, it was announced in August 1943 that each ken had to increase food cultivation by an additional 500 ha. each year. In addition to stressing

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<sup>27</sup>. Kan Po, III, No. 36, pp. 15ff.; Pakpahan, op. cit., pp. 49-50; Benda, "The Crescent and the Rising Sun, pp. 206-207. Many of the Pangreh Pradja, however, tried to act as a buffer between the Japanese authorities and the population and secretly encouraged only partial fulfillment of such regulations. Mr. Samsedin was appointed Mayor of Soekaboemi, a job which took him away from the capital. A revolt in Kaplongan desa near Indramayoe in late June 1944 was similarly ascribed to the rice regulations.

a maximal cultivation of rice, increased production of potatoes, tapioca, corn, and other cereals was encouraged. Soelawesi, also striving for self-sufficiency in food, inaugurated a five-year plan in 1944 and opened a special office in Makassar to work for increased agricultural production.<sup>28</sup>

Controls in estate agriculture were intensified in June 1943 when the S.K.K.K. was replaced by an expanded Saibai Kigyoo Koodan (Estates Board), which supervised certain important estates, controlling their cultivation as well as crop sales through a permit system. It was also authorized to aid other, "non-supervised" estates with similar crops, and to assist smallholders through purchasing, storing, and selling their products. In addition to estates producing the four originally specified products, those producing sisal and cantala, kapok, and cacao--some of which, unlike the four original products, were considered to be of strategic importance and in short supply--were brought under S.K.K. control. Since coffee and tea were non-essentials, a start was made to convert cultivation of such estates to special crops, and the local population was encouraged to plant foodstuffs on such land. In addition, some previously neglected coffee and tea estates were turned over to the syuu and other official bodies for such purposes. A start was also made to convert tea factories for other purposes.<sup>29</sup>

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28. Radio Tokyo, 15 Jan., 14 Feb. 1944, Sumatra Programs, pp.22,26; Aziz, op. cit., p.189; Piekaar, op. cit., p.222; Radio Tokyo, 4 Dec. 1943, 10 Jan., 2 Feb. and 16 Mar. 1944, Celebes Program, pp.28,38.

29. "Osamu Seirei No. 19 tentang mengawasi peroesahaan keboen", 18 June 1943; "Makloemat Gunseikan. No. 9-11", and "Pondjelasan Osamu Seirei No. 19 tentang mengawasi peroesahaan keboen", Kan Po, II, No. 21, pp.3-8. Economisch Weekblad voor Nederlandsch-Indië, XII (1946), 13-14. The estate companies, like the Chinese ricemills, had become little more than agents of the government boards. As a result of the conversion program, out of 220 tea factories on Djawa in 1941, 170 were eventually closed down.



Although estate rubber production on Djawa virtually ceased, several smallholders in West Djawa were permitted a limited production. Their output was controlled through a restricted system of licenses, which channeled sales through two trading organizations, one Sundanese and one Chinese.<sup>30</sup>

After the Sumatra Military Administration separated from Malai, the Syonan Rubber Association ceased operations on the island on 30 November and was replaced by the Sumatra Agricultural Association, which in addition to rubber estates, supervised oil palm, tea, tobacco estates, etc. But after the promulgation of the Sumatran Enterprises Law on 12 January 1944, the Sumatra Agriculture and Forestry Association was established, uniting all operators in these fields.<sup>31</sup>

Indonesia could not take advantage of its monopoly position in kapok abroad, but since ninety per cent of its kapok was produced by indigenous farmers, the Gunseikanbu announced that in order to protect their livelihood, kapok would be bought up by the Zyuuyoo Bussi Koodan (Vital Commodities Board) in the same manner followed hitherto by the S.K.K. Later in the year a Japanese company, the Senda Syokai K.K. was given monopoly rights in the purchase of kapok, which was brought under stricter control.<sup>32</sup>

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30. "Pengoemoeman Saikbai Kigyoo Koodan Bagian Gomu Kanrika tentang peratoeran oentoek karet anak negeri dipoelau Djawa", 23 Aug. 1943, Kan Po, II, No. 26, pp.37-38. The trading organizations were Koperasi Karet "Leuwiliang" of Bogor (see footnote 4, supra) and Chung & Sien Kongsi of Djakarta.

31. Radio Tokyo, 25 Nov. and 3 Dec. 1943, 26 Feb. 1944, Sumatra Programs pp. 28-29.

32. "Pengoemoeman Pemerintah tentang pembelian kapoek dan bidji kapoek" 23 Sept. 1943, Kan Po, II, No. 28, pp.25-26; "Malang Syuu Makloemat No. 29 tentang membatasi pendjoealan dan lainlainnja terhadap kapoek (serat), bidji kapoek dan koelit kapoek", 11 Oct. 1943, and "Malang Syuu Makloemat No. 21 tentang membatasi pemindahan barang-barang keloeat dari Malang Syuu", ibid., II, No. 29, pp.37-38.



About the same time that the system of control for other estates was being revised, all production of sugar estates and mills was brought under the direct control of another government agency, the Toogyoo Koodan (Sugar Board), with head office in Soerabaja. By the end of August 1943 all Dutch personnel were interned. Then as production was cut, some of the sugar mills which had been restored to operation--like a number of old and reserve mills--were subsequently converted to the manufacture of fuels, caustic soda, etc., or their equipment was put to use in other industries and in mining both inside and outside Djawa. <sup>33</sup>

The Military Administration intensified its control over domestic trade when another control board (referred to above), the Zyuuyoo Bussi Koodan, was set up in May 1943 to buy, sell, store, and otherwise control vital commodities which had grown scarce. Besides a division for other vital goods, it had one for agricultural products, which replaced the Syokuryoo Kanri Zimusyo. The population was required to register or turn in a growing list of vital goods and was strictly forbidden to send such goods, as well as foodstuffs, outside their home syuu. <sup>34</sup>

In the field of vegetable oils, as sales of oil-bearing seeds and nuts were further controlled, the Mitsui B. K., which already had monopoly

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<sup>33</sup>. "Osamu Seirei No. 14 tentang Toogyoo Koodan", 5 June 1943, and "Pendjelasan Osamu Seirei No. 16", Kan Po, No. 20, pp. 7-9, 14-15; Radio Tokyo, 24 Dec. 1943, Java Programs, p. 221; Zorab, op. cit., pp. 92-93; Economisch Weekblad voor Nederlandsch-Indië, XII (1946), 39.

<sup>34</sup> "Osamu Seirei No. 14 tentang Zyuuyoo Bussi Koodan", 26 May 1943, and "Pendjelasan Osamu Seirei No. 14 tentang berairinja 'Zyuuyoo Bussi Koodan'", Kan Po, II, No. 20, pp. 3-5, 12; Radio Djakarta, 27 Apr. 1943, Java Programs, p. 137; Economisch Weekblad voor Nederlandsch-Indië, XII (1946), 161. The list included surplus oil cans, gunny sacks, batik materials, medicines, metal wares. The Z.B.K., capitalized at f.30 million, had its head office in Djakarta.

distribution rights over coconut oil, was given sole purchase rights for peanuts in September 1943. In Borneo and Soelawesi, where all coconut oil factories were reported working at capacity, the Copra Control Association supervised the purchase of copra and its distribution to Djawa and lands abroad".<sup>35</sup>

As crop shortages continued, in some parts of Djawa holders of "unused lands" (meaning empty land or land planted with unimportant crops) began to receive orders to cultivate such land with foodstuffs or special crops. Those with land planted with tea, coffee, and other "luxury crops" were also subject to such orders. Within a few months it was reported that Malang Syuu had converted 7600 ha. of coffee and tea estates to corn and had tilled an additional 10,000 ha. of uncultivated land.<sup>36</sup> Yet despite the accent on growing necessities, the authorities acquiesced to requests of some smallholders in Priangan to be permitted to grow native green tea again, a crop which the Dutch had prohibited to them".<sup>37</sup>

On 10 July 1943, the Djawa Tobako Jogjakarta Koozyoo began operating the former N.V. Negresco cigar plant at Jogjakarta. Soon its production of cigarettes far exceeded the pre-war output. Meanwhile, under the supervision of the Japan Tobacco Manufacturing Company, South Soelawesi

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35. "Malang Syuu Makloemat No. 17 tentang membatasi pendjoealan dan lainlainnjaterhadap katjang tanah", Kan Po, II, No. 28, p.51; Radio Tokyo, 9 and 14 Jan. 1944, Celebes Program, pp. 28, 44-45.

36. "Malang Syuu Makloemat No. 22 tentang mengoesahkan tanah jang tidak dipergoenakan", 24 Nov. 1943, Kan Po, II, No. 32, p.52; Radio Tokyo, 6 Dec. 1943 and 19 Mar. 1944, Java Programs, pp. 154, 183. Some Malang and Djember Syuu coffee estates were also converted to vegetables.

In the city of Kediri householders were told to plant half of their yard with castor oil plants and the other half with food. "Kediri Si Makloemat", 1 Jan. 1944, Kan Po, III, No. 38, p. 39.

37. Radio Djakarta, 28 Jan. 1944, Java Programs, p. 183.

embarked on a largescale tobacco cultivation program early in 1944 aiming at self-sufficiency for the region by the end of the year.<sup>38</sup>

The cotton cultivation program received renewed attention Djawa in 1943, and local farmers were induced to deliver raw cotton to Japanese companies in return for a permit to buy sarongs cheaply. The five-year plan for rami cultivation finally got underway, and 70,500 acres of former coffee plantations in East Djawa and other thousands of acres of former tea estates in West Djawa were planted in rami. Hemp, too, received renewed attention as a possible textile fiber on Djawa and Sumatra, and in parts of Sumatra silk reeling shops were set up. But indicative of the steady impoverishment of the population in the field of clothing was the announcement that peasants in Banten were making clothing out of the bark of the terap tree.<sup>39</sup>

#### Other Production

As textiles grew scarcer, controls on them too grew tighter. The Kigyo Toosei Kai, which heretofore had controlled the manufacture and wholesale of textiles, now took over supervision of the retail trade. Textile retailers had to register and specify at the time the nationality of the store owner and manager. A system of textile rationing was hereby inaugurated.<sup>40</sup>

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<sup>38</sup>. Asia Raya, 13 July 1945; Radio Djakarta, 22 Dec. 1943, Celebes Program, p.42. Within a few months cigarettes were being produced in South Soelawesi. Cf. Radio Tokyo, 30 June 1944, ibid.

<sup>39</sup>. "Berita Gunseikanbu tentang pembagian saroeng istimewa oentoek penanam kapas", 27 Aug. 1943, Kan Po, II, No. 26, p.30; "Rentjana 5 tahoen tentang menambah penghasilan rami", ibid., II, No. 19, p.5; Radio Tokyo, 22 Nov. 1943 and 21 Apr. 1944, and Radio Djakarta, 25 Mar. 1944, Java Programs, pp.192-193, 216; Radio Tokyo, 15 Feb. 1944, Sumatra Programs, p. 37.

<sup>40</sup>. "Makloemat Soerabaja Syuu Kigyo Toosei Kai tentang sekalian pedagang-ketjil (etjeran) kain-kain tenoon dan barang-barang dari kain, jang bertempat tinggal dalam Soerabaja Syuu", Kan Po, II, No. 17, pp.20-21; "Kediri Sityoo Makloemat tentang pembelian tjita-tjita, dsb.", ibid., II, No. 20, p. 23.

Outside Djawa, the growing shortage of clothing also necessitated a drive for local production of textiles. In Soelawesi spinning and weaving of yarn at home increased. Weaving output in northern Soelawesi increased markedly as new plants were built and looms for them arrived. Meanwhile, in June 1943, a sack factory was opened at Pare-Pare. On Sumatra, the installation of Japanese looms in Padang and Lampong helped to ameliorate the textile shortage<sup>41</sup>. But the report that the population at East Coast Sumatra had been given hand spinning machines to spin such fibers as those from pineapple leaves, banana trees, and hemp was only further proof that clothing conditions were still getting worse.

The several military administrations attempted to continue industrialization of their respective areas in efforts to make them self-sufficient. Among the new industries opened on Djawa in 1943 were two glass factories at Bandoeng, typically using broken glass as a material. Djawa's largest food canning plant opened Christmas Day. And it was reported that old Dutch pillboxes near Tegal had been converted to charcoal furnaces. In Soelawesi a number of industries were newly opened or converted from other production. Products for home consumption included soap, bricks, and rubber goods. A cement plant was reportedly under construction, and because of the difficulty of getting salt from Madoera, a one-year production plan was put in operation in September 1943. On Sumatra a new policy implemented early in 1944 with the promulgation of the Enterprises Law coordinated the efforts of the military control offices and civilian companies. In the first period of its program local resources and facilities were to be used

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<sup>41</sup>. Radio Makassar, 23 May and 2 July 1943, Celebes Program, p. 51; Radio Tokyo, 1 Feb. and 14 Apr. 1944, ibid., p. 31; Radio Tokyo, 15 Jan., 14 Feb., and 22 May 1944, Sumatra Programs, pp. 22, 26, 36.

to the utmost in seeking self-sufficiency". The production of margarine, soy sauce, wine, agricultural implements, nails, bricks, and chinaware was about sufficient to meet demand, and already each province had its own soap plant". It was hoped too that the island's paper plant could eventually meet Sumatra's needs".<sup>42</sup>

#### Public Utilities and Transport

On 1 April 1944 the management of the former Dutch-owned electric power companies on Sumatra, which had been operated by the provincial administrations, was turned over to the Nippon Power Transmission Company, with head office in Padang. Previously this company had only worked in the construction or repair of facilities. This shift to private hands was later paralleled on Djawa.<sup>43</sup>

During the second year of occupation efforts were made to build large numbers of wooden vessels, partly to compensate for the loss of shipping available for the Indies. Soelawesi reported that a number of wooden vessels had been launched, and in Sumatra the program was put under a new Department of Shipbuilding. But although Soerabaja celebrated its first large vessel launching in May 1943, the anticipated production on Djawa of boats and Diesel-engines to propel them was very disappointing. To improve the calibre of work of some of the local carpenters, early in 1944 the

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<sup>42</sup>. Radio Djakarta, 7 May and 29 Dec. 1943, Java Programs, pp. 220, 226; Radio Tokyo, 21 Apr. 1944, ibid., p. 228; Radio Tokyo, 7 Apr., 27 Sept., and 14 Dec. 1943, 21 Feb. and 12 Mar. 1944, Celebes Program, pp. 29, 45-46, 50, 56; Radio Tokyo, 15 Jan., 11 and 14 Feb., 16 and 31 Mar., 1944, Sumatra Programs, pp. 21, 27, 33-34.

<sup>43</sup>. Radio Tokyo, 9 Apr. 1944, Sumatra Programs, p. 35; Radio Tokyo, 11 Oct. 1944, Java Programs, p. 228.

Djakarta Zosenko Yoseisyo (Djakarta Training Station for Ship Builders) was opened.<sup>44</sup>

The second year also brought changes in the organization of land transport. By June 1943, a road circling Bali--on which the Japanese had impressed three thousand residents--was completed. On 1 June the Djawa Rikuyu Sokyoku (Bureau of Land Transport) set up a Kounso Eigyobu (Freight Transport Section) which began operating Kounso trucking enterprises on the highways and in a number of cities. A Zidoosya Eigyobu (Motor Transport Section) took over bus operations. Later in the year a system of licensing motor transport companies was instituted, and any changes in the operations, including change of nationality of the operator had to be reported to the R.S. To control and assign priorities to trucks, busses, and automobiles, the following April the Minami Serebesu Zidoosya Hokokudan (South Soelawesi Motor Vehicle Loyalty Association) was organized in Makassar. Similar organizations were set up elsewhere in the east.<sup>45</sup>

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<sup>44</sup>. Radio Tokyo, 29 Jan. and 25 May 1943, 25 Oct. 1944, Java Programs, pp. 43, 240, 288; Radio Tokyo, 4 Dec. 1943, Celebes Program, p. 28; Radio Tokyo, 14 Feb. and 2 Mar. 1944, Sumatra Programs, pp. 22, 25; "Sekolah toekang membikin kapal di Djakarta", Kan Po, II, No. 32, p. 54.

<sup>45</sup>. Radio Tokyo, 2 and 30 Apr. 1944, Celebes Program, pp. 30, 57; Radio Tokyo, 1 Jan. 1944, Java Programs, p. 235; "Pemberitahuan Resmi tentang pengangkutan", Kan Po, II, No. 20, p. 26; "Bahagian Gunseikanbu, Kootubu, Rikuyu Sokyoku: Memboeka Perocsahaan Kounso", ibid., II, No. 21, p. 17; "Osamu Scirei kanrei No. 12", etc., ibid., II, No. 32, pp. 6-12. Republik Indonesia: Propinsi Djawa Timur, (Djakarta: Kementerian Penerangan, 1953), pp. 194-195. The land transport sections on Java were the predecessors of the post-war DAMRI.



In the area under naval administration, however, water transport was most important. The Nishi Boruneo Kisen Unsookai (West Borneo Shipping Transport Association) was established for the major rivers to include both local and Japanese operators. Makassar, the Makassarukoo Sempaku Yusoo Noritsu Sokushin Kyoogikai (Makassar Port Council for the Promotion of Shipping Transportation Efficiency) was set up, and a Maritime Service Association for native seamen was organized, with branches in Manado, Bandjarmasin, and Soerabaja.<sup>46</sup>

At the time of the Dutch surrender, 80 to 90 percent of the 2500 registered Indonesian seamen from Djawa were either aboard Dutch vessels that had fled or had returned home to the other islands. It was consequently deemed urgent that ship officers be trained for the many vessels which it was anticipated would soon be coming down the ways. From March 1943 on courses were inaugurated at Seamen's Training Institutes in Djakarta, Tegal, Semarang, Tjilatjap, and Madocra, to retrain older seamen to become ships officers or to train new seamen. A similar institute at Makassar set up to train youths from the entire naval administration area attracted a large number of Balinese, a group which formerly showed little interest in navigation. Sumatra set up a training institute at Padang.<sup>47</sup>

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<sup>46</sup>. Radio Tokyo, 2, 7, and 30 Apr. 1944, Celebes Program, pp. 29-30, 58-59.

<sup>47</sup>. "Koersoes Pelajaran akan diadakan", Kan Po, II, No. 14, p. 15; "Tentang 'Koersoes Pelajaran' yang diadakan oontock pegawai-kapal rendahan" and "Pendjelasan Pngocmoeman Pemerintah tentang 'Koersoes Pelajaran'", ibid., II, No. 15, p. 16; "Berita Gunseikanbu", ibid., II, No. 20, p. 15; "Berita Gunseikanbu tentang pemboekaan Koersoes Pelajaran di Semarang", ibid., II, No. 24, pp. 14-15; Radio Tokyo, 5 Mar. and 24 Nov. 1943, 6 Mar. and 28 Aug. 1944, Java Programs, pp. 288-290, 297; Radio Tokyo, 2 Apr. 1944, Celebes Program, pp. 29-30. When the course

Educational opportunities slowly expanded, and although pupils received heavy doses of political propaganda, broader economic and technical training was becoming available. In April 1943 Djawa's first public commercial schools were opened, and a year later on 1 April 1944, the engineering college at Bandoeng was reopened at the Bandung Koogyoo Daigaku (Institute of Technology). Ir. Soerachman (promoted to SCS-3) was assigned the additional task of teaching at the college, and Ir. Roosseno (who had become SCS-4) left the Tyuuoo Sangi-in to teach there.<sup>48</sup>

Students who distinguished themselves in the various secondary schools or who otherwise attracted the attention of the military administration, were permitted to compete in examinations for further study in Japan, where their studies were coordinated by the Kokusai Gakuyukai (International Students Institute).<sup>49</sup>

#### Banking and Capital

The banking business displayed increased activity during the second  
opened at Semarang in August 1943, Chineseperankans for the first time were permitted to join indigenous students; Radio Tokyo, 5 July 1944, Sumatra Programs, p. 57.

48. Radio Tokyo, 16 June 1943 and 3 April 1944, Java Programs, pp. 282, 284; "PPMT", 20 Apr. 1944, Kan Po, III, No. 42, p. 30; "Berita Gunseikanbu tentang mendirikan Sekolah Dagang Negeri", ibid., II, No. 21, pp. 8-10. On 31 August 1945 Roosseno (SCS-3) became head of the college. Ibid., IV, No. 74. Other Indonesian teachers at the college were Ir. Goenarso, Ir. SOEWANDI Notokoesomo, Ir. Soenarjo, and Soetan Mochtar ABIDIN (a financial inspector during the early part of the occupation, who also set up an affiliated secondary school--the Sen Mon Bu). Republik Indonesia: Daerah Istimewa Jogjakarta, (Djakarta: Kementerian Pencerangan, 1953), pp. 727, 787.

49. Radio Tokyo, 23 and 28 Apr. 1943, Java Programs, p. 295; Elsbree, op.cit., p. 106. During 1943, 23 students from Djawa were selected for such study.

year of the occupation as the military administration poured more money into circulation. On Djawa the Japanese banks were designated depositories for the governments of most of the Si (cities), and the Syomin Ginko, for the most of the Ken (kabupaten). A case the reverse of Indonesianization occurred in Soerabaja where nine months after the Syomin Ginko had been designated as the city's depository, the Taiwan Ginko was named in its stead. Business also picked up for the Syomin Ginko after it was given the business of advancing credit to the Seimaigyo Kumiai (Rice Milling Associations) at the start of 1944, replacing the Taiwan Ginko. On 1 January 1944 nineteen branches reopened on Sumatra, and on 26 April the Syomin Ginko for the Lesser Sundas was set up in Singaradja as the old Dutch interest rates on deposits and loans were respectively raised and lowered.<sup>50</sup>

The most noteworthy financial phenomenon of this period was the new drive for increased savings inspired by the military administration, and echoed, as we have seen, by the Tyuwoo Sangi-in. In the absence of available consumers goods, a great number of persons--many of them indigenous inhabitants--for the first time began making bank deposits. A campaign was launched among the Chinese of Djawa to make monthly deposits in postal savings. Moreover, since the small producer-consumer was just as much a target for the savings program as the wealthier members of the community, to attract his savings the interest rate on postal

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<sup>50</sup>. "Peratoeran keoeangan Ken dan Si", Kan Po, II, No. 16, pp. 7-10; "Soerabaja Syuu Makloemat: Pemegang kas Soerabaja Si", ibid., III, No. 36, p. 35; Radio Tokyo, 9 and 11 Feb., 7 Mar. 1944, Sumatra Programs, pp. 46, 49; Radio Tokyo, 27 Apr. 1944, Java Programs, p. 254; Laporan Bank Rakyat Indonesia tahun 1953, I p. 13; Piekaar, op.cit., p. 225. By 1 April 1944, the Yokohama Syookin Ginko had 14 branches in operation on Sumatra. It picked up 2 more in the next 5 months.

savings was raised from 2.14 percent to 3 percent! Already by the end of 1943, when the campaign was gathering momentum a record of 300,000 persons on Djawa had postal savings, 95 percent of them Indonesians, but total deposits of f. 4,260,000 (of which 72 percent was Indonesian)--in the absence of Dutch depositors--were less than nine percent of the amount in the Postspaarbanks throughout the Indies in 1940. In Sumatra, postal savings were resumed in February 1944.<sup>51</sup>

After a year of examining the deposits of the nine enemy banks, the liquidators coordinated by the Tekisei Ginko Seisan Zimusho (Office of Enemy Bank Liquidation) were authorized to make the first (and in reality only) repayments to ex-depositors submitting claims during November 1943. Japanese residents were given priority, but whereas under earlier liquidation regulations they were to receive repayment in full and other residents in decreasing percentages, as an indication of the feeling of good will of the Military Administration towards all the residents of Java, all uninterned nationals were permitted to receive back up to 30 percent of their money. The fortunate ones were urged to redeposit the money in Japanese banks or in the post offices.<sup>52</sup> The Taiwan Ginko commenced

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51. "Kediri Si Makloemat tentang menaboeng ocang", Kan Po, II, No. 22, p. 33; Radio Tokyo, 25 June and 23 Sept. 1943, 2 Feb., 22 and 25 Mar. 1944, Java Programs, pp. 64, 119, 256, 260; Radio Tokyo, 21 Feb. 1944, Sumatra Programs, p. 50; Djawa Baroe, 15 Dec. 1943. In February 1943, the Department of Propaganda had launched a song on "savings."

52. "Berita Pemerintah tentang pengembalian ocang jang disimpan dalam Bank-Bank jang lama" and "Perberitahocan tentang pengembalian ocang jang disimpan dalam Bank-Bank jang lama", Kan Po, II, No. 30, pp. 4-5; "Report of the liquidation proceeding of enemy banks in Java by Hiroshi Yamamoto", cited in Scheffer, Het Bankwezen in Indonesie sedert het Uitbreken van de Tweede Wereldoorlog, pp. 39-41; Radio Tokyo, 30 Oct. 1943, Java Programs p. 255.

making liquidation payments in the Naval Administration area in September 1943.<sup>53</sup>

In practice the liquidation seldom meant an increase of liquid assets for the old depositors, for after the fraction of their deposits to be paid back was ascertained, outstanding taxes were collected from it, and the repayment was made in installments which soon turned into forced savings in Japanese banks. And, of course, the money actually recovered was worth only a fraction of the value of the original deposits. At the end of March 1944, the work of liquidation was turned over to the Nanpo Kaihat'su Kinko.<sup>54</sup>

The liquidation of eight private savings and mortgage banks got underway at the beginning of March 1944, and half a year later repayments up to 30 percent of the deposits were begun.<sup>55</sup>

In an attempt to control further investments in large-scale trade and industry and also to acquire the funds necessary for such investment, the Djawa Saikoo Sikikan promulgated a law regulating the use of capital on 15 January 1944. The Sikin Tyoosei I-in Kai (Commission to Regulate the Use of Capital) was established to implement the law on behalf of

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<sup>53</sup>. Soeara Asia, 9 Sept. 1943; Radio Tokyo, 9 Sept. 1943, Celebes Program, p. 63. Liquidation started on the three banks in Makassar (J.B., M.I.H.B., M.I.E.M.), after which it was begun in North Soelawesi and South Borneo.

<sup>54</sup>. Scheffer, op.cit., pp. 41-43.

<sup>55</sup>. "Osamu Seirei No. 10 tentang menyoebah Oendang-oendang No. 44, tahoen 2602", Kan Po, III, No. 37, p. 4; Radio Tokyo, 23 Feb. and 29 Aug. 1944, Java Programs, p. 255. The 8 banks were: Algemeene Spaar-en Depositobank, Algemeene Centrale Bank, Bataviasche Spaarbank, Band-oens'sche Spaarbank, Gemeente Spaarbank Soerabaja, Spaarbank te Semarang, Javasche Hypotheekbank, and M. I. Hypotheekbank.



the Military Administration. When applying to the Gunseibonbu for permits to borrow, companies had to submit estimates of their capital needs for one-year periods, and banks intending to lend over f.10,000 to one person were also required to obtain permits. In practice Japanese business were favored. However, the other goal of the law--to check inflation by getting the people to increase deposits and thereby build up funds for investment--had little success.<sup>56</sup>

Trade became more of a problem during the second year. To facilitate trade within Soelawesi, a Local Production Board was established in several cities in April 1943. Then on 24 January 1944 the two-year old prohibition against imports and exports by the population of Djawa was replaced by a decree setting up a system of licenses issued by the Kaizi Kyoku (Bureau of Maritime Affairs). In view of the shipping shortage, however, these regulations could not materially facilitate inter-insular or foreign trade.<sup>57</sup>

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56. "Osamu Seirei No. 3 tentang peraturan pemakaian uang modal", "Osamu Kanrei No. 1: Peraturan tentang Sikin Tyoosei I-in Kai", and "Pendjelasan Osamu Seirei No. 3", Kan Po, III, No. 35, pp. 4-7, 11-12; Radio Tokyo, 15 Jan. 1944, Java Programs, p. 249; Radio Tokyo, 21 Feb. 1945, Sumatra Programs, p. 51. Sumatra followed with a similar law a few months later. The following January the Djawa law was tightened further. "Osamu Seirei No. 1", Kan Po, IV, No. 58, pp. 10-13.

57. "Osamu Seirei No. 4 tentang peraturan mengawasi barang export dan import", "Osamu Kanrei No. 2: Peraturan tentang mengawasi export dan import", Kan Po, III, No. 36 pp. 3-4, 8-10; Radio Tokyo, 4 Apr. 1943, Celebes Program, p. 33; Radio Tokyo, 18 Mar. and 27 Apr. 1944, Java Programs, pp. 131, 143. Djawa was reportedly exporting sugar, salt, and cigarettes, primarily to Malai, crude rubber, latex, oxhide, castor beans, and quinine to Japan. Imports of coal, cement, palm oil, and timber came from Sumatra, and dried and salted fish from Borneo and Soelawesi.



### New Organizations

During the second year of occupation there had been increased participation allowed the residents of Djawa in the administration of the island. But as nationalism was de-emphasized, Islam and its role in the "holy" Greater East Asia war was stressed. On 22 November 1943, the Madjelis Sjoero Moeslimin Indonesia (Masjoemi--Consultative Council of Indonesian Muslims) was allowed to be established with K.H. Hasjim ASHARI as chairman.<sup>58</sup>

From April 1943 on youth were being incorporated in the Seinendan (Barisan Pemoeda--Youth Corps), originally restricted to indigenous youths. They were told that they were to assist in the development of the Co-Prosperity Sphere by training and performing "voluntary" work in factories, on farms, and in fisheries and navigation, as well as sweeping streets and participating in other public works.<sup>59</sup> In September recruitment of Indonesian youths to serve as Heiho (Reserve Soldiers) began. They were organized in army units usually as supply and support troops and attached to Japanese armies fighting on fronts "from Burma to New Guinea."<sup>60</sup> Indonesians were also recruited as reserve sailors, especially in the naval areas. And in October the Djawa Saikoo Sikikan granted conspicuous "requests" of local politicians that a Kyodo Boei

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58. "Berita Gunseikanbu", kan Po, II, No. 32, p. 26, Masjoemi was apparently a reincarnation of MIAI, which had been required to liquidate three weeks earlier, possibly because it was a heritage of the Dutch Period. Moehammadijah and Machdathoel-Oelama had become officially recognized on 10 September 1943, with Ki Bagoes H. Hadikoesomo and K.H. Abdoel Wahab Kasboellah as respective chairmen. Cf. Soeara Asia, 13 Sept. 1943.

59. "Djawa Seinendan", etc., kan Po, II, No. 18, pp. 4ff; Djawa Baroe, 15 Dec. 1943, pp. 4,6; Aziz, op.cit., pp. 224-226.

60. Djawa Baroe, 15 Dec. 1943, p. 7; Aziz, op.cit., p. 229.

Giyu Gun or Sockarela Tentara Pembela Tanah Air (Volunteer Army of Defenders of the Homeland), usually known as Peta, be established. A number of skilled young men were selected as officer trainees for possible use in the defense of Djawa.<sup>61</sup>

#### Djawa Hookceckai

Since the decision in Tokyo had been not to foster Indonesian independence, indigenous nationalism was continually played down in these and other new organizations, and emphasis was placed on loyal service and on the "family" of the races of Greater East Asia. Potential points of friction had allegedly disappeared along with the Dutch. Accordingly, since the Chinese, Indian, and Arab residents had generally proved to be compatible, restrictions were lowered, and representatives of these racial groups (especially the Chinese, who were far more numerous) were gradually permitted and--in the case of government sponsored campaigns and movements--even required to participate in organizations along with the indigenous population.<sup>62</sup>

The Japanese authorities now decided that it was time to rationalize their control over the entire population of Djawa and to enforce greater exertions on behalf of the war effort by a new organization, a new movement. On 8 January 1943 accordingly, the new organization was

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61. "Osamu Seirei No. 44", 3 Oct. 1943, Kan Po, II, No. 28, pp. 19-24; Aziz, op.cit., pp. 226-228; Kahin, Nationalism and Revolution in Indonesia, p. 109.

62. "Osamu Seirei No. 52 tentang mengoeubah Osamu Seirei No. 4, tahoen 2603" and "Pondjelasan Pemerintah", Kan Po, II, No. 33 (I), pp. 6,8. On 15 December 1943 the Chinese were freed from restrictions on their movements. The announcement warned, however, that if the Chinese failed to appreciate the measure and acted in a spirit contrary to it, e.g., violated economic prohibitions, the travel restrictions would be re-applied to them.

announced: The Djawa Hookookai (Himpoenan Kebaktian Rakjat--Poetera's Loyalty Organization). It was emphasized that everybody was expected to apply his energies towards the achievement of Djawa Hookookai, which became the central body for the Tonari Gumi. Soomubutyoo (Chief of the Department of General Affairs) Col. YAMAMOTO Meichiroo explained that the people should acquire the spirit of o-messi, should be willing to sacrifice themselves to the cause by discarding the feeling of self-interest, which arose from the individualism and liberalism taught by England and America. The loyalty of o-messi, it was explained, contained the essence of friendship and fraternity.<sup>63</sup>

At the time of the founding of the Djawa Hookookai, Poetera was liquidated "at its own request," along with the Kakyoc Sookai. The nationalists were rendered relatively powerless, for although Soekarno was appointed Director of the Central Office in Djakarta and some Indonesians headed departments within that office, the Djawa Hookookai was effectively controlled by a hierarchy of Japanese officials headed by Maj. Gen. KOMBU Shinshitiro, the Gunseikan, as Soesai (Supreme Executive). The Djawa Hookookai was officially established on 1 March, and swearing-in ceremonies were held on the 9th, the second anniversary of the Day of Foundation of New Java.<sup>64</sup>

63. "Amanat Saikoo Sikikan tentang hal mendirikan badan baroe oon-toek kebaktian pendoeboek", etc., kan Po, III, No. 34, pp. 11-22; kahin, op.cit., p. 110.

64. Charter in kan Po, III, No. 37, pp. 14-16. Cf. "Pengoemoeman Berdirinja Djawa Hookookai--Himpoenan Kebaktian Rakjat dengan resmi", ibid., III, No. 38, p. 25; "Amanat Saikoo Sikikan pada Hari Pembangoenan Djawa Baroe jang ke-2" etc., ibid., III, No. 39, pp. 18-27; Radio Singapore, 1 Mar. 1944, Java Programs, p. 87.

In Sulawesi the Hookeikai was initially set up in November 1943, but the Chinese inhabitants were kept in an organization apart from the Indonesians, in the Chinese Overseas Association which was renamed Hokuang (Light of Peace). The Chinese Merchants Association of Makassar, which had participated in the distribution of commodities as an organ of the municipal office, also changed its name, and reputedly casting aside its "conservatism", pledged itself to promote construction and insure peace and order.<sup>65</sup> On 27 March 1944, the anniversary of the Rebirth of Sumatra was celebrated,<sup>66</sup> but the island was not yet ready for so all-inclusive an organization as the Hookeikai.

As the demands of the Japanese war machine grew and it became apparent that victory in the Greater East Asia war was not just around the corner, Japan looked increasingly to the Indies, and especially to Djawa, for greater support of the war effort. In consequence, although the second year of occupation brought increased opportunities for training and experience in many fields to the indigenous Indonesian, the continued drain on the fragmented economy by the military was not compensated by sufficient increases in output and so resulted in a continual lowering of living standards of these Indonesians. The economy, reflecting the political structure, continued undergoing Nipponization.

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<sup>65</sup>. Radio Tokyo, 27 and 28 Feb., 25 July 1944, Celebes Program, pp. 10, 21.

<sup>66</sup>. Radio Tokyo, 12 March 1944, Sumatra Programs, p. 18. The Hookeikai did not appear in Sumatra--and then only a Syuu basis--until October 1944. Cf. Piekaar, op.cit., p. 236.

## CHAPTER VIII: THE NEW ECONOMIC ORDER (1944/1945)

The third year of the Japanese occupation brought to the Indies a number of new developments as the fortunes of war turned sharply against the Japanese, and as the military authorities throughout the archipelago tried with little success to inspire the impoverished population to continue to bend every effort towards the vanishing victory.

Although half way through the year the Japanese authorities were to reverse themselves and offer Indonesia eventual political independence, economic matters and problems ~~dominated~~ the scene in the earlier months, especially after the announcement that the Djawa Military Administration was considering the formation of a new order for the people's economy.

A conference of Keizaibutyoo (Chiefs of the Syuu Economic Sections) which opened at Djakarta on 14 April 1944, commenced in the routine fashion, stressing increased production, as had so many other conferences before and new ones would afterwards. The officials were urged to bring about an increase in agricultural output through a variety of methods, including improved seedlings and fertilizer. Food production in 1943 had not reached desired heights, and the outlook for 1944 was not much better. Stress was put on increasing djarak output for the use of the Army. And, of course, further efforts had to be made in increasing output of fibers and local processing of them into textiles.

The last item on the agenda, however, was something new. The Soomubutyoo explained that for some time the Administration on Djawa had permitted residents an increasing participation in government and the defense. Now, since it was necessary that the Army have all necessary goods for its defense efforts, it was time to plan for a more perfect economy for the people of Djawa, taking into consideration their desire to

strengthen their economy and to assist in the joint prosperity of the future.<sup>1</sup>

On 29 April, the Military Administration of Djawa announced the formation of a New Economic Order for the people of Djawao. This step, it was felt, was in accord with the aims of the Greater East Asian war which was a powerful "Holy War", aiming at returning all lands, nations, economics, and cultures in Greater East Asia into "our hands" in the original condition. Greater East Asia, based on progress to mankind through co-prosperity, was being freed from the oppression carried on by the Americans and English in the name of liberalism and humanity. The people were warned, however, against too high anticipations of quick benefits, for they had been left very weak economically during 300 years of oppression--years when they had been left to become simpletons. But it was still possible to hope for progress and prosperity, they were told.<sup>2</sup>

Five measures were announced for implementing the new economic order:

- (1) develop new economic ideals through a strong movement. The old individualistic economic order characterized by freedom to seek profit for oneself had to be destroyed and replaced by a regulated economic order which emphasizes public service, loyalty, and living and prospering together. Furthermore, the Jewish-type of economy which pursued luxury and happiness for oneself had to be supplanted by the economic morality of the east, which stresses work and thrift. The Djawa Hookoo Kai was the logical vehicle for implementing this plan.
- (2) provide opportunities for leaders in the people's economy to participate in the administration of economy. This included appointing such men as members of government committees on the

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1. "Petoendjock Soomubutyoo dalam Permoesjawaratan para Keizabutyoo dari selocroeh Djawa", Kan Po, III, No. 41, pp. 12-14. A similar conference at Bockitinggi in the previous August had covered much the same ground without, of course, the new proposal, and Sangi-kai sessions throughout the Indies were continually confronted with similar agendas. Cf. Radio Tokyo, 7 Aug. 1943, Sumatra Programs, p. 4.

2. "Pengoemoeman Pemerintah tentang membentock Socsoenan Perekonomian Baroe oentoek rakjat di Djawa", Kan Po, III, No. 42, p. 14.



economy, e.g. the price control committee, and as advisers in industrial affairs! In private Japanese companies the number of skilled workers from the local population was to be increased as far as possible.

- (3) encourage the development of enterprises by the local population. Suggested means included the transfer of some enemy-owned enterprises under Army supervision to qualified persons, the placement of skilled persons in the organization for collecting and distributing important commodities, the development of leadership in technical and industrial fields through training, and the providing of economic and technical aid by the administration.
- (4) maintain and advance the welfare of the organizations of the people's economy! The arbitrary establishment of trading companies would be ended and competition between them wiped out. The cooperative system was to be perfected, as well as the distribution system. Roekoentetangas were to be used as purchasing cooperatives and for organizing markets. All this would be complemented by steps to regulate commodity distribution, money circulation, and prices, and where necessary new bodies were set up.
- (5) kindle the working spirit of the farmer, fisherman, forester, and labor in general, and attempt to expand their practical knowledge and technical skills. Courses and technical training would be offered. Creative efforts would be inspired and assisted through providing materials and tools and appropriate tryouts!

That same day in a radio speech which explained the principles for the New Economic Order the Soomubutyco, Maj. Gen. Yamamoto, again drew some invidious comparisons between the economy espoused by the Japanese and that of the enemy! Taking a cue from National Socialist Germany, he found the Jews at the root of most economic troubles. Specifically, he announced that they controlled politics and the economy in America and England, and the Dutch were their tools. Through a policy of divide and rule among separate groups of Asians, the Jews in America and England had subjected and colonized one million nationals of Greater East Asia. Their economic policy in their east Asian colonies was based on individualism and liberalism. With the slogan of "free-competition",

they had become comparable to adults, while the backward East Asian countries were still like children. The radio audience was told to realize that the spread throughout the world of liberal economy had been caused by the propaganda of "slippery and sly" Jewish economic experts, that such an economy was solely in their own interests and contained artifices intended to destroy the entire Greater East Asia. Conversely, the New Economic Order was based on the primeval goals of the Imperial Japanese Empire, the Hakko Itiu (World Family), which would create co-prosperity among all nations through expending energy and strength according to the respective capacity and situation and through working together in an atmosphere of brotherhood just like a cordial and peaceful household. To guarantee the unity, progress, and prosperity of the billion in Greater East Asia, the economic order had to be just and honorable in accord with the profound inner culture of East Asia and retain the sublime morality of the East Asian nations, Yamamoto declared.<sup>3</sup>

#### New Agencies for the People's Economy

To make the preparations necessary for putting the above principles into operation and to plan the measures for the first year, the Djawa Zyumin Keizai Sintaisai Kensetu Zyumbi Iinkai (Panitia Persiapan oentoek Membentoeck Soesoenan Perekonomian Baroe--Preparatory Committee for Establishing the New Economic Order for the People of Java) was set up in the Gunseikanbu. It consisted of fifty-three members, almost equally divided between Indonesians and Japanese. (See Appendix C.)<sup>4</sup>

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3. "Pidato Radio Soomubutyoo", *ibid.*, pp. 17-19.

4. "Azas-azas oentoek mendirikan Soesoenan Perekonomian Baroe", *ibid.*, pp. 15-17; Radio Tokyo, 30 Apr. 1944, Java Programs, p. 132.

The preparatory committee was headed by Nomura, Kikakukatyoot (Chief of the Planning Branch) of the Soomubu, and divided into five sub-committees: General Affairs, Enlightenment, Enterprise Planning, Cooperative Organization, and Banking, which were enjoined to work out measures for stepping up Djawa's economic strength without losing sight of realities. At the committee's first meeting, on 20 May, preliminary decisions were made. Two more meetings were held during the next two months, at one of which Oto Iskandardinata (chairman of the second sub-committee) proposed that the position of the farmer be improved and capitalistic attitudes be avoided by socializing the distribution of sawah (paddy fields). His sub-committee recommended i.e., that all national groups be given an opportunity to work in the economic field in a spirit of brotherhood, and urged that Chinese, Arabs, and Indonesians with capital or economic experience replace the old profit seeking attitude with one based on public interest. The third sub-committee (headed by Takaku of the Soomubu) recommended that related enterprises be combined in kumiai (cooperatives) and workers in doogyookai (labor associations). A program for Indonesianization was outlined, including: (1) Enemy estates were to be transferred to qualified residents, who would plant needed crops; (2) Enemy livestock farms were to be transferred to skilled residents; (3) Small rubber mills were to be built in smallholder rubber regions; and (4) While industries already owned by the resident population would be maintained, enemy small and medium-scale industries would be transferred to their entrepreneurs. On 22 July the recommendations were sent on to the Gunseikanbu.<sup>5</sup>

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<sup>5</sup> Asia Raya, 25-26 July 1944, Radio Tokyo, 22 May, 25 July 1944, Java Programs, pp. 97, 132-133. Iskandardinata, general manager of "the

Following some of the committee's suggestions, the Gunseikanbu set up the Zyuumin Keizaikyoku (Kantor Perekonomiah Rakjat--Bureau of the People's Economy), administered by the Sangyoobu. Among duties assigned to it were: form an advisory board of economic leaders; establish in all syuu, societies to promote industry; subsidize inventions, work, and study important to the war effort; provide technical training; subsidize persons entrusted with the management of enemy estates; subsidize plant expansion of producers of wartime goods; and enlighten the population about living in a wartime economy. The bureau had three branches, Soomuda (General Affairs Branch) concerned with administration and liaison with other offices; Kigyooka (Enterprises Branch), to promote enterprises of the local population in agriculture, small industry, animal husbandry, **fishing**, commerce, etc.; and Kumiaika (Cooperatives Branch) to provide guidance for cooperatives. At first Mr. Soerachman headed the Kigyooka, then in February 1945 it was taken over by Mr. Sunaria (new SC-3 from the Fonds Mangkoenegaran). Ali Sastroamidjojo left Madoera to become the bureau's Sanyo.<sup>6</sup>

daily Tjahaja of Bandoeng, had become Chief of the Projects Bureau of the Djawa Hookookai.

6. "Pengoemoeman Pemerintah tentang mengadakan Zyuumin Keizaikyoku", 4 Aug. 1944, Kan Po, III, No. 48, pp. 15-16; "PPNT, 25 Feb. 1945, *ibid.*, IV, No. 65, p. 20; Radio Tokyo, 4 Aug. and 19 Nov. 1944, Java Programs, pp. 141-142. The term "perekonomian rakjat" is generally used to cover small-scale indigenous trade and industry, including those organized as cooperatives. Mr. R. M. Sarsito Mangoenkoesoemo, chief of the Mangkoenegaran irrigation works, replaced Sunaria as Superintendent of the Fonds Mangkoenegaran.

### Work and More Work

Five times during 1944 the Tyuwoo Sangi-in was called, and each time the Saikoo Sikikan asked how the people could be inspired into greater productivity to carry their share of the war burden. And each time the question seemed to grow more desperate as the Allied Forces drew closer and closer to Indonesia.<sup>7</sup>

In addition to recommendations on defense, the Tyuwoo Sangi-in had provided at its January session a series of suggestions to improve agricultural output. The Gunseikanbu implemented some of them, and it restored supervision of the domestic trade in foodstuffs to the Sangyoobu, in which it set up a Syokuryo Kanri Kyoku (Foodstuffs Control Bureau) on 1 April. At its April session the Council took the cue and suggested that the selfish

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7. "Pendjelasan Soomubutyoo", Kan Po! III, #36, op. 15ff.; "Pertanyaan Saikoo Sikikan kepada sidang Tyuwoo Sangi-in jang ke-3", ibid., III, #42, p. 11. At the Council's second session, on 30 January, it was told that 1944 would be the crucial year which determined victory or defeat. At its third session, on 25 April, the Saidoo Sikikan remonstrated that the actions of the people indicated that they were still not free of the artificial Jewish-like atmosphere of the government from Netherlands Indies times, and that quarrels were again rising between persons of different nationality, work, or rank. If the Holy War was not won, he warned, the happiness of all nationals, working classes, and ranks would completely disappear.

While some racial discord was apparently continuing on Djawa, the Sumatra Soomubutyoo complimented the inhabitants of Bangka and Billiton for good relations. Radio Tokyo, 26 July, 1944, Sumatra Programs, p. 23.



Dutch-Jewish vestiges be wiped out by strengthening the spirit of gotong-rojong (mutual assistance) in a life based on kekeluargaan and called for more social and cultural contacts between the several nationalities.<sup>8</sup>

Kekeluargaan (from keluarga--family) is an Indonesian concept of a close family-type relationship among people, in which all work for the common good, and each has rights and obligations related to his position in the group, receiving where necessary, guidance from their leading members. Like the Hakko Itiu it is opposed to what it conceives to be the extreme forms of individualism or liberalism--perhaps"without recognizing the possibility of modifications. However, it is generally not applied on a world-basis like the Hakko Itiu, in which the paternalism of Japan is implicit.

The fourth session of the Tyuuoo Sangi-in, which met 12 August, was marked by the unanimous acceptance of a resolution introduced by K.R.T. dr. RAKJIMAN Wedyodiningrat to fight to the death alongside the Japanese Army in continuing the holy war until final victory. This resolution which was not specifically called for in the Saikoo Sikikan's request may have been window-dressing for a greater and more immediate problem which had steadily been growing worse.<sup>9</sup>

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8. "Azas-Djawaban Pertanyaan Saikoo Sikikan kepada Sidang Tyuuoo Sangi-jang kedoca", Kan Po, III, #36, pp. 20ff.; "Keterangan Tyuuoo Sangi-in Zimukyokutyoo..." and "Djawaban atas pertanyaan Saikoo Sikikan pada sidang Tyuuoo Sangi-in jang ke-3", ibid., III, No. 43, pp. 23-30; Economisch Weekblad voor Nederlandsch-Indie, XII (1946), 161.

9. "Poetoesan Sidang Tyuuoo Sangi-in", ibid., III, No. 49, pp. 25-26. Dr. Radjiman, a retired physician and **former** Volksraad member, operated a farm in East Djawa. Iskandardinata seconded his motion, and Soekarno called it a declaration of war of all the residents of Djawa on America, England, and the Netherlands. Cf. "Pidato Radio Soomubutyoo tentang arti kepoetoesan 'Perdjoeangan matimatian'", ibid., III, No. 50, pp. 13-16.



The session also **discussed** the recurrent economic problems, but it had actually been called to recommend ways of getting more work out of the Roomusha. True, the Gunseikanbu had evidenced a need for closer attention to labor affairs and only a week before had set up a Roomu Kyoku (Office of Labor Affairs) for this purpose. But having received reports of the neglect and even cruelty with which Japanese overseers had treated Roomusha assigned to heavy labor in distant lands as well as in work-gangs elsewhere in the Indies, the councillors felt themselves called on to try to intervene in their behalf. During the discussion, K. H. Mas Mansoer recommended **establishing** a system of decorations for deserving workers, Ki Hadjar DEWANTORO recommended that the old notion of labor for remuneration be replaced by one of labor as mutual aid based on the family system, and Ki Bagoes urged all Muslims to work in the war effort." But it was Oto Iskandardinata (now head of the Badan Pembantoe Peradjocrit--Soldiers Aid Board) who declared that because of the growing demand for workers they should be aided by private welfare bodies.<sup>10</sup>

In their reply to the Saikoo Sikikan, the Council asserted that the terms boeroeh (laborer) and koeli should be replaced by "perdjocrit pekerdja" (work-soldier), and the old attitude toward labor had to be changed. Labor output was to be increased not only by a rationalization of work in domestic industries--including **replacing men with women where possible**--but by an improvement of morale through better **working** conditions and good examples. / Awards

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10. "Pengoemoeman Pemerintah tentang mendirikan Pedjabatan Oeroesan Perboeroehan", 3 Aug. 1944, ibid., III, No. 48, p. 15; Radio Singapore, 14 Aug. 1944, Java Programs, p. 16; Radio Tokyo, 16 Aug. 1944, ibid., p. 151.

The R.K. (which was assisted by the syuu labor offices) had 3 sections: for labor mobilization, for labor supervision, and for protection of workers' families.

Iskandardinata had headed the only non-economic sub-committee at the first session of the Tyuuoo Sangi-in, the one concerned with supporting Peta. The B.P.P. also came to be known as Badan Pembantoe Pembelaan (Defense Assistance Agency).

should be given and compensation increased where possible. Concerning the work-soldier, attention had to be given to his income, food, clothing, housing, health, and entertainment, and his family had to be cared for, and (following Iskandardinata's proposal) for these purposes it was recommended that a welfare society be set up.<sup>11</sup>

In response to the Tyuuoo Sangi-in proposals on labor, a Propaganda Pioneers Front was set up to bring about changes in attitudes towards labor. Some wages were raised to keep up with rising prices. Persons were organized by the Barisan Pekeraja Soekarela (Kinroo Hoosi Tai--Volunteer Workers Corps.) to contribute their services for short periods on public projects near their homes. And to assist workers and their families a Badan Pembantoe Perdjoerit Pekeraja (Kinroo Senshi Engoka--Work-Soldiers Aid Board) was set up on 1 December 1944 by the Djawa Hookookai. Central Councilors Hatta and Soc-kardjo became chairman and secretary-general respectively.<sup>12</sup>

As mobilization continued, Eurasians were brought into the Barisan Pekeraja Soekarela program. Groups on Djawa were put to work repairing roads, cultivating vegetable gardens, raising hogs, cutting wood, and operating machines in factories. Chinese youths also worked in the B.P.S. and many volunteered for shipwright training.<sup>13</sup>

11. "Djawaban Sidang Tyuuoo Sangi-in atas Pertanyaan Saikoo Sikikan", Kan Po, III, No. 49, pp. 22-26; Shortly afterwards, Soekarno and Iskandardinata respectively volunteered for a week's work with the Roomusha and led groups to perform such labor in West Java. Pakpahan, 1261 Hari Dibawah Sinar Mata Hari, pp. 73-74.

12. "Keterangan Zimukyotkutyo...", ibid., IV. No. 62, pp. 37-41; Asia Raya, 6 February 1945; Aziz, Japan's Colonialism and Indonesia, P. 240; Indonesia Merdeka, Djakarta, 10 May 1945, pp. 5-6; Radio Tokyo, 5 Sept. 1944, Java Programs, pp. 152. The B.P.P., also called the Badan Penolong Pradjoerit pkerdja, was commonly known as B.P.<sup>3</sup>. The laborers were at times referred to as perdjoerit-ekonomi (economic-soldiers). And, a system of labor decorations was finally initiated in March 1945.

13. Radio Tokyo, 11 July, 6 Sept., 24, 28, and 30 Oct. 1944, Java Programs, pp. 59, 61-62, 65, 147.

In April 1944 the Sumatra Labor Corps began mobilizing men for work on farms, estates, factories, mines, and construction projects. In the mountainous region of central Atjeh 7000 workers were put to constructing a road. Thousands reportedly died on the project to build a railroad across central Sumatra from Mocara to Pakan Baroe which did not advance beyond the roadbed stage. Although Sumatrans were usually not sent outside their island, many workers were sent outside their home syuu and treated as coolies. The term "gotong-rojong" was prostituted by use in such situations, and the line between the permanent and "voluntary" laborer became a fuzzy one.<sup>14</sup>

On Soelawesi a Central Labor Association had been set up to import workers from Djawa and Bali and distribute them where needed. It also assisted them in making remittances home. But the local residents did not escape duty, for several volunteer labor corps were organized, including one at Makassar composed of high school students.<sup>15</sup>

#### Decentralization of Estates and Smallholder Problems

The year 1944 saw a number of other changes in the organization of the economy. On Djawa, especially, plantation agriculture was affected, for the Military Administration turned the operation of the important upland estates over to Japanese companies and granted them some autonomy. By decree of 1 May 1944 twenty-two private Japanese companies were entrusted with the operation of enemy estates on Java under the control of the Saibai Kigyoo Koodan. The Japanese companies had hitherto managed only sugar, hemp, cotton, quinine estates. The reorganization was allegedly inspired in order to increase output of foodstuffs and textiles. The new operators were instructed to increase production of quinine and cacao, maintain the productivity of rubber estates

<sup>14</sup>. Radio Tokyo, 17 Mar., 4 Apr. 1944, Sumatra Programs, pp. 24, 35; Piekhaar, Atjeh en die Oorlog met Japan, pp. 295-298, St. Machudum Datuk M., Riwajat Perdjjuangan Bangsa Indonesia dalam masa 150 tahun, (Bandung; Masa Baru, 1952), pp. 70-71.

<sup>15</sup>. Radio Tokyo, 29 Mar., 2 Apr., 28 July, 21 Sept. 1944, Celebes Program, pp. 30, 34, 37.

for future needs, and decrease output of tea and coffee to a minimum. It was hoped non-urgent plantations could be converted for vital crops. On 1 June, the S.K.K. was replaced by the Saibai Kigyoo Rengookai (Federation of Estates) to coordinate the operations of the estates, which had begun operating under Japanese companies, and to purchase their products. The operation of the estates owned by Chinese, Indonesians, and neutral companies or nationals were returned to their proprietors, some of whom joined the S.K.R. Meanwhile, the last of the Dutch estate administrators were interned, having been replaced by Japanese and Indonesians.<sup>16</sup>

On 1 June, too, the Toogyoo Rengookai (Sugar Enterprises Federation) was re-established as a coordinating board for the six Japanese sugar producers, replacing the Toogyoo Kodan, and in the Sangyoobu, a Sugar Control Division was set up to supervise the industry. Forty-four former Dutch sugar estates were redistributed among the Japanese companies, this time on a geographic basis, while the three Indonesian sugar estates near Solo and one of the two Chinese estates remained in operation. Meanwhile, grandiose plans to build up a butane industry from the plants, equipment, or products of a dozen estates had been developed. However, since certain necessary machinery could not be obtained from Japan, the project eventually came to nil.<sup>17</sup>

In September 1944, the Djawa Gunseikanbu decided to entrust 436 enemy upland estates in its custody (66 of them quite large) to members of the local population, who could be financed by the Syomin Ginko. The measure appeared to be a major step forward in the direction proclaimed by the New Economic Order,

16. "Osamu Seirei No. 30 tentang mengatoer peroesahaan keboen," etc., Kan Po, III, No. 44, pp. 5-6, 12-13, Asia Raya, 15 July 1944; Radio Tokyo, 4 May 1944, Java Programs, p. 172, Economisch Weekblad voor Nederlandsch-Indië, XII, pp. 13-14. The work on the estates was still strictly controlled by a system of licenses. The area under tea cultivation on Djawa was reduced to one-third of its pre-war 105,000 ha. Cf. Aziz, op. cit., p. 189.

17. "Osamu Seirei No. 31 tentang mengatoer peroesahaan goela," Kan Po, III, No. 44, pp. 6-7; Radio Tokyo, 2 June 1944, Java Programs, p. 222; Economisch Weekblad voor Nederlandsch-Indië, XII (1946), 39-40; G. Rodenburg, "De Japansche butanolindustrie op Java," ibid., pp. 143-144.

Later in June, smaller sugar companies in Bogor Syuu--mostly Chinese--set up their own Toogyo Kumiai (Sugar Association). Cf. Asia Raya, 23 June 1944.

but no action was taken until the following year. Although title did not pass, the conversion of land on Djawa from estate crops continued, while the S.K.R. urged estate workers to plant cotton for their own needs on undeveloped or fallow land. With the completion of new irrigation works, 4,000 ha. of tea and rubber estates near Tasikmalaja were being converted to rice fields. And by the end of the year it was expected that 46,000 ha. of tea plantations would have been converted, half to rami, and the rest to foodstuffs, djarak, acacia, cacao, pyrethrum, gutta percha, and medicinal herbs.<sup>18</sup>

#### Smallholder Output

Agricultural programs announced on Djawa during the third year of occupation, while calling for increased output in general, continued to emphasize cotton and djarak production. A 5-year plan to increase production of chooma (long flax) was scaled down to a 3-year plan. The Djawa Truck Farm Association was dissolved and a new vegetable control section set up in Sangyoobu. On the other islands plans for autarky continued to be tackled. The Chinese on Bali began raising their own pigs and cultivating their own vegetable gardens. On Soelawesi, the Commodity Distribution Association started planting vegetable-dyestuffs, and the first rami was harvested near Palope. Although the cotton crop reached a record level, the continued textile shortage led to a conference of spinning and weaving operators in March 1945 to devise more efficient production.<sup>19</sup>

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18. Radio Tokyo, 11 July, 22 Sept., 11 and 23 Oct. 1944, Java Programs, pp. 172, 180, 196, 218; Radio Djakarta, 1 May 1944, ibid., p. 171.

Meanwhile, on 8 July a provisional regulation permitted the establishment of ku (desa), or their modification, on private lands where they had not been permitted before. Within 9 months, 286 ku were established on private lands in Djakarta Syuu and 168 in Bogor Syuu. "Osamu Seirei No. 34: Peratoeran sementara tentang mengadakan Ku didaerah tanah partikoelir", Kan Po, III, No. 48, p.5; "Pengoemoeman Gunseikanbu", ibid., III, No. 49, p.15; "Makloemat Gunseikan No. 5,10,17 and 18", ibid., IV No. 62 (pp.8-9), No.63 (p.9), No. 65 (pp. 5-13).

19. Radio Toyko, 27 Feb. 1945, Java Programs, p.67; Radio Tokyo, 4 and 25 Aug., 1 Sept. 1944 and 5 Mar. 1945, Celebes Program, pp. 43-45.



Not long after the farmers of Djawa became confronted with forced requisitions, the Bagi dan Koempoel (Distribute and Collect) organization appeared in Sumatra to take charge of obligatory deliveries and rationing, and the Mitsubishi Shosen K.K. was put in charge of coordinating the B.D.K.'s work. Receipt of rations for the farmer became dependent on delivery of foodstuffs. Each syuu was given an expanding quota of rice and other crops which had to be turned over for the use of the military and its administration. But besides the legal requisitions, which were seldom met by the populace, local military commanders often commandeered food for their own troops. On Sumatra, too, resistance to such measures grew, despite threats of heavy fines and imprisonment. And in mid-1944 inhabitants of Poelo Breugh, Atjeh, refused to collaborate any longer with the army. Their leaders, however, were quickly dealt with. As a result of such resistance, in 1945 Sumatra was still "making efforts" to export rice to her neighbors. Local kumiai were also set up in fields of trade, including those for cotton and djarak, which were also crops specifically encouraged.<sup>20</sup>

#### Industrial and Mineral Production

To promote industrial output, a "permanent commission" was organized under Nomura of the Djawa Soomubu in May. The period 1 May--31 July was designated for a drive to reach quotas set for 124 factories (and surpass them if possible by plant expansion). A second increased war-production drive, covering 64 factories, ran from 1 September to 31 October. In Sumatra a similar drive was held from 15 December 1944 to the following 31 January. To get more

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20. Piekaar, op. cit., pp. 225-226, 236, 241, 287-295, 300; Radio Tokyo, 2 Mar., 16 May 1944, 21 Mar. 1945, Sumatra Programs, pp. 25, 30, 32; Radio Singapore, 4 Aug. 1944, ibid., p. 31. Part of the early campaign to get farmers to contribute rice included a lottery and "gifts" of cotton prints.



tion in the Sector of the "people's economy", by the end of 1944 a Tihoo Sangyoo Sinkookai (Industrial and Commercial Advancement Association) was organized with branches in each syuu on Djawa, comprising all local entrepreneurs. It was also assigned the task of making preparations for the distribution of estates among the local population.<sup>21</sup>

Shipbuilding received increased attention on Djawa, and following Sumatra's example a separate Zoosenkyoku (Bureau of Shipbuilding) was established. The poor production record in wooden ships and diesel engines of 1943 was reportedly overcome. New Japanese firms arrived to contribute to the program. From Makassar the simultaneous launching of 13 wooden vessels was announced, and yards in the Lesser Sundas were reportedly turning out small wooden vessels.<sup>22</sup>

Paper output on Djawa increased during the year, and mills in several of the syuu amalgamated into kumiai "to insure better cooperation." <sup>23</sup> In many other fields such combinations also were formed. On 3 April 1945, the leading coconut-oil mills of Djawa joined together in a new organization which was

21. "Berita Pemerintah tentang pembentokan Panitia oentook memperkocat tenaga perang", Kan Po, III, No. 43 pp. 33-34; "Keterangan Soomubutyoo tentang hasil-nja gerakan memperkocat tenaga perang tingkatan pertama, ibid., III, No. 49, p. 21; "Pendirian 'Tihoo Sangyoo Sinkookai'", ibid., IV, No. 58 p. 33; Asia Raya, 10 June 1944; Radio Tokyo, 8 June, 2 and 29 Aug., 30 Dec. 1944, 4 and 15 Apr. 1945, Java Programs, pp. 97, 152, 160, 173, 208, 210; Radio Tokyo, 13 Dec. 1944, Sumatra Programs, p. 20.

22. Radio Tokyo, 25 Oct., 5 and 11 Dec. 1944, 13 Apr. 1945, Java Programs, pp. 243-244, 249; Radio Djakarta, 20 Oct. 1944, ibid., p. 228; Radio Djakarta, 13 Aug. 1944, Celcbes Program, p. 61. Even wooden propellers were being produced in Djawa.

23. Radio Tokyo, 27 June, 15 Aug., 18 Sept., 1944, Java Programs, pp. 209, 225, 226; Radio Manila, 8 June 1944, ibid., p. 225. In Garoet Ken, 26 paper factories--all, save 3, Chinese--joined together in a kumiai. Asia Raya, 22 July 1944.

authorized to control production and collection of copra, manufacture and distribution of oil, as well as enforce prices. 24

Other milestones were reported in textile production. In May 1944, a big weaving mill, allegedly Djawa's largest, was opened in a converted sugar mill. Besides large-scale textile mills, more and more attention was being placed on home spinning and weaving of textile fibers. In Malang Syuu there was a drive to acquire and distribute hand looms and hand spinners. Textile output on Sumatra was also increasing, and Padang and Medan were reportedly becoming spinning centers, thanks to the arrival of Japanese technicians and idle machinery from Japan. In the Lesser Sundas sarong weaving was again becoming widespread, and over 300 such plants were reportedly employing 13,000 on Bali and Lombok.<sup>25</sup> Increased activity in the big textile mills did not provide a solution to the population's clothing shortage, however, for the Japanese military machine took its pick of the production, and the Japanese administration and also the new Indonesian para-military organizations had priorities on output.

During this period East Djawa showed much activity in its small industries, especially in Malang, Soerabaja, and Besoeki Syuu. Leather goods, tooth-brushes, farm implements, stockings, and earthenware were among the many kinds of commodities being produced. In July Mr. Soenarko formed in Malang the Perserikatan Pedagang Indonesia (Indonesian Merchants Federation)

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24. Radio Djakarta, 10 Apr. 1945, Java Programs, p.227.

25. Radio Tokyo, 28 May, 1 June, 15 Aug. 1944, ibid., pp.216-217; Radio Djakarta, 1 Aug. 1944, ibid.; Radio Tokyo, 9 June, 27 Dec. 1944, 24 Mar. 1945, Sumatra Programs, pp.35,37.

with members from throughout the syuu.<sup>26</sup>

On 28 April 1944, the Sumatra Mining Association was launched, replacing the Sumatra Mining Society, which had been in existence only since the previous August. The S.M.A. was another form of "cooperative", which would guarantee that individual producers would not seek profit for themselves.<sup>27</sup>

Some new developments occurred in the field of mining on Djawa. Djakarta radio announced that a copper mine explored ten years before by a Japanese company was yielding vastly increased quantities of ore. This was the Ishihara workings at Tirtomojo on the border between Central and East Djawa. Yet despite the expectations of the authorities, actual production of copper metal was virtually nil. Meanwhile, in West Djawa thousands of workers were mining the Tjikotok gold mine concession--but for lead.<sup>28</sup>

### Transportation

As it became aware of the fact that the loss of shipping was making it impossible for Djawa to depend on shipments of coal from Sumatra, the Military Administration on Djawa undertook to develop coal deposits near Bajah on the south coast of West Djawa. In the absence of direct access by land across the mountains, in April 1943 it had started to build a railroad through Banten, approaching Bajah from the west. The railroad, completed by the follow-

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26. Radio Tokyo, 19 Mar.,<sup>27</sup> and 22 June, 19 and 30 Aug. 1944; Java Programs, pp. 65, 213, 221; Asia Raya, 16 July 1945. Chinese in Besoeki were reportedly working in close contact with the syuu office. Mr. Soenarko was on the board of supervisors of local Syomin Ginko.

27. Radio Tokyo, 9 June 1944, Sumatra Programs, p. 38

28. Radio Djakarta, 11 Nov. 1944, Java Programs, p. 231; Asia Raya, 10 June 1944. The Indonesian mining officials assigned to put a copper smelter into production were able to produce an ingot for the Japanese inspectors--made from melted-down coins. This anecdote was related to the writer by S.M. Sair, subsequently Chief of the Mining Department, who had moved to Tirtomojo during the latter part of the occupation!

ing March, was also given priority as a vital link in the defense of the southern coast. Thousands of Roomusha were brought in to build the roadbed and work the mines, and the privation they encountered was reportedly no different from that of their compatriots in Central Sumatra and on the "death railroad" in Burma. To supply this railroad and others being built in southeast Asia, rolling stock and rails were removed from other parts of Djawa. Although some small-gauge rails from sugar plantations in the eastern half of Djawa were shipped away, others were laid down to replace trunk-line tracks that had been torn up, and sugar-cane wagons replaced standard railway cars, resulting in the overcrowded "sepur bekitjot" (snail train).<sup>29</sup>

The growing scarcity of parts and fuel and the obsolescence of motor vehicles steadily reduced the number fit for work. In an endeavor to rationalize land transport operations, the Military Administration granted monopoly rights to private Japanese. On 1 April 1944, the (kounso) trucking business was taken over by the Djawa Unyu Zigyosha (Djawa Transport Corporation) with head office at Bandoeng. Since military needs received priority in use, it became apparent that for most local commercial purposes non-motorized transport had to be resorted to. Similarly, busses were operated by the Zidoosya Sookyoku (Bureau of Motor Vehicles). During the August session of the Tyuuoo Sangi-in, proposals introduced by Soeroso for increased transport capacity had been discussed and the session recommended that transport bodies be established on the ken (kabupaten) and ku (desa) levels. The military administration had already announced that 20,000 horse and ox-carts would be built during

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29. Cf. Asia Raya, 10 and 11 June 1944; Djawa Baroe, 15 April 1944, p. 11; Selosoemardjan interview, Ithaca, 17 Feb. 1957. Despite the thousands of workers on such projects, the military authorities attempted to keep their exact locations secret. The building of a railroad into the interior was once disguised as an effort to reach stands of timber for firewood and shipbuilding.

the year, of which 5000 would be turned out by the Djawa Unyu Zigyosha, 2000 by the Forestry Bureau, and the balance by Chinese and Indonesian producers. Shortly thereafter, owners of horse and ox-carts were required to become members of regional associations.<sup>30</sup>

As the war drew closer to Djawa, the Gunseikanbu decided that a highly centralized communications network might be too vulnerable. Accordingly on 23 October 1944, the Kootuubu was dissolved along with the Rikuyu Sookyoku, as its administration was decentralized. Some of its work was taken over by the new Sisetu Sookyoku (Public Works Bureau).<sup>31</sup>

The number of Indonesians participating in navigation increased, and in May 1944 a scale of salary and rank regulations for them was set up. In July seventy-one men from the first new officers' training class of the Seamen's Training Institute at Djakarta received their diplomas. In August an almost completely Indonesian-manned wooden ship sailed successfully to Japan. Indonesian masters and machinists, who along with seamen were finding service on ships throughout the waters of the Far East, organized the Djawa Unkoo Kaisya.<sup>32</sup>

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30. "Oesoel Ke-2 Tyuuo Sangi-in", Kan Po, III, No. 49, pp. 24-25; "Keterangan Zimukyokutyoo...", ibid., IV, No. 62, p. 39; Radio Djakarta, 7 Aug. 1944, Java Programs, pp. 236, 238; Radio Tokyo, 16 Aug. 1944, ibid., p. 151; Republik Indonesia: Propinsi Djawa Timur, pp. 194-196. Soeroso, a former labor leader, had headed the subcommittee on labor mobilization in the first T.S.I. session.

In Atjeh the Perserikatan Grobak Sapi dan Sado (Ox and Horse Carts Federation) was set up. Piekaar, op.cit., p. 302; Radio Tokyo, 13 Dec. 1944, Sumatra Programs, p. 41.

31. "Pengoemoeman Gunseikanbu tentang penghapoesan Kootuubu" and "Osamu Seizin No. 852", Kan Po, III, No. 55, pp. 6, 20. In the last promotions in the Kootuubu before its dissolution, Ir. Soerjomihardjo of the Eastern Public Works Bureau rose to SCS-3 (second highest then accorded Indonesians), and Ir. Djoeanda of the Western P.W. Bureau to SCS-4. Mochtar, the former Kootuubu Sanyo, was appointed mayor of Blitar (SCS-3). "PPNT", 30 Sept. 1944, ibid., III, No. 54, pp. 20-21; "PPNT", 12 Nov. 1944, ibid., III, No. 56, p. 14.

32. "Peratoeran tentang memberi toendjangan kepada pelaoet pendoedoek di Djawa", ibid., III, No. 52, pp. 18-23; Radio Tokyo, 10 July and 28 Aug. 1944, Java Programs, pp. 289-290; Asia Raya, 20 July 1945.



### Inflation and Savings

As inflation mounted, the savings campaign received new steam. During the year postal-savings quadrupled, exceeding f.20 million. Special savings of the Muslims, through a Masjoemi-backed campaign, reached f.5 million. As a further attraction to the population, savings stamps had been introduced in September as part of an "Increased Postal Savings Campaign" on Java. Then in February 1945 special postal savings deposit books were issued with the star and crescent symbol (in place of the rising sun) for the use of Moslems. Allegedly in keeping with the Islamic religion, these savings did not draw interest. By November 1944, the total number of postal-savings depositors was one and a half million--five times the number of the previous year. Similar results were claimed on Sumatra, too.<sup>33</sup>

Postal savings, however, was only a part of the large money-absorption plan of the Southern Regions Civilian Enterprise Fund Project adopted in July 1944. Endeavors were to be made to absorb seventy percent of the money in circulation through savings drives and bond lotteries. Japanese banks offered 2 $\frac{1}{2}$ % interest on savings. Quotas for the fiscal year ending in March 1945 (corresponding to the occupation year) were assigned: Djawa, f.120 million; Sumatra, f.85 million; Soelawesi, f.6.6 million. The Tyotiku Zookyoo Iinkai

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33. Radio Tokyo, 28 Aug., 11 Oct., and 25 Nov. 1944, 7 Jan. and 27 Feb. 1945, Java Programs, pp. 258, 260-261; Asia Raya, 31 Jan. 1945; Pandji Poestaka, 15 Feb. 1945, p. 121. Perhaps because of the increase in excess funds as well as assistance through government propaganda, the Muslim campaign had more success than the MIAI-sponsored Baitoel-Mal (Islamic Treasury) campaign of 1943 which was intended to provide charity and credit to small enterprisers. Cf. Benda, The Crescent and the Rising Sun, pp. 173-174.



(Commission to Mobilize Savings), which was set up by the Djawa Gunseikan, set quotas for each syuu (metropolitan Djakarta being assigned f.2.9 million), and the population was advised to cooperate. By February 1945, weeks before the end of the fiscal year, new savings of civilians on Djawa surpassed the quota, reaching f.127 million.<sup>34</sup>

Business was so good for the Syomin Ginko in the Lesser Sundas that by early 1945 besides its main office at Singaradja, it had a branch and two agencies on Sumbawa. Moreover, where before the war Borneo and Soelawesi each had four A.V.B. offices, by 1945 the two islands had twenty-five and ten branches of the Syomin Ginko, respectively.<sup>35</sup>

Another effective way of absorbing excess funds was the contribution drive. Back on 1 October 1943 "in response to the brilliant achievements of the airforce units of our invincible navy," contributions for naval planes had begun on Soelawesi. Although ostensibly intended for Japanese residents, local inhabitants were also drawn into the campaign, and half a million rupiah was donated within two months. On 10 April 1944, Army Day, ninety prominent Indonesian economic leaders on Djawa started a drive for contributions for planes, and within a month collected f.50,000. Arabs on Djawa, who from July on were considered as Indonesians, also made such donations. Not to be outdone, the people of Atjeh later in the year donated f.700,000 for army planes and f.300,000 for naval planes.<sup>36</sup>

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34. "Makloemat Gunseikan No. 22", Kan Po, III, No. 42, pp.9-10; Radio Tokyo, 31 July, 10 and 24 Oct. 1944, 23 Feb. 1945, Java Programs, pp. 256-259; Pakpahan, op.cit., pp.111-112.

Total savings on Djawa reached f.195 million by the end of August 1944, of which f.141 million was in Japanese banks, f.41 million in local banks, and f.12 million in postal savings.

35. Radio Tokyo, 23 Mar. 1945, ibid., p.254; Economisch Weekblad voor Nederlandsch-Indië, XII (1946), 109.

36. Radio Tokyo, 5 Dec. 1943, Celebes Program, p.26; Radio Tokyo, 12 Oct., 6 Dec. 1944, Java Programs, p. 52; Radio Djakarta, 26 Dec. 1944, Sumatra Programs, p.20; "Pengoemoeman Gunseikanbu", Kan Po, III, No. 48.

The Indonesian businessmen's presentation was made by Rachman Tamin, importer, Dasaad of Dasaad Musin Kaisha (which by 1945 controlled the Soember Redjo paper mill and Gadjah rope plant in addition to the Kantjil Mas weaving mill), and Abdul Wahid of Wahido Shoten (which operated a soap factory). Asia Raya, 2 May 1944. By 1944, it must be remembered, the rupiah had greatly depreciated.

The star performer in the field of contributions, however, was Oei Tjong Hauw, the country's leading Chinese businessman and member of the Tyuuoo Sangi-in, who donated f. 1,375,000 to the military authorities.<sup>37</sup>

On 20 October 1944, the Djawa Banking Council was inaugurated including as its members all banks on the island, in order to "promote financial cooperation with the Military Administration." The Nanpo Kaihatsu Kinko understandably performed the secretarial duties.<sup>38</sup>

On Sumatra, over a year after Djawa, 30 percent refund on deposits in the former enemy-owned banks were started by the Yokohama Syookin Ginko in May 1944. In December the remaining business of liquidation was completed by the Finance Department and enemy property custodian.<sup>39</sup>

Two other chronic matters raised by Soeroso's group at the August meeting of the Tyuuoo Sangi-in--touching on the scarcity of commodities and the growing inflation--concerned improving distribution of food and other necessities and price control. The Council accordingly included these points in its recommendations, and the Gunseikanbu followed with increased efforts to get existing regulations enforced and issued stricter ones for a population which continued to tighten its belt.<sup>40</sup>

#### A Promise of Independence

When the Tyuuoo Sangi-in adjourned in August, public morale was near bottom, and there was no inkling of the morale booster that would cause the

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37. Radio Peiping, 16 Mar. 1945, Java Programs, p. 120.

38. Radio Tokyo, 25 Oct. 1944, Java Programs, p. 250.

39. Radio Tokyo, 29 Nov. 1944, Sumatra Programs, p. 49.

40. Radio Tokyo, 16 Aug. 1944, Java Programs, p. 151; "Oesoel Ke-2 Sidang Tyuuoo Sangi-in", Kan Po, III, No. 49, pp. 24-25; "Keterangan Zimuk-yokutyoo...", Ibid., IV, No. 62, p. 39.

Council to reconvene after only a few weeks. However, in the meantime, important political developments were beginning to take place, developments which would have repercussions in the economy. The American victories in the Marianas, especially the capture of Saipan in the summer of 1944, struck at the inner line of defense of the Japanese and increased the problems of transportation and supply between Japan and the Southern Regions. Gradually Tokyo came around to the view of the Army commander on Djawa that, in order to secure the cooperation of the population, independence would have to be granted. Early in 1944 HAYASHI Chujiro, Sihoobutyoo (Chief of the Justice Department), and influential adviser of the Saikoo Sikikan had flown to Tokyo to plead this cause, which the Foreign Ministry had been backing. The Navy Ministry, however, still thought that independence should not be granted, but on 2 September the ministries concerned at Tokyo proposed that all of the former Netherlands Indies except New Guinea be made independent, that political participation by the population be expanded, and that they be given political training. Leaders of the local population were to study problems connected with gaining independence. Moreover, the Indonesian flag and national song were to be permitted.<sup>41</sup>

Accordingly, in a speech to the 85th session of the Diet on 7 September, Prime Minister KOISO Kuniaki announced that the independence of the East Indians would be recognized in the future. The news was well received throughout Indonesia.<sup>42</sup>

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41. IMTFE Exhibits 1344 and 1348, Policy in Regard to the Independence of the East Indies (proposed by competent officials of Ministries concerned), 2 Sept. 1944, cited in Elsbree, Japan's Role..., pp. 49-50.

42. Exhibits 1352 and 277, Speech of Premier Koiso to 85th Session of the Diet, cited in Elsbree, op. cit., pp. 50-51, 90; "Pernyataan Saikoo Sikikan pada hari pengemoeman kemerdekaan bangsa Indonesia dikemoedian hari", Kan Po, III, No. 51, pp. 15 ff.

In November some Indonesians were appointed deputy-chief of several syuu, although the Japanese were not ready to increase the number of Indonesian syuu chiefs (Residents) beyond two. On 23 November 1944 the Dewan Sanyo (Council of Department Advisers) was set up on Djawa as a permanent council to advise the Gunseikan. Its members were the Sanyo from each Bu (Department) or Kyoku (Bureau). On 1 December nine new Sanyo were appointed, including Dr. Samsi, Zaimbu (Finance Department) Sanyo; R. Abikoesno Tjokrosoejoso (architect from Djakarta and also chairman of the General Affairs Section of the Djawa Hookookai central office), Sisetu Sookyoku (Public Works Bureau) Sanyo; and Mr. R. Pandji Singgih (lawyer and official of the Roomukyoku), Roomukyoku Sanyo. Two weeks later, Hatta was designated a "Special Sanyo."<sup>43</sup>

The Tyuuoo Sangi-in had been called to a special session in September 1944 to give thanks to the Imperial Japanese Government and to the Army. And at its sixth session, meeting 12 November, it was asked how--in view of the certainty that Djawa would be attacked before Japan--all the energies could be mobilized, and in anticipation of independence, how the people's living standards could be raised. Comparing Indonesia's situation with the Philippines and Burma where the people had already experienced 28 and 7 years respectively, of preparing for independence, the Soomubutyoo, Gen. Yamamoto, inquired how the Indonesian people should be trained in keeping with the present struggle to the death. In reply, after statements encouraging the farmers to turn over

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43. "Makloemat Gunseikan No. 68 tentang peratoeran Dewan Sanyo", Kan Po, III, No. 55, p. 6; "PPNT", ibid., III, No. 56, pp. 15-16; Asia Raya, 14 Dec. 1944. The Dewan Sanyo was not unlike the old Raad van Indië. Of the new Sanyo, only two were active in the civil service, and only Mr. Singgih received a promotion at the time (to SCS-3).

Still no new Indonesians were appointed as head of a syuu Keizaibu, although in May Drs. Hermen Kartowisastro, formerly Patih of Bandjarnegara, replaced Dendadikoesoema in Banten. "PPTN", 31 May 1944, Kan Po, III, No. 44, p. 32.

more rice and merchants to work in the public interest, the council, chaired by Soekarno, passed a resolution calling on the people to observe the Pantja Dharma--Five Rules in the Conduct of Life-- to be followed in the building of the Indonesian state, and in cooperation with other nations to fight for lasting world peace based on the Kekeloesargaan of all mankind.<sup>44</sup>

Also in November, the Tyuuoo Hookoo Kai-i (Madjelis Pertimbangan--Deliberative Council) of the Djawa Hookookai was established with 87 members drawn from various groups through Djawa, of whom about one-sixth had economic experience. Hayashi was appointed its chairman and Hatta its deputy chairman.<sup>45</sup> These were empty appointments, however, for the council was not called on to deliberate.

In regard to the specific recommendations of the Tyuuoo Sangi-in's sixth session, the Gunseikanbu announced that rice collection would be improved by creating the requested organizations of farmers and assisting them in setting up rice sheds, something already in existence in many rural areas. Concerning merchants, it stated that a movement was envisaged to inspire them with ap pro-

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44. "Sidang-istimewa Tyuuoo Sangi-in Ke-5", Kan Po, III, No. 51, pp. 22ff.; Pertanyaan Saikoo Sikikan kepada sidang Tyuuoo Sangi-in jang ke-6", ibid., III, No. 51, p. 9; "Pendjelasan Soomubutyoo" and "Djawaban atas pertanyaan P.J.M. Saikoo Sikikan", ibid., III, No. 55, pp. 9-17. Iskaq, a Soerabaja lawyer, had introduced the proposal on "rice deliveries; the Council urged helping the rice farmers by setting up Noogyoo Kumiai (Agricultural Cooperatives) to maintain loomboengs (rice sheds) and improve relations with millers. Iskendarinata who introduced the proposal on merchants working in the public interest, called for implementation of the recommendations of the New Economy preparatory committee, a conference of merchants from throughout Djawa, and the formation of a merchants organization to work devotedly for the country. Asia Raya, 16 Nov. 1944.

45. Asia Raya, 20 Nov. 1944. Members with economic experience included: Dasaad (representing trade), nda (technical affairs), Djoua, a Soebang farmer (agriculture), R. Odjoh Ardiwinata, (official of Sangyoobu Agriculture Branch (SCS-5) (fisheries), Roedjito (finance), Roosseno (education), Sahata, a Soekanegara farmer (general), Mr. Singih (labor), Soegra, chairman of Koperasi Rakjat Indonesia, Tjirebon (cooperatives), Ir. Soerachman (industry), Soetan Sanif, Bogor Agricultural teacher (agriculture), Ir. Oekar (youth), F.H. Hermans, Zairbu official (Peranekans).



priate thoughts towards the economy, and it expressed the hope that through the Tihoo Sangyoo Sinkookai in each syuu a system of guild cooperatives could be developed.<sup>46</sup>

#### Call for a New Mass Movement

In February 1945, the Tyuuo Sangi-in was expanded through the addition of fourteen new members, several of whom had some economic experience". Most noteworthy were Prawoto, Sangyoobu Sanyo, and R. Roedjito, who as head of the 32-year old Perseroan Tanggoeng Djiwa "Boemi Poetera" (life insurance company) and other business organizations, was possibly the leading Indonesian businessman. There was also Ir. R. Oekar Bratakoesoemah (formerly a private engineer, teacher, and newspaper publisher) who headed the Bandoeng City Office of Technical Affairs.<sup>47</sup> The seventh session was asked for its opinion on how the people's livelihood might be renovated while working towards achieving final victory and independence. The meeting was notable for the inspired closing speech of the chairman, Soekarno, who asserted that a people's life could not be renovated, a static heritage discarded, and corruption and lack of discipline ended merely by a government recommendation or a school lesson. What was really needed to create a dynamic community, he suggested, was a great movement". He called for a Gerakan Hidoep Baroe (New Life Movement) for the Indonesian people. Among a list of 33 principles drawn up were:

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<sup>46</sup>. "Keterangan Zimkyokutyoo", Kan Po, IV, No. 62, p.41; Radio Tokyo, 10 Apr. 1944, 4 Apr. 1945, Java Programs, pp.173,196.

<sup>47</sup>. Asia Raya, 12 Feb. 1945; Radio Tokyo, 15 Feb. 1945, Java Programs, p. 18; Djawa Baroe, III, No. 6, p. 4. See Appendix B.



- 6) strengthen faith in the national ability;
- 7) increase the spirit of tolong-menolong;
- 9) esteem the customs and culture of the east;
- 10) strengthen self-discipline;
- 11) strengthen self-confidence and esteem;
- 22) for the upper classes, live economically;
- 23) for leaders, set an example of simplicity;
- 26) wake early and go speedily to work;
- 27) cultivate useful plants in your yards;
- 29) esteem work and hand-labor...

The final suggestions of the council were that the Djawa Hookookai and Masjoemi be united and that the people fight with the slogan "Liberty or Death". Although these features of the council's recommendations were highly spectacular, it is significant that its last meeting during the third year of occupation also called for removing the government-instituted barriers between the syuu, thus permitting the shipment of food and other necessities to deficient areas, and the improvement of the condition of the Roomusha. In this latter respect, it called for treating the Roomusha well both in and outside of his work, providing him with sufficient food, returning those whose work had ended all the way home (instead of leaving them by the wayside), and examining those to be mobilized (so that no sick men would be called up who might die enroute to work). It was recommended that the efforts of farmers to increase production not be interfered with by drafting them for the Roomusha, but rather draft the urban unemployed including beggars, who would thereby become useful members of the community. Thus, the principle of the right man in the right place.<sup>48</sup>

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<sup>48</sup>. "Pertanyaan Saikoo Sikikan kepada Sidang Tyuuoo Sangi-in ke-7", Kan Po, 61, p.8; "Djawaban atas pertanyaan P.J.M. Saikoo Sikikan", 24 Feb. 1945, etc., ibid., IV, 62, pp.33-37, 41-48. Shortly before the session, on 18 Feb., the Hookookai of Soekaboomi had held a mass rally, presided over by R. Soekardi, which launched the G.H.B. campaign; Soekarno, Gatot Mankoepradja, and K.H. Achmad Sanoesi were among the speakers. Asia Raya, 20 Feb. 1945.

R. Soedirman led the proposal for removing inter-syuu economic barriers, and Hatta the one for ameliorating the conditions of the Roomusha. Ibid., 24 Feb. 1945.

The third year of occupation had seen some exciting new political developments. However, it had opened ~~on a new~~ economic scheme, for as a result of the exigencies of the time, the war machine was calling for more and more supplies. This meant more sacrifices, and so, growing more cognizant of the relation between what they viewed as insufficient production and the evidently depressed morals of the impoverished people, the Military Administration on Djawa offered a new inducement to produce and distribute, packaged as a New Economic Order. There were even some suggestions of steps in the direction of Indonesianization.

However, the old plural economic structure of the Dutch period was still very much in evidence. "The People's Economy" was still essentially the subsistence sphere of the smallholder. Meanwhile, the top commercial strata had become more than ever before operated by Japanese private business--albeit still under military control--as more Japanese civilians had become available and as direct operation by government agencies had not produced the results desired. Furthermore, despite the exhortations for increased production and labor, and the use of institutions and slogans of the cooperative (kumiai), mutual assistance (gotong-rojong), and the family-spirit (kekeloeargaan), it was only too apparent that these were being perverted for the benefit of alien masters. While the Japanese military machine exploited the productive energies of the Indonesian people, in return it contributed exceedingly little to their economic welfare.

The third year of occupation had closed on a political theme, one inspired by the Indonesian leaders themselves. The call for a New Life Movement, despite some patches in its cover of service and devotion, was intended to prepare the people for the coming independence. Yet in spite of the new hope for eventual independence, two major economic problems--food shortages and forced labor--which were immediate and exhibited scant chance for amelioration, continued to plague the people.

## CHAPTER IX: PREPARATIONS FOR A PEOPLE'S ECONOMY IN A FREE INDONESIA

### Independence Preparationse

A half year after the general policy of gradual preparation for independence had been agreed upon in Tokyo, new directives were dispatched. Accordingly, only two days after the close of the 7th session of the Tyuuoo Sangi-in, on 1 March 1945 (during the celebration of the third anniversary of Djawa Barcoe), the Saikoo Sikikan, Lt. Gen HARADA Kumakiti announced that three steps were to be taken to speed Indonesia towards independence. First, a Badan oentock menjelidiki Oesaha-oesaha Persiapan Kemerdekaan (Dokuritsu Chosa Jumbi Iin--Committee to Investigate Means of Preparing for Independence) was to be established; second, a Kenkoku-Gakuin (National Training Institute) would be set up to prepare personnel to become the core of the new state; and third, public interest in independence would be stimulated.<sup>1</sup>

On 29 April the membership of the Investigating Committee was announced. It consisted of 62 resident members--of which about thirty percent had previous economic experience--and eight Japanese "special members". At the suggestion of Gen. Yamamoto (the Gunseikan), Dr. Radjiman, the eldest member, was appointed chairman and ITIBANCASE Yosio and Soeroso, vice-chairmen.<sup>2</sup>

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1. "Pengoemoeman Saikoo Kikikan pada hari perajaan Djawa Baroe jang ketiga", Kan Po, IV, No. 62, pp. 26-27; "Questionnaire of Gen. Nishimura, e Somubu chief", 10 Apr. 1947 (translation typescript), p. 6 (R.V.O. Document 006798). The committee was subsequently also referred to by the name Badan Penielidiki Oesaha2 Persiapan Kemerdekaan (Investigating Committee of Means of Preparing for Independence).

2. Asia Raya, 29 Apr. 1945. For a complete list of members, see Appendix D. The following day Gen. Itagaki, commanding the 7th Area Army, held a conference of military representatives of the occupied areas under his command to discuss the problems involved in Indonesian independence. "Interrogation of Maj. Gen. Nishimura, Otoshi on the IndonesianeIndependence Movement", Singapore, 1946, (translation typescript), pp. 1-2 (R.V.O. Document 006903-4); Aziz, Japan's Colonialism and Indonesia, pp. 237-238.

During May the members traveled throughout Djawa holding conferences and sounding out leaders in the community for their opinions on measures that should be discussed. At a meeting in Jogjakarta on the 21st a variety of forms of the state were suggested, including a monarchy, an Islamic state, and a military state. Economic matters were not overlooked. Sosrosoedirdjo recommended that the political, economic and social basis of the state be kekeloeargaan. H. Abdoel Hamid suggested that an independent state be set up quickly under honest men and that the government operate the big enterprises. At the Surabaya meeting, the next day, Rooslan Wongsokoesoemo emphasized the need for training the people in economic affairs.<sup>3</sup>

The Investigating Committee held its first session in Djakarta from 28 May to 1 June. Possibly as a result of the attendance by Gen. Itagaki himself as an observer and due to the reports that Dutchmen were among the troops occupying parts of New Guinea, the northern Moluccas, and Tarakan, the session was limited chiefly to a discussion of how Indonesian participation in the defense of their country would be achieved.<sup>4</sup>

On the last day Soekarno in an extemporaneous speech outlined the Pantja Sila, his Five Principles for Free Indonesia. Those bearing most closely on the economy were No. 3, "government by consent", or "democracy" and No. 4, "prosperity" or "social justice". Later these two principles were designated jointly as socio-democracy. Significantly, whereas various examples of states with nationalism (principle No. 1) or possessing democracy were cited, no model of the country with social justice was referred to. However, he felt

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3. Asia Raya, 23 and 25 May 1945.

4. Ibid., 29 May, 30 June 1945; Nishimura Interrogation, p. 2 (006904); Azize op. cit., pp. 238-239. Permission to convene the session followed another conference at Syonan of Soembutyo of the areas under Gen. Itagaki.

that political democracy was no automatic guarantor for social democracy or prosperity, and stated that although there was a people's representative body in America, the capitalists were dominant there and were bosses throughout the whole continent. He asked:

Do we want a free Indonesia whose capitalists do as they wish, or where the entire people prosper, where every man has enough to eat, enough to wear, lives in prosperity, feels cherished by the homeland that gives him sufficient keep?... In the field of economy, too, we must create equality, and the best common prosperity.

Soekarno summed up the five principles into one term gotong-rojong, which he defined as "mutual cooperation", something more dynamic than "brotherhood". And within this framework of broad political principles we have had a glimpse of Soekarno's concept of the kind of economy which Indonesia should have. It is so broad, however, that any economic theory and structure could perhaps be tailored to it. Although one economic structure, or the speaker's interpretation of it, was denounced, no structure was offered in its place. It was left to other Indonesians to speak with authority in that field.

The results of the session were less than satisfactory from the aspect of progress towards preparations for independence. Despite the intentions of the Japanese military to prepare Indonesia for "independence", the totalitarian atmosphere in the islands under military occupation continued to preclude serious discussion in public of the details for implementing

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5. Lahirnja Pantjasila, publ. by Ministry of Education, (Djakarta, 1952). In view of the continued presence of the Japanese military might, the speech was in many ways a bold one, for Sun's China and Lenin's Soviet Union rather than an autocratic Japan were cited as examples of states which had successfully struggled towards recognition. Because of the Military Administration's tremendous propaganda campaign against the leading Allied nations, however, perhaps Soekarno thought better of citing the more obvious examples of states enjoying prosperity. Nevertheless, since he had never been outside Indonesia (except for the 1943 flight to Japan) and despite his broad readings, had no access to current reliable information on other countries, it is not impossible that Soekarno's knowledge of life in the democracies at that time was no better than their knowledge of life in Indonesia.



independence and of the institutions which should finally be adopted. The Japanese preferred that references to the future entity relate merely to the negara (state), not to a republic. Under these circumstances, a remarkable article was published on 9 June in the Asia Raya of Djakarta, that had been running a series of feature articles by well-known Indonesians, but the contents of which had seldom gone beyond the platitudes on raising the morale of the people and increasing output. For the first time in print appeared a detailed plan for an Indonesian Republic to be headed by a president who appointed a premier and other ministers, and with legislation by a Badan Perwakilan Rakyat (House of Representatives). Two stages were proposed: a provisional government and constitution during the war, and afterwards the possibility of making any necessary changes before inaugurating the permanent constitution and form of government. One rather novel feature was the proposal that the national government appoint committees of experts in various fields such as civil administration, the courts, the economy, etc., to make recommendations for improvements in these fields. The author of "Indonesia Merdeka secepat-lekasnya" (Free Indonesia, as quickly as possible) was an economist: Mr. Sunaria, Professor of Economics in the National Training Institute.

After the formal session, members of the Investigating Committee continued to consult over principles to be included in the draft constitution. On 22 June, eleven of them signed a brief document of aims and intents in setting up an independent Indonesian state, which subsequently was accepted.

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6. Asia Raya, loc. cit. Feature articles on the economy included one by Dasaad calling for the training of potential economic leaders, not just clerks and bookkeepers, and one by L. Setyoso, discussing hindrances to prosperity for the common man. Ir. Sakirman of the Central Industrial Office, and also Chief of the Seikatsuka (Section for Improving the Morale of the People) of the Djawa Hookookai, contributed an article on morale-building. Ibid., 3 Feb., 27 Apr., 14 May, 1 June 1945.



in extenso as the preamble to the new constitution. This paper, subsequently called the Piagam Djakarta (Djakarta Charter), included among the goals of the new government to be set up: memadjoekan kesedjahteraan oemoem (promote the public welfare) and mentjerdaskan kehidoepan bangsa (improve the standard of living of the people). It ended in a restatement of the Pantja Sila. Because of its radical nature, however, it was not then publicized.<sup>7</sup>

In the meantime other measures were also being undertaken to prepare the country for eventual independence. The Saiko Sikikan had given the green light in his third proposal of 1 March, but it was almost entirely Indonesian initiative which at a conference on 15 March 1945 brought the New Life Movement into being under the auspices of the Djawa Hookookai. During March Soekarno made speeches at a number of rallies throughout Djawa trying to get the movement started, but the pace of the Indonesians was apparently too fast for the Gunseikanbu, and they were required to let up on their efforts. The agenda of a second conference of the movement scheduled for 19 April was strictly limited by the Deputy Supreme Executive of the Djawa Hookookai, Maj. Gen. NISHIMURA Otoshi, to discussions of training the people for defense and mobilizing a rice-collection movement. Still, in his speech Soekarno continued to lay emphasis on the New Life Movement.<sup>8</sup>

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7. Muhammad Yamin, Proklamasi dan Konstitusi Republik Indonesia, (Djakarta: Djambatan, 1951), pp. 16-17. The signers were Soekarno, Hatta, Maramis, Abikusno, Abdoelkahan Moezakir, Salim, Soebardjo, Wachid Hasjim, and Yamin. According to Yamin, the Piagam was an outline for the struggle against imperialism-capitalism and fascism.

8. "Laksanakan Hidoep Baroe oentock Negara Baroe", Asia Raya, 15 March 1945; ibid., 22 Mar., 13 and 19 April 1945; Aziz, op.cit., pp. 243-244. The second conference, originally called to discuss the G.H.B., was actually termed the Conference on Defense of the Fatherland.

On 3 January 1945 the Sumatra Gunseikibu announced that Sumatra, too, would have a Tyuuoo Sangi-in. After a delay of several months, the island's

Syuu elected fifteen members during April, and on 17 May the Military Administration announced the appointment of twenty-five others. Mochammad OJAFEI was appointed chairman, and Abdoel Abas and Teukoe Nja" Arif, vice-chairmen.<sup>9</sup>

The naval occupation areas did things much more slowly. On 18 February, the administrations of Sulawesi, South Borneo, and Sunda Ketjil (the Lesser Sundas) announced that the opportunity to participate in the administration for local residents would be extended. This meant, however, only increasing the membership in the syuu and city advisory councils, and appointing some local residents to the Social, Information, and Religious Affairs offices. At the end of April, in connection with the Emperor's Birthday celebrations, the naval administration announced that advisory councils would be set up in Makassar (for the entire naval area) and in each of the provinces. At the same time it permitted the Indonesian national flag and song in its areas. Sockarno, accompanied by Mr. Achmad SOEBARDJO and Mr. Soemanang, was allowed to fly to Makassar to assist in the independence preparations in the naval area. There they found Dr. G.S.S.J. RATULANGIE and Mr. Tadjoeeddin NOOR hard at work, and they not only visited rallies of the local residents but also camps of Roomisha from Djawa. A month later Hatta, accompanied by Ir. P. Mochammad NOOR made a visit to Borneo in order to strengthen relations with that island. He held discussions with Senyo P. Moesa Ardikosoema, Dr. Sosodoro Djatikoesoema, and Mr. Roosbandi. Meanwhile, at the end of June, Sockarno, Soebardjo, and Dr. Soeharto carried the campaign to unite the

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9. Asia Raya, 3 Jan., 22 Mar., 21 May 1945; Radio Tokyo, 24 Mar., 19 and 28 May 1945, Sumatra Programs, pp. 1-2; Radio Djakarta, 6 June 1945, ibid.

people to Bali, where it was noted that there was no shortage of food, and-- since the Balinese knew how to spin and weave--the clothing shortage was "not too great".<sup>10</sup>

Since the establishment of the Investigating Committee on Djawa, the Djawa Tyuuo Sangi-in was fast becoming obsolete. However, it met for its eighth and last session from 18 to 21 June with a new vice-chairman, Hatta, replacing Koesomo Oetoyo. The Saiko Sikikan asked how could the people be aroused for strengthening the defense and perfecting independence preparations. K.R.M.T.A. Woerjaningrat suggested three types of loyalty be inspired: the love of country, kekeloeargaan, and the spirit of the warrior. Prawoto, concerned with the welfare of the desa, proposed that this subject be studied, and a special committee under Hatta was formed for that purpose. The council recommended the establishment of a spiritual movement based on Pantjao Dharma (an attempt to renew the Gerakan Hidoep Baroe), the transfer of government to the Indonesians as quickly as possible, the expansion of opportunities for local initiative in the economic, health, and education fields, and a perfecting of the distribution system. It was proposed that skilled young men be placed in the central and regional administrations, Peta expanded, and militar

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<sup>10</sup>. Asia Raya 22 Feb., 30 Apr., 3, 4, and 28 May, 4 June, 2 and 28 July 1945; Maeda interrogation, pp. 5, 8 (R.V.O. Documents 006922, 6925): "Translation of report of Maeda in reply to additional questions" (typescript), p. 1 (6945); Djawa Baroe, 1 June 1945, pp. 18-19. Shimizu (of the Sendenbu--Department of Propaganda) and Naval Captain Maeda escorted the travellers. Dr. Ratulangie and Mr. T. Noor had gone to Makassar late in 1943 when the Naval Administration had requested the return of some of the area leaders then in Djawa to assist in setting up the advisory councils. On 27 May 1945 Indonesians were appointed mayor of Makassar and Bunken Kanrikan (district chiefs) at Pare-Pare and Sindjai. Two months later others were appointed elsewhere in South Sulawesi.

training given the population.<sup>11</sup>

Late in June the membership of the Investigating Committee was expanded by the addition of eight members only one of whom had economic experience. Its second session, which met from 10 to 17 July, unlike its predecessor, was given insignificant press coverage, reflecting the misgivings of the Gunseikanbu over the members' preoccupation with independence when it thought priority should be given to defense considerations. Many of the members grew impatient during the meetings and called for immediate independence. Nevertheless, the session did reach some agreement on legislative matters as well as economic questions and accepted the draft constitution, although it felt obliged to reject the Piagam Djakarta as inopportune at that time. On 6 August it was announced that since the Investigating Committee had completed its work, it was dissolved.<sup>12</sup>

Meanwhile, the defeat of the Japanese Navy in the Battle of the Philippine Sea caused it to lose interest in Indonesia and drop its opposition to independence. Accordingly, on 17 July the Supreme Advisory Council voted to recognize Indonesian independence as soon as possible "in order to contribute

11. Asia Raya, 19-21 June 1945; "Djawaban Sidang Tyuwoo Sangi-in ke-8" Kan Po, IV, 69, pp. 30-32. The Council termed the war (in view of the fall of Italy and Germany) one between the white and colored races, and in his closing speech, Soekarno alleged that Americans must want to possess Indonesia, for they often called it "the big loot of Asia". Thus he called for destroying all enemies, while quickly establishing the Independent State. "Mosi Ketegoehan-Hati Sidang Tyuwoo Sangi-in ke-8", "Pidato Penoetoe Sidang Tyuwoo Sangi-in ke-8 oleh Gityoo", ibid., pp. 29-30, 32-35; Asia Raya, 19-21 June 1945.

12. Kahin, Nationalism and Revolution in Indonesia, p. 121; Nishimura questionnaire, pp. 6, 11 (006798, 6803); "Interrogation report of OHASHI Hideo, ADACHI Hirayoshi, YOSHIKAWA Hideo, and TSUDA Fumio", Tjipinang, 1947 (typescript), p. 9 (R.V.O. 006376); Asia Raya, 18 July, 6 Aug. 1945; Yamin, op.cit., p. 33. Soekarni and Chairael Saleh were appointed as representatives of the youth. On declining the appointments, they were removed from their jobs in the Sendenbu.

towards the complete prosecution of the Greater East Asian war". The order was given to establish a Dokuritsu Jumbi Iin-Kai (Panitia Persiapan Kemerdekaan Indonesia--Indonesian Independence Preparatory Commission). Details were to be worked out by the Southern Areas Army Headquarters at Saigon, which, however, was considering Independence only in terms of mid-1946.<sup>13</sup> After an exchange of cables, Tokyo demanded speed-up, and Gen. Itagaki called another meeting of Gunseikan at Syonan, which met on 30 July and considered such matters as the transferring to Indonesian control of the economy, finance, industry, railroads and harbors, and Peta, and the role the Japanese would play in these stages. If possible, independence was to be granted by early September 1945.<sup>14</sup>

In anticipation of independence, Indonesians outside Djawa were also becoming increasingly active. In Sumatra the Tyuuoo Sangi-in finally held its first session at Bukittinggi between 27 June and 2 July to discuss how Sumatra could contribute to a successful settlement of the war, the only condition to Indonesia's independence. Stress was still put on making Sumatra autonomous in food and clothing. For this purpose Aminoedin of Riouw suggested that an office be established in each syuu to supervise the kumiai there. Then on 25 July, implementing a resolution of the council's first (and only) meeting, the Sumatra Gunseikanbu announced the

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<sup>13</sup>. IMTFE Exhibits 1349, Measures for Netherlands East Indies Independence: Data for Foreign Minister's Explanation, 17 July 1945, and 1350, Decision of the Supreme War Plans Council No. 27, 17 July 1945, re Measures for East Indies Independence, cited in Elsbree, Japan's Role in Southeast Asian Nationalist Movements 1940 to 1945, pp. 51-52, 94.

<sup>14</sup>. Nishimura interrogation, pp. 2-3 (006904-5). For the most detailed account in print to date of the differences between the several Japanese headquarters during this period, see Aziz, op.cit., pp. 246-249.



establishment of a Panitia Penyelidik Persiapan Kemerdekaan (Investigatingo Committee into Independence Preparations) "to arrange all matters connected with independence", but only to work on matters specifically delegated to it. The Committee's chairman was Mohammed Sjafei, and its secretary-general, Adi Negoro.<sup>15</sup>

Although none of the islands under naval administration was considered for such a council or committee, on 2 July a new quasi-nationalist movement was permitted to be formed at Makassar.<sup>16</sup>

After four months of pressure by the Indonesian leaders to get the military administration to sanction the "New Life" movement, finally on 2 July 1945, Soekarno, Hatta, Wachid Hasjim, and R.A.A. Wiranatakoesoema had a conference with the chief of the Soemba, and the Djawa Saikoo Sikikan, Lt. Gen. NAGANO Yunitiroo, referring to a proposal from the eighth session of the Tyuuoo Sangi-in, granted their request. A central committee of 80, consisting of 66 indigenous Indonesians, four Chinese, the two virtually permanent Arab and peranakan delegates, and eight Japanese, was appointed to prepare for the establishment of a movement uniting all existing organizations under the tentative name Gerakan Rakjat Barpe (New People's Movement). The central committee was the first broad political organization with many representatives

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<sup>15</sup>. Asia Raya, 27 and 30 June, 4 and 28 July 1945; Djawa Baroe, 1 Aug. 1945, p. 21. The Tyuuoo Sangi-in discussed means of improving the defense and recommended coordinating the regional Hookookai offices with a new central office.

<sup>16</sup>. Asia Raya, 4 July 1945; Djawa Baroe, 15 July 1945, p. 6; Kahin, *op. cit.*, pp. 121-122; Ratulangie, Hamidhan, and Poedja interviews, Asia Raya, 16 Aug. 1945; Republik Indonesia: Propinsi Sulawesi, pp. 210 ff. It was not until a month later, however, that the branches of the political organization known officially as Kenkoku Doosikai, showed signs of developing. The organizations of Sulawesi, Borneo, and Sunda Ketjil were known as Soedara, Senegara, and Soedarasyo Soenda, respectively. But other than Soedara, which was active about a fortnight under such leaders as Dr. Ratulangie, Mr. Tadjoeeddin Noor, and Nadjamoeddin Daeng Malewa, the movements were apparently stillborn. Soedara (lit. "brother") was the abbreviation of Soember Darah Rakjat (lit. "The Source of the People's Blood").



of the Pemoeda (Youth). But whereas persons with economic experience composed over forty percent of the Tyuuoo Sangi-in, only one-quarter of the resident members of this body had such experience. It met for the first time on 6 July, when it began to consider a draft charter and action program presented by a sub-committee headed by Soebardjo. Soekarno was elected committee chairman. On 28 July the two large organizations, Djawa Hookookai and the Masjoemi, were united in a Gerakan Baroe (New Movement) along with nine other political, para-military, and social organizations. Fifteen delegates formed the Dewan Pimpinan Poesat (Central Executive Council); the only economist being Hatta, representing the B.P. 3. The new D.P.P. met for the first time on 3 August and elected Soekarno as its chairman and Dr. Soeharto as secretary. A program consisting of the following five points was accepted:

1. Further the understanding of Indonesian Nationality among all the people;
2. Strengthen the defense of the Fatherland;
3. Instill an appreciation of the roomusha and elevate his status;
4. Organize contributions (money, clothes, etc.) for the Fonds Perang dan Kemerdekaan, B.P.P.P., and groups aiding the poor (a large campaign was scheduled for 15 August to 15 September); and
5. Strengthen the vitality of the village and neighborhood associations by establishing village executive councils.

During early August executive councils were also set up in the syuu on Djawa with delegates from the regional offices of the several member organizations. Many prominent men in government service also participated.<sup>17</sup>

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<sup>17</sup>. "Penerangan Gunseikanbu tentang mengadakan gerakan rakjat jang baroe Kan Po, IV, 70, p. 19; Djawa Baroe, 1 Aug. 1945, p. 20; Asia Raya, 2, 4, 6, 28 July, 3-6, 11 August 1945. For a list of members of the Central Committee and the Central Executive Council, see Appendix E. The movement called on all residents of Djawa to consider themselves residents of Indonesia. Although the drafting committee had been instructed to submit a list of five possible names, the movement never settled upon an official name before the proclamation of independence.

Returning from the Syonan meeting, Generals Yamamoto and Nishimura met about selecting the twenty-one members of the preparatory committee, which was scheduled on orders from Tokyo to meet 18 August. The committee selected became the first (and only) organization on Djawa during the occupation to include members then residing outside the island. Twelve members were chosen from the earlier investigating committee on Djawa, three from Sumatra, two from Sulawesi, and one each from Borneo, Sunda Ketjil, Maluku (the Moluccas), and the Chinese community.<sup>18</sup>

On 7 August a Japanese counter-committee to consider the findings of the Indonesian body met in Djawa, with Gen. Nagano substituting for Gen. Itagaki as chairman. Since Tokyo had insisted on early September for independence, the committee had to work hard in settling points of policy. It was decided that Japanese military money would continue in circulation until the Indonesian Government was able to issue its own currency, and the Nanyo Kaihatu Kinko was commissioned to carry out the initial financing of the new state.

That same day Marshal Terauchi, "Supreme Commander of the Southern Areas," publicly granted permission to establish the preparatory committee. Commenting on the announcement Gen. Nagano said that independence would be declared as soon as preparations were complete. In accordance with Japanese

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18. Nishimura interrogation, p. 3 (006905). For the names of members then in Djawa, see also Appendix D. Mr. Latuharhary, the representative for Maluku, and Drs. Yap, the Chinese representative, had served on the Djawa Tyuuoo Sangi-in. The three delegates from Sumatra were Mr. Abdoel Abas, Dr. Mohammad Amir, and Mr. Teukoe Mohammad HASSAN. Dr. Ratulangie and Andi Pangeran, Daeng Parani represented Sulawesi, A. A. Hamidhan Borneo, and Mr. I. Goesti Ktoet Poedja, Sunda Ketjil.

protocol whenever Japan dealt bountifully with a satellite, leaders of the favored country would convey their thanks to the Imperial authorities in Tokyo. Since the progress of war precluded the complete fulfillment of this action, Hatta, Radjiman, and Sockarno departed on the 9th for Saigon, and on the 11th arrived in Dalat to carry out the ritual required of them. <sup>n</sup> Marshal Terauchi told them that all of the old Netherlands Indies would be included in the new country. He impressed upon them that the day for proclaiming independence depended upon the progress of preparations and the condition of military cooperation with Japan. Two limiting factors to the freedom of action of the new state would be the requirement that it become a member of the Greater East Asia Sphere and the stipulation that so long as the war lasted the state would necessarily be led by the Japanese Army. On the 14th, the three returned to Djakarta, and it was announced that Sockarno ~~was~~ designated chairman and Hatta, vice-chairman, of the preparatory committee. Hatta was also to head the secretariat, and Soebardjo was named the secretariat's counselor.<sup>19</sup>

#### Fund Drives and Economic Training

At this point we may leave for the moment the narrative of political landmarks in the rapid drive towards independence with an accelerated process of Indonesianization. Was the establishment of such political institutions as the Tyuuoo Sangi-in, the Badan oentock Menjelidiki Oosaha<sup>2</sup> Persiapan Kemerdekaan, and the Gerakan Baroe with their progressively increasing membership (but decreasing ratio of economic practitioners) achieved without any parallel advance in the economic field and its administration, or could progress here also be reported?

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19. Ibid., pp. 4-5 (006906-7); Aziz, op. cit., pp. 250-252; Kahin, op. cit., p. 127, Asia Raya, 7 and 14 Aug. 1945; Sockarno-Hatta press conference, ibid., 16 Aug. 1945.

In point of fact a variety of financial or economic institutions with heavy social overtones did appear in 1945, but they met with varying success in achieving their goals. On 1 February 1945 the Fonds Perang Dan Kemerdekaan (War and Independence Fund) was set up in the Djawa Hookookai to receive money and property contributions from residents and organizations in Djawa and to utilize these funds in improving efforts on behalf of the war and in developing a basis for Indonesian independence. The desire for such a fund appeared in a suggestion from the fifth session of the Tyuuoo Sangi-in. The drive was given impetus in April when a 37-man Badan Pembangkit Fonds Perang dan Kemerdekaan (Kantoo Dokuritu Kikin Suisinkai), a steering committee, was established with Soekarno and Hatta respectively chairman and vice-chairman, and Dr. Moewardi and Soediro respectively manager and deputy-manager of the fund's administration. The committee had only one Japanese member (an adviser) and one member each from the three major minority groups, of whom the Chinese delegate was significantly one of the richest men in the country, Oei Tjong Hauw. Several of the leading Indonesian businessmen also served on the board. As monetary contributions rose, apace with the inflation, the Syomin Ginko received a boost when its branches were proposed as the depository of the fund.<sup>20</sup>

The lack of a sufficient number of trained Indonesians for staffing important policy positions in the future had led to the decision to establish the Kenkoku-Gakuin (National Training Institute). The committee headed by Maj. Gen. Nishimura appointed to set up the school consisted of the heads of the departments and bureaus (all save one Japanese), eleven Indonesian Sanyo (including Abikoesno, Hatta, and Samsi, but not ~~Prasoto~~), and Soetardjo, as

20. "Pootoesan Sidang istimewa Tyuuoo Sangi-in ke-5", Kan Po, III, 51, p. 24; "Keterangan Zimukyokutyoo", ibid., IV, 62, p. 39; Asia Raya, 1 Feb., 28 Apr., 19 June 1945. See Appendix F. Money from the Fund would subsequently be used in capitalizing Indonesia's first state bank.

well as a secretariat. The school was to accept secondary school graduates, intermediary civil service employees, and equivalents for training in one of the two sections, to become either teachers or senior civil service employees and thus potential leaders. All groups were to receive six basic courses on culture and the war, but only varying amounts of economics were offered. On 1 April a list of ten Japanese professors was announced, of whom Tanaka Minora was dean. Three of the twelve Indonesians were experts in the economic field, namely Hatta, Mr. Sunaria, and Ir. Teko. On the emperor's birthday, 29 April, the Kenkoku Gakuin was officially opened by the Saikoo Sikikan in Pasar Rebo, south of Djakarta.<sup>21</sup>

A new economic training center was set up on 18 May when the Gunseikan announced the establishment of a Kyoodo Kumiai Yooiin Yooseisyo (Training Institute for Candidate Leaders of Cooperatives), headed by the Chief of the Zyuumin Keizaikyoku. Its 170 candidates were chosen from throughout Djawa.<sup>22</sup>

#### Investigating the People's Economy

As the Japanese war-machine continued to exhibit a tremendous appetite and the drain on the country's economy grew worse, the Military Administration on Djawa realized that still further measures were necessary to increase output, especially in the sector of the People's Economy, where the morale had sunk very low. Since the 1944 Badan Persiapan Soesoenan Perekonomian Baroe

<sup>21</sup>. "Panitia oentoe mendirikan Kentoku-Gaku-In", Asia Raya, 2 Mar. 1945; "Makloemat Gunseikan No. 8", ibid., 14 Mar. 1945; "Atoeran2 Kenkoku Gakuin", ibid., 4 Apr. 1945; ibid., 30 Apr. 1945; "PPNT", Kan Po, IV, 65, pp. 15-16. Courses in the Kunrenbu (for teachers) included finance, economics, economic policy, and economic history; in the Gakobu (for administrative candidates), included finance, economics, and economic policy; or (for law students), a survey of economics and civil and commercial law. The Kanri Renseizyo, to provide refresher training for civil servants, had no courses in the economic field.

<sup>22</sup>. "Makloemat Gunseikan No. 30", Kan Po, IV, 67, pp. 5-6; "Pendjelasan Pemerintah", ibid., IV, 68, pp. 13-14; Asia Raya, 19 and 21 May 1945.



had not touched upon certain matters, the military administration announced on 25 April 1945 the formation of the Panitia Penjelidikan Perekonomian Rakjat (Zyuumin Keizai Singi-Kai--Investigating Committee for the People's Economy) to be under the supervision of the Gunseikan and to discuss questions relating to the people's economy which he referred to it. The Military Administration promised to put into action proposals of the committee. The committee, chaired by Hatta, had in its membership of twelve and secretariat of eight, the largest proportion of ranking Indonesian economic leaders so far gathered into one body. Businessmen from the Indonesian, Chinese, Arab, and Japanese communities were also included. However, the five Japanese members of the secretariat would assure that the committee would not discuss drastic measures<sup>23</sup>

The committee, however, was emasculated when on the day it convened, 12 June, Soomubu Chief Maj. Gen. Nishimura sharply limited its competence to discussing in general terms means of strengthening the people's economy during the current war. It was not to bother with details, which could be discussed at later sessions, and it was not to discuss a policy for the people's economy ten or twenty years thence. The sector of the People's Economy, he explained, encompassed the production of the daily needs of the people, primarily agriculture, fisheries, forestry, most medium and small industry, and trade. It was entrusted with providing not only for the people's welfare,

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23. "Maklumat Gunseikan No. 20", Asia Raya, 26 Apr. 1945; Radio Tokyo, 27 Apr. 1945; Java Programs, p. 139.. See Appendix G.

In May, about the time the committee was being formed to advise on the "economic" ills, another uprising took place because of the economic distress, this time at Pandraih in Atjeh. Pikaar, Atjeh en die Oorlog met Japan, p. 304.



but also for the supplies for the Huiho, Peta, Keiboodan (civil defense organization), and Roomusha. The Indonesian population was warned not to let such production decline once its administration was transferred into Indonesian hands. The other sector of the economy, that directly concerned with increasing war power--primarily large industry and mining, and those portions of agriculture and forestry supplying such industries--had been developed by Japanese experts, and would for the time being, so Gen. Nishimura felt, continue in their hands. He also pointed to the fact that quarrels and disturbances in the economic field were still occurring among the different nationalities. Consequently, the committee was also to endeavor to organize a spirit of brotherhood among the different nationalities in business.<sup>24</sup>

Hatta, accepting the restrictions, told the committee that there were three goals in a war economy such as Djawa was experiencing, namely to: 1) increase production in a rational manner; 2) collect goods needed by the government in an efficient manner; and 3) distribute necessities as efficiently as possible. If these could be achieved, not only would a strong economy for war be organized, but the basis for the economy of the future Free Indonesia would be laid. The next day, the committee perfunctorily submitted its "reply", merely a résumé of outstanding economic problems. Although primarily concerned, as directed, with the war economy, it also suggested that practical principles for the economy of the coming Free Indonesia be considered, financial matters be planned, and leaders be trained in the economy.<sup>25</sup>

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24. "Petoendjoek Soomubutyoo", Kan Po, IV, No. 69, pp. 16-18.

25. "Nasihat Gunseikan" and "Djawaban atas Pertanyaan P.J.M. Gunseikan tentang perekonomian Rakjat", ibid., pp. 15-16, 18-19; "Ekonomi memperkocot tenaga perang dan menenteramkan penghidupan rakjat", Asia Raya, 13 June 1943.

Although the Economic investigating committee was precluded from discussing the future economic structure of Free Indonesia, on 4 July, Asia Raya published a feature article by the 33-year old R. MOEKARTO Notowidigdo, Chief of the Salt and Opium Office for Central Djawa, recommending that some thought be given to the matter of state enterprises. He suggested that an investigation be conducted of former alien-operated monopolies in anticipation of their becoming state enterprises, thus making available profits for use in work for the people's prosperity, instead of profits for the private employer. At a meeting of Jogjakarta businessmen on 15 July, moreover, it was resolved that large enterprises, and temporarily the central bank, be administered by the government, and agriculture be organized through cooperatives.<sup>26</sup>

Although the Panitia Penyelidikan Perekonomian Rakjat bore no tangible fruit, many of its same members sitting simultaneously on another board were able to feel some progress. On 17 May, the 12-men Panitia Pemilih Bangsa Indonesia Mendjadi Pengoesaha Keboen2 Milik Moesoeu (Committee to Choose Indonesian Nationals to Become Operators of Enemy Estates) was installed with Hatta as chairman. The Sangyoobu director suggested that the committee might produce results strengthening the economy comparable to those made in Japan during the Meiji period. It was decided that 20,000 ha. of estate land would be transferred, part to be managed directly by new estate operators and the balance to be transferred to the regional administrations, and to farmers to be cultivated with necessary crops. The committee was flooded with applications and candidates began to be interviewed at the syuu level, but before the

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26. Ibid., 4 and 18 July 1945.

committee was able to accomplish its task, political development intervened.<sup>27</sup>

In May it was also announced that the branches of the Noogyo Kumiai (Agricultural Associations), in keeping with the spirit of the Gerakan Hidoep Baroeg were instructed to return to the population lands still rented out under regulations of the Dutch period. On 27 June the Gunseikan transferred the administration of private lands in Pekalongan, Semarang, Surabaya, and Malang Syuu to the respective syuu offices.<sup>28</sup>

#### Department of Economic Affairs

Having already outlined its concept of the dual nature of the economy, the Gunseikanbu set about to reorganize the administration of economic affairs, along with some other changes in the central administration. On 15 July the Sangyoobu and Zyuumin Keizai kyoku were united and then dissolved into two new departments. The new Gunsyuseisanbu for war production was staffed virtually entirely by Japanese. However, the new Keizaibu (lit. "Department of Economic Affairs", although concerned only with the people's economy), on the other

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27. Ibid., 15-17, 19, 21 May, 12 and 19 June 1945. Six of its members were also on the economic investigating committee, namely Soewirjo, Singgih, Sastroamidjojo, Sunaria, Soeria Atmadja, and Teko; other members were Soemanang (Djawa Hookookai), Soerachman and Soerasno (Zyuumin Keizai Kyoku), R. Soediarfo (Sangyoobu), and one Japanese.

In a rather frank exchange of ideas between committee members and officials of the Sangyoobu and Zyuumin Keizai kyoku on the opening day, Mr. Singgih differentiated between a peace-time and a war-time economy, but noted that commodities not taken by the Army must be fairly distributed among the people. To which, Sangyoobu Director Tennichi replied that the rice taken by the Army, if compared to Djawa's total output, was really not very much. Ir. Soerachman recalled how a new American rubber factory had started paying its workers on a piece-rate basis, but when to its surprise output increased beyond expectations, their wages were cut. Consequently, he recommended that in order that the copying of production techniques of foreign countries--including both Japan and those in the West--could be justified and continued, the Indonesian soul must not be neglected. The discussions also brought out the veritable reluctance with which magistrates meted out sentences to merchants prosecuted for violating price controls.

28. Asia Raya, 4 May, 30 June, 5 July 1945.

hand, became largely staffed by Indonesians, the second department to advance to that stage. Its new chief, Ir. Soerachman, now SCS-2, became the sole active Indonesian director of a department and the first to possess real administrative powers. He also headed his department's Industries Branch. Mr. Sunaria and Ir. Toko, both SCS-3, were designated to head the General Affairs Branch and Cooperatives Affairs Branch, respectively, and Indonesians became the deputy heads of the Agriculture Branch, Vital Commodities Branch, and the Central Office of Foodstuffs Control.<sup>29</sup>

Big changes also took place in the Naimubu, where Indonesians also of SCS-2 rank took charge of three Bureaus. Lesser changes were made in the Zaimubu, but three of its five branches were assigned to Indonesians, namely Mr. M. Slamet and R. Achmad Natanegara (both SCS-3), and Hockarto. Japanese advisers were attached to the Indonesian department, bureau, and branch chiefs, yet the latter were not overly encumbered in the performance of their executive functions. Mr. Ali Sastroamidjojo left his position as Sanyo, a position which had by now become obsolete, to become chief of the Tyokin Kyoku (Postal Savings Bank) and thus head up the drive for increased savings among the people.<sup>30</sup>

29. Asia Raya, 17 July 1945; "PPNT", 15 July 1945, Kan po. IV, 71, pp. 19ff. See Appendix H. In reality this department was one for "perekonomian rakjat", which temporarily subsumed "pertanian rakjat" (the people's agriculture). The term "people's economy", referred to the smallholder's sector (usually of the indigenous population) rather than the large-scale (alien) commercial sector.

The Syuumubu (Department of Religious Affairs) had been the first department headed by an Indonesian, but after K. H. Hasjim Asj'ari replaced Professor Djajadiningrat as its director, he never took his desk in Djakarta.

The independent Keizaibu in the Javanese principalities were simultaneously abolished." Asia Raya, 16 July 1945.

30. Asia Raya, 17 July 1945; Djawa Baroe, 1 Aug., 1945, pp. 3, 9; "PPNT", 4 and 15 July 1945, Kan Po, op. cit. By July the number of depositors in the Tyokin Kyoku had risen to 2,600,000 and deposits to f.35 million.

As the savings and contributions campaigns were intensified, there were a few changes in the field of labor. The semi-official body B.P.3 expanded operations and during 1945 opened a number of small enterprises in order to provide a livelihood for the families left behind by the Rommusha. Beginning in May the Barisan Pekerdja Soekarela began sending some of its "volunteer" workers outside of their homeoareas to places lacking manpower. On 15 June, when several new Hukusyutjookan (Deputy Chief of Syuu) were announced, Singgih left as Sanyo of the Roomukyoku and went to Malang.<sup>31</sup>

#### Indonesian Business Activity

By mid-1945, there were many evidences of increased activity by Indonesian in business. This was partly the consequence of the production campaign for self-sufficiency of the Military Administration, which was emphasized in the small-industry sector since the Zyuumin Keizaiikyoku (Bureau of the People's Economy) was formed in August 1944. Such organizations on the syuu level as the Sangyoo Sinkookai (also called Badan Kemadjoean Ekonomi, etc.) had since early 1945 been promoting associations of Indonesian manufacturers. Where such business activity was greatest, there was often leadership provided by a local official of the Enterprises Branch or a civic leader. The principal inducement, however, was the absence of consumer goods customarily imported and, thus, of foreign competition.<sup>32</sup>

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<sup>31</sup>. Asia Raya, 1 and 4 May, 15 June, 3 July, 10 Aug. 1945.

<sup>32</sup>. Ibid., 18 and 19 Apr., 2, 14, 16 Aug. 1945; Republik Indonesia, Propinsi Djawa Timur, pp. 235-236. The B.K.E. of Semarang Syuu was formed by the syuu deputy-chief Mr. K.R.M.T. Wongsonagoro; a similar organization in Banjumas Syuu, the Keizai Kumiai Rengokai (Economic Organizations Federation), was headed by syuu deputy-chief Mr. ISKAQ Tjokrohadisoerjo. Semarang had a Badan Oesaha Ekonomi Baroe (Board of Endeavors in the New Economy) headed by DR. Boentaran, which worked in the textile and ceramics field.

Economic activity even took root in Sulawesi. In Makassar "Soedara" was formed with a number of Indonesian businessmen as members, and on 1 August the Persatoean Perahoe Soelawesi (Sulawesi Perahu Union) was set up.



There was also a display of positive private entrepreneurship. Whereas in 1942 the loss of a job and the removal of Dutch concerns had served as inducements for a number of Indonesians to embark upon careers in trade, by 1945 not a few Indonesians, who possessed certain skills which enabled them to consider manufacturing products not adequately supplied by the regular channels, had decided to become producers themselves. During 1945 there were increasing signs that independence would definitely arrive. Thus, the new initiative by both old and new Indonesian businessmen was probably also fortified by their belief that instead of merely contributing to an alien war effort, they would be contributing to the future economy of their own free country.

Among the new bodies set up by Indonesian businessmen were the Soesoenan Ekonomi Bangsa Indonesia Islam (Islamic Indonesian Economic Organization) inaugurated in Djakarta on 21 January, in which R. H. Oened Djoenaedi and Sajid Ali Alhabsji were active. On 28 May, rubber company operators in Bogor Syuu established the Gaboengan Peroesahaan Barang2 dari Karet (Association of Rubber Products Companies), under Abdoel Hadi (chairman) and Mohammad Saleh (vice-chairman). In Tjirebon on 1 July, a group of merchants in Tjirebon syuu set up the Gaboengan Pertoekangan Koelit dan Karet Bangsa Indonesia Tjirebon



(Association of Indonesian Hideeand Rubber Merchants of Tjirebon).<sup>33</sup>

Several Indonesian firms started oreexpanded operations during this period. In Bandung, E. Kasoem, an optician, obtained permission from the Zyuumin Keizaikyoku and the TekisaneKanribu to acquire equipment of the Rathkamo drugstore, with which he expanded production. In the same city Ali Ahmad's Peroesahaan Teknik Oemoem--which was to become probably the leading Indonesian enterprise in Priangan--began producing doctor's instruments. In April, the M.A.B. Oesaha Soeka Kerdja was set up in Surabaya as the successor to a small toothbrush industry founded three years earlier by R. SOEWARDI Honggojoewono in Tulungagung. In expanded facilities it planned also to turn out writing supplies, earthenware, and tools. The Eswe Syokai, headed by R. M. Soedarmo, with assistance from the Nitimen Zitugyo K. K., opened a rope and sack plant at Kalibata and announced plans to erect similar plants elsewhere in western and central Djawa. And on 1 July reportedly the "largest cotton factory" in all Djawa was opened at Pasuruan after two years of construction under Soekardi's former public works employee.<sup>34</sup>

Other national groups also took steps to protect their interests. On 9 May the Bank Tionghoa (Chinese Bank) was established in Palembang solely to serve the needs of the Chinese residents. And on 15 August Chinese and Arab

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33. Asia Raya, 22 Jan., 30 May, 6 July 1945.

34. Ibid., 2 Jan., 15 Feb., 25 May, 2, 6, 26 July 1945; Djawa Baroe, 1 May 1945, (p. 26), and 1 August 1945, (p. 22). The "cotton factory" referred to the Nebritex spinning mill at Plered near Pasuruan, construction on which actually started before the occupation.

owners of houses and other realty conferred in Djakarta over setting up a  
Zyutaku Kumiai, although they did decide to bring in Indonesians and Indians.<sup>35</sup>  
Bandung Conference of Businessmen

The major event of the year in the eyes of the private Indonesian businessman, however, was the conference held at Bandung from 20 to 24 July, to which the name Permoesjawaratan Kaoem Ekonomi Indonesia seloeroeh Djawa (All-Java Conference of Indonesian Businessmen) was attached. For weeks meetings had been held in the syuu capitals throughout Java and Madura preparing delegations for the conference, which was called entirely on the initiative of Indonesian businessmen. Two points that appeared on most draft agendas called for establishing some kind of merchants' association and for setting up a commercial bank, perhaps by expanding the moribund Bank Nasional Indonesia (Toh Indo Jin Ginko). The conference drew large numbers of distinguished guests. Soekarno informed his audience that the session of the investigating committee, just completed, had decided that the Negara Indonesia Merdeka (State of Free Indonesia) would be organized on the basis of gotong-rojong, rejecting individualism. Raden Soejoed discussed agriculture; Mr. Sunaria reportedly intrigued his audience with information on economic techniques, Ir. Teko spoke on cooperatives as the basis for the people's economy, and a Japanese spokesman, Matuura,

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<sup>35</sup> Asia Raya, 8 May, 16 Aug. 1945. Designed as an N.V. (corporation), the bank started operations with a paid-up capital of f. 500,000.

discussed the state and the economy.<sup>36</sup>

The principal speaker at the conference was Hatta, whose speech was entitled Manoedjoe ke-Ekonomi Baroe (Towards the New Economy). He spoke of the basis of the old economy, individualism, which despite possible early benefits (including technical advances), as ordained by history inevitably led to competition, friction, the destruction of the weak by the strong, economic crisis, and war. But, continued Hatta, the world changes, and since an economic order based on individualism was not in keeping with the times, a new economic order had been sought by economists throughout the world. Thus one arrived at an economy based on the welfare of the community, in which all fields were organized cooperatively. Passing from the realm of theory to specifics, Hatta repeated the recommendation for the establishment of a Bank Indonesia. He

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36. Ibid., 6 and 26 June, 10, 16, 18-25 July 1945. Iskandardinata, welcoming the businessmen to Bandung, recalled that he had suggested such a conference at the sixth session of the Tyuuoo Sangi-in and congratulated them on taking the initiative for it. The conference seems to have had its immediate origins in a meeting held in Bandung early in June for an exchange of ideas between investigating committee member Dasaad and leading business and political figures in the Priangan capital, including Prof. Roosseno, Wiranatakoesoemah (outgoing bupati of Bandung), H. Abdoel GhanyoAziz, and others.

In a conference of Surabaya merchants to form their delegation, on 16 June, A. Baki opened the meeting by calling on Indonesian merchants to work hard for a healthy economy. He suggested that if workers were being called "work-soldiers" or "economic-soldiers", the businessmen must be their officers. A. Hoesin, comparing the country's economy of the past, present, and future, recalled that in the past cooperatives had sprung up like mushrooms, but most had quickly fallen again because the Indonesians had forgotten the principles of cooperation.

also urged that an economic high school be established and opportunities made for youths to become economists. Through supporting such means, Indonesian merchants could adapt themselves to the historical demands of the new economy, he suggested.<sup>37</sup>

The conference had a system of rotating chairmen. H. Abdoel Ghany Aziz of Bandung opened the conference; on the succeeding days H. Abdoel Hamid of Jogjakarta, Abdoel Karim of Surabaya (also merchants); and on the final day, Mr. SJAFROEDIN Prawiranegara (Chief of the Tax Office at Bandung). The sessions were marked, according to B. R. Motik, by an atmosphere of unity, service, and brotherhood. Announcing its belief that the spirit of gotong-rojong was the necessary base from which to build the new economy for Negara Indonesia Merdeka, the conference passed five resolutions:

- (1) that a Persatoean Tenaga Ekonomi Bangsa Indonesia (Union of Indonesian Businessmen) be established;
- (2) that a Bank Oemoem (general bank) be established;
- (3) that an Economic Senior High School be set up;
- (4) requesting the government to unite into cooperatives all operators in the same business;
- (5) requesting the government to accept and ratify the proposals made in 1944 by the Keizai Sintaisei Kensetu Zyumbi Iinkai and implement them as quickly as possible.

A Panitia Pekeraja Oemoem (General Working Committee) was set up with members from each Syuu, city, and principality in Java, and headed by Mr. Sjafroedin. To conduct the necessary business between sessions of the general committee,

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37. Ibid., 23 July 1945.

Panitia Pekeraja Harian (Daily Working Committee) was announced:<sup>38</sup>

Table 19: Founder - Officers of Persatoean Tenaga Ekonomi

Chairman:	Mr. Sjafroedin Prawiranegara (Bandung)
Representatives from West Java:	Basjaroedin Rahman Motik (Djakarta)
	R. Sanoesi Hardjadinata (Bandung)
Representatives from Central Java:	H. Moefti (Solo)
	Mattaris (Semarang)
Representative from East Java:	H. Abdoel Karim (Surabaja)
Member:	H. Abdoel Ghany Azis

A draft **charter** of the P.T.E. was drawn up indicating that the purpose of the organization was to organize Indonesian economic manpower to: (1) Serve the government, the country and God, and (2) to strengthen the economic position of Indonesians.

On 30 July the proposals were submitted through the Soemubu in Djakarta to the Gunseikan, who apparently disagreeing to its exclusively Indonesian nature, early in August approved the establishment of a "Perserikatan Tenaga Oemoem Perekonomian Indonesia" (Federation of Businessmen in the Indonesian Economy), which was to be composed of members from all national groups, especially Indonesians, and which would establish a head office outside Djakarta.<sup>39</sup> Delegates home from the Bandung conference advertised its results and with renewed effort set out to organize Indonesian businessmen. In Djakarta, a meeting to establish a "Persatoean Pedagang Besar Indonesia" (Union

<sup>38.</sup> Ibid., 25-26, 31 July 1945. Motik had headed Perwabi of Djakarta; Sanoesi headed the Sangyoo Kumiai Rengo Kai (Productive Organizations Federation) and the Sinkookai of Priangan; Moefti was active in the batik cooperative movement, and the others were merchants. Hatta, op. cit., p. 237; Kami Perkenalkan, p. 52.

<sup>39.</sup> Asia Raya, 1 and 18 Aug. 1945; cf. speech by Abdul Wahab, Ma'moer (Djakarta), 10 Dec. 1946, pp. 644-645. "Tenaga ekonomi", translated here as "Businessmen" is more precisely "economicians", i.e. persons skilled or experienced in business or economics. It included some government personnel.



of Indonesian Wholesalers) was held on 8 August, during which B. R. Motik led the discussion on the Bandung conference and Mr. ASSAAT gelar Datuk Mudo spoke on the place of the merchant in the community. The charter of the P.P.B.I. was discussed, a managerial board was chosen, and a second meeting was scheduled for 23 August.<sup>40</sup> However, before this meeting could be held and the Bandung proposals for steps in the economy in preparation for eventual independence could be implemented, they were overtaken by accelerated political developments and the arrival of independence itself.

For on 17 August 1945 Soekarno and Hatta proclaimed the independence of Indonesia.<sup>41</sup>

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<sup>40</sup> Asia Raya, 9 Aug. 1945. P.P.B.I. officers were: Chairman: Abdul Wahab of Wahab Kongsi; Vice-chairman: L.o.A. Naim of Angkasa; Secretaries: Soewarno of Soeboer Kongsi and Soetedjo of Dramaga Kongsi; Treasurer: Hidajat of Keradjinan Djawa; Assistants: Kardi of Yasuma Sookai and J.S.F. Pangau of Tjahaja Asia; and Adviser: Mr. Wilopo of the Djakarta city Hookoo Kai.

The Djakarta branch of the P.T.E.B.I. formed a Service Section which was put in charge of soliciting contributions for the Fonds Kemerdekaan, with a managerial board of much the same personnel. Trading associations which were represented in this section included Perwabi, Persabi, Ipsi, Peperki, Perbepesi, P.P.G.P.I. (Poesat Pembelian Gaboengan Perniagaan Indonesia--Indonesian Merchants Association Purchasing Central), and Gapibi (Gaboengan Pedagang Ikan Bangsa Indonesia--Indonesian Fish Dealers Association). Ibid., 21 Aug. 1945.

<sup>41</sup> For a description of the events leading up to the proclamation, see Mohammad Hatta, "Legende dan Realiteit sekitar Proklamasi 17 Agustus", in Mimbar Indonesia, Djakarta, 17 Aug. 1951; Kahin, op.cit., pp. 134-136; Aziz, op.cit., pp. 253-248.

As an interesting sidelight on the rush of events during the last hectic weeks, Soekarno and Hatta, recognizing the growing restlessness of the youth groups, had announced on 4 August an all-Djawa youth rally to be held in Djakarta in the middle of the month. However, a week later, because of the newly scheduled meeting of the preparatory committee at the same time, Soediro and SOEPENO Martodirdjo of the Rally's Arrangement Committee announced that it was being postponed. Asia Raya, 4 and 11 Aug. 1945.

### The Japanese Period in Indonesia

The Japanese Period (Zaman Djepang) was one of tribulation for the Indonesian masses. With the loss of Dutch paternalism came little lasting comfort since the alleged solicitude of the Japanese "big-brother" was still no recognition of equality, and was no more conducive to peaceful and steady progress towards autonomy in the Indonesian economy. In neither case was a unity of purpose--either political or economic--achieved between the metropolitan authorities and the resident population. Moreover, among the resident population racialism continued with little amelioration.

True, the Japanese in the last two years of the occupation had permitted greater participation by Indonesians in upper echelons of the government. We have seen, however, that these first steps were not in preparation for independence, but were aimed at developing at best a trust territory with little real autonomy. And even after the Japanese authorities reversed themselves on this stand and announced that independence would eventually be granted, we have been able to glimpse their interpretation that--at least until hostilities ceased--Indonesia was intended to be no more than a protectorate of Imperial Japan which would continue to provide her with supplies and manpower.

The occupation did, however, provide the Indonesians--especially those on Djawa--with additional experience and with several institutions which were converted to their own purposes in the early days of the Republic. Despite certain limitations on their activities, Indonesians were able to take advantage of an increasing number of opportunities inside and alongside the administration--in positions never before in modern history available to Indonesian nationals. Despite the fact that the Tyuuoo Sangi-in started out as **only a shell of** a resuscitated Volksraad, its members did perform important

services outside the council sessions, although none of them simultaneously held executive or policy-making positions. Already before its final session, however, the advisory council was succeeded by an independence investigating committee, half of whose members were drawn from the older body. The investigating committee, in turn, was succeeded by the Panitia Persiapan Kemerdekaan Indonesia, a majority of whose members from Java had been alumni of the Tyuuoo Sangi-in. Meanwhile, other advisory councils had arisen on the syuu (residency) level. All these forerunners of the newly developing Indonesian legislatures had gradually gained prestige, and what they might have lacked in authority (in a land under foreign military domination) was compensated by the stature of most of their membership.

A movement with a limited political scope had been permitted in the establishment of Poetera. However, since Poetera's nationalist activity exceeded the bounds permitted after the Japanese government had temporarily decided against Indonesian independence, the Hookoo Kai had been forced on the indigenous Indonesians and other residents of Djawa and the other islands in order to create a loyal, and submissive, population. The loyalty organization benefitted the nationalist movement in Djawa through providing a structure albeit totalitarian reaching to the grass-roots. But since the parent body's activities were restricted by surveillance of its Japanese members, the Indonesian leaders produced in the last half-year of the occupation alongside the Hookoo Kai, and presumably subsidiary to it, a New Movement, uniting and subsuming all para-political organizations, including its erstwhile parent, the Hookoo Kai, and the Masjoemi.

Both sets of political institutions would have direct descendants in the new Republic. Despite the fact that it had been devised purely as an advisory position, the two-year development of the institution of the Sanyo ended in executive positions (frequently even portfolios) for most of the incumbents.<sup>42</sup>

The end of the Japanese occupation, consequently found Indonesia with comparatively experienced administrators in the government bodies supervising the economic fields. But what about the economic institutions themselves? The plural "colonial" economy with no really great hardship for the common people--and no real prosperity for them either--had been replaced by a Japanese war economy which produced greater and greater hardship for the masses. Had a Co-Prosperity Sphere been peaceably realized, however, it is probable that Indonesia would still have possessed a colonial economy. In any case, there would still have been much dependence upon the foreign businessman if not his government. Indeed, the Dutch had been totally removed from the scene, and Japanese businessmen and technicians had moved into the large-scale businesses which had not been entirely closed down or had set up new enterprises of their own. Moreover, privately-owned public utilities and the Dutch estates had been taken over by the central administration. Nevertheless, with the end of the Second World War, there were signs that officials of a revised Netherlands Indies Government, and its advance guard NICA (Netherlands Indies Civil Administration), and along with them Dutch and other businessmen would be returning and attempting to resume their past activities.

Three and a half years had produced two complete revolutions in the top

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<sup>42</sup>. For a description of youth movements and other underground activities during this period, see Kahin, *op.cit.*, pp. 111-122; Hardjito, *Risalah Gerakan Pemuda*, (Djakarta: Pustaka Antara, 1952) pp. 19-32; Pakpahan, 1261 Hari Dibawah Sinar Matahari Terbit *passim*.

stratum of the economy. The middle stratum, the Chinese community, which had been the traditional lubricant between the parts of the plural economy of the Dutch period, was not nearly so completely altered. Those leaders who had worked closely with the Dutch authorities had been persecuted by the Japanese, especially if they possessed a record of anti-Japanese activities. The great majority of businessmen, however, had tried to accommodate themselves to the new Power. Some were able to do this by contributing conspicuously to fund drives sponsored by the Japanese, and some were subjected to virtual blackmail to loosen their pursestrings. Importers and exporters (like their Arab and Indian counterparts) had perforce to seek business activities elsewhere, for the little foreign trade permitted was largely in Japanese hands. Some companies moved into fields formerly controlled by the Dutch. Others continued to play an important role in the collection and distribution systems during the Japanese period although they lost their former monopolistic positions when Japanese companies were assigned exclusive rights for various commodities. However, the mass of the Chinese residents of Indonesia felt the strictures forced upon the economy by the Japanese war program, and not a few suffered great hardship. The "unproductive" institution of the *tjinamindring* had virtually disappeared soon after the start of the Japanese period. On the other hand, the role of the Chinese merchants and toko-operators in the local areas in providing credit to the Indonesian farmer became greater. As the expanding inflation rendered the granting of all loans subject to repayment in depreciating rupiahs less profitable, the merchants (who were experiencing losses) switched to demanding repayment in kind. Unfortunately, hardship on both sides tended to exacerbate racial tensions. Credit-wise, the farmer on Java was often no better off at the end of the Japanese period than before, and more farms had in effect become mortgaged among Chinese merchants (although the



practice was not legally recognized) or Indonesian landowners. Materially, because of the exactions of the military, he was far worse off than before.

The occupation and its local manpower programs, from Heiho to Roomusha, as well as its series of latihan (training-propaganda courses given virtually all officials) brought about a social revolution and introduced a degree of population and labor-mobility never before known in the archipelago's history. It also accelerated the flow of population from the farms to the city,<sup>43</sup> providing new manpower pools for possible industrial programs, or contrariwise, increased numbers of unemployed. In work, "cooperation", "mutual assistance", and "family-ship" had been considered as typical Indonesian principles. However, such slogans repeated over and over again during the Japanese period were to take on a hollow ring.

A number of new Indonesian trading concerns had opened during this period, especially during 1942, but many small and medium-scale Indonesian businesses had suffered from the curtailed trade under the Japanese, and most indigenous organizations, including the Syomin Ginkoowere hardly able to do better than maintain themselves in operation. The field of foreign trade remained virtually closed to them. However, a few businessmen did flourish, and some were able to replace former Dutch trading or manufacturing concerns. Furthermore, despite the generally unhealthy atmosphere for development of a sound Indonesian business class, the year 1945 brought renewed business activity, and the Bandung Conference revealed a surprising vitality, which it was hoped could be utilized to support the building of a free and prosperous Indonesia.

In 1944 a policy of limited Indonesianization of portions of the economy

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<sup>43</sup>. On 10 June 1945 in the only complete census in Djakarta since 1930 (when Batavia and Mr. Cornelis had a population of 533,015), the city had 847,483 inhabitants, of whom 676,261 were Indonesian and 137,206 Chinese. Asia Raya, 29 June 1945.

was for the first time publicly aired, and Japanese companies were urged to make available a greater number of skilled positions on their staffs to the "local population". In addition, a number of "enemy" estates were to be transferred to qualified residents. These two programs were barely getting under way when the Japanese occupation ended. However, in large tracts of both Djawa and Sumatra portions of estate land had actually been turned over in usufruct either to former estate-employees or neighboring residents for food cultivation. Many of these smallholder farmers came to consider their new plots and fields as their own permanent homes and possession. On the other hand, estates not exploited for their original crops or converted to others were merely maintained with little or no output. A question was accordingly to rise at the end of the occupation over the future of estate-agriculture, which before the war had been a leading generator of needed foreign exchange.

All large-scale enterprises--not merely the enterprises of the former Netherlands Indies Government--had come under the supervision of the Japanese Army. The management of many of them experienced periodical changes during the Occupation. After direct army intervention, in mid-1942 Japanese civilian administrators began to play a role. There followed almost annual changes in efforts to rationalize production, with the private enterprises, the administration, and again enterprises (this time more Nipponized) alternating in the greater role. When Japan capitulated, the new Indonesian Republic gave the order to the ranking Indonesian employees in these enterprises to maintain operations, but in the name of the Indonesian state. Thus for a second time in three and a half years Indonesian labor and staff personnel were temporarily in charge of the large foreign enterprises. How these enterprises were finally disposed of is, however, another story.

Indonesia entered into the Republic period with the makings of a viable

political structure and an able political leadership, which although far from perfect, were still remarkable creations in view of their relatively brief hothouse nurturing in, and despite, an atmosphere of totalitarianism. Well supplied with devoted "founding fathers", Indonesia appeared able to face with determination the manifold tasks and problems of political development and recognition in the international society.

But Indonesia's economic status at the time of the independence proclamation was far behind the political. Whereas the latter had eventually emerged from a period of growing pains, the economy was still confronted with childhood diseases and remained far from the desired goal of a mature economy, the concomitant of a sound political state. Whereas the several political and administrative bodies permitted by the Japanese during the latter portion of the occupation were developed into sound constituent parts of the new political structure, virtually all the various government-sponsored economic bodies organized on a regional or economic basis quickly vanished, and the several economic committees had quickly passed into limbo. Consequently, in contrast to the tangible results which could be seen in political developments of the occupation period, the economic assets were primarily intangible: the benefit of experience through actually working in certain economic fields or investigating certain economic problems.

The lack of Indonesian entrepreneurship and know-how in operating large-scale enterprises was a major shortcoming in the new state. As a consequence, government assistance and leadership was not only necessary in the field of the "perekonomian rakyat", but also in the modern industrial and commercial sector. Moreover, there were signs at the onset of the republic that if Indonesia's dislocated economy was to be rehabilitated, a careful rationalization was necessary. "Indigenous" Indonesians had to be encouraged to participate more

actively in their own economy. But it was also important that businessmen of different national origins--and their non-commercial brothers too--be induced to work in the common interest, and that alien enterprises which could serve a useful function in the new republic, be allowed to operate. For these factors to operate, a period of unobstructed convalescence without complications was required during which the economy could mend while Indonesia made plans for attaining national prosperity and for regaining some of its important role in the world economy. However, the problem in late 1945 was whether the Indonesian body politic and its ailing economy could recover and prosper in good health without another seizure.