

**Jeroen Touwen. *Extremes in the Archipelago: Trade and Economic Development in the Outer Islands of Indonesia, 1900-1942*. Leiden: KITLV Press, 2001. 376 pp.**

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Written by an economic historian affiliated with the University of Leiden, *Extremes in the Archipelago* is a history of trends in the economic development of the so-called Outer Islands of Indonesia in the late colonial period. The central themes are the export trade and the economic integration of the islands outside Java within the world economy, and the differential patterns of economic development. Touwen's main argument is that the development of a versatile indigenous export production in the islands outside Java was a positive development. It led to higher incomes, better access to medical services and education, increasing human dignity, and increasing freedom of choice. (p. 7) A key concept in his study is "economic dynamism," which refers to a situation in which the profit-oriented actors quickly and flexibly adapt to changing economic conditions.

The first chapter resembles an introductory textbook on economic theory. Touwen's theoretical position is eclectic, drawing from, among others, Hla Myint's surplus-for-vent theory, Julius Boeke's dualism thesis, and Albert Hirschman's linkage concept. Myint's surplus-for-vent concept is used to explain that Chinese and indigenous Indonesian entrepreneurs generated a surplus production of cash crops that was sold in overseas markets. While rejecting Boeke's assumptions about a stagnant indigenous economy, Touwen does acknowledge the benefit of the analytical use of the term "dualism" to differentiate between European and Asian business activity. Finally, Hirschman's linkage theory is used to study the growth effects of export industry on the surrounding economy. In short, it is used to show whether or not the indigenous population benefited from European investment and government policies.

In Chapter Two, Touwen takes the reader on a journey through the islands. An elaborate economic classification is first made, finally resulting in three economic development scenarios. In the first scenario, "European dynamics" dominate (for instance, in Bangka, Belitung, Riau). The second scenario exhibits indigenous or Asian dynamics (Aceh, West Sumatra, Jambi, West Kalimantan, South Sulawesi, Manado). The islands classified in the third scenario display little or no economic dynamism at all (Tapanuli, Bengkulu, Bali, Timor, Maluku). The chapter is concluded with a brief historical overview of the respective geographical areas.

The next chapter is devoted to the first scenario, "European dynamics," that is, estate production, export of commercial crops such as tobacco, rubber, tea, and palm oil, and mining (tin, coal, and oil). The main question in this chapter is whether the indigenous economy gained anything from these European and Anglo-American economic activities, phrased in terms of Hirschman's linkages concept. According to Touwen, the major growth effect was that infrastructure constructed by the estate companies, such as bridges and roads, facilitated indigenous economic development.

This was particularly so for the large group of migrant workers from Java and China in East Sumatra, who shifted their economic role from estate worker to part-time peasant. The author, at the same time, admits that the development of indigenous export agriculture in East Sumatra was hampered by the concessions given to European companies. Growth effects of European business on the indigenous economy were absent in the case of the mining industries in Sumatra, Bangka, Belitung, and Kalimantan. Mining was a typical kind of "enclave economy." Its capital-intensive and high-tech nature did not allow for the transfer of knowledge to indigenous workers. Infrastructure was built for the direct use and benefit of these companies, not for the benefit of the surrounding indigenous communities.

In Chapter Four and Chapter Five, indigenous economic activity is studied in its proper regional, demographic, and ecological context. Touwen shows that Sumatra and Kalimantan were characterized by major agricultural export economies, driven by large groups of indigenous smallholders producing rubber, copra, coffee, and foodstuffs. This economic dynamism was virtually absent in East Indonesia. The major incentive for the indigenous producers in Sumatra and Kalimantan was credit supplied by Chinese middlemen, a Chinese trading network, and the proximity of the trading port, Singapore. According to the author, colonial government policy and European business played no role whatsoever in this economic activity and growth.

The second-to-last chapter deals with the impact of colonial economic policies on economic development and underlying ideologies and assumptions. The effects of the early twentieth-century Ethical Policy, which was intended to educate and "uplift" the "natives" in the outer islands, were marginal. The government was largely indifferent to indigenous export agriculture in these areas. The low priority given to indigenous Indonesian rubber smallholders might have been "a result of the threat it constituted to the European sector, or of historical indifference to the indigenous sector." (p. 229) Touwen concludes that, apart from intervention in the indigenous rubber sector, the development of the Outer Islands "followed its own course, largely uninfluenced by the colonial government." (p. 303)

*Extremes in the Archipelago* is the first comprehensive historical overview of the variations in economic development and economic potential between the different regions of the Outer Islands up to 1942. It is welcomed as a general introduction to the economic history of Indonesia and a good counterbalance to the existing body of literature on Java. The extensive statistics on the export trade of the Outer islands are impressive. They will be of great use for generations of scholars to come. At the same time, this is also a conventional macro-economic study, in which Touwen tacitly avoids bold statements and provocative arguments that might add to more recent debates on, for instance, entrepreneurship or capitalist development in Southeast Asia. To be more specific, much more is needed to unveil the realities of "economic dynamism." One example is the author's failure to elaborate on his important argument that the proximity of Singapore allowed indigenous entrepreneurs in Sumatra to operate relatively independent from European economic activity and colonial government policies. How does the proximity of a major trading port influence the organization of trade, production, labor, and capital? What were the terms of trade between Chinese middlemen and indigenous smallholders? And if Singapore assumed such an important position in the regional trade, why restrict oneself to the geo-political

boundary of the Netherlands East Indies? A closer look at the "Singapore connection" would have helped to support Touwen's claim about dynamism.

Touwen's historiography is also conventional, and perhaps conservative, in another sense. His study ends in the year 1942, implicitly suggesting that "economic dynamism" came to a standstill from that year on. Very few scholars would disagree with Touwen's view that the development of indigenous export agriculture was disturbed as a result of the Japanese occupation. We should, however, be very careful generalizing on the effects of the occupation on the Indonesian economy. First of all, the history of the Japanese war economy in Asia during the Second World War is yet to be seriously explored, Indonesia being no exception. Secondly, without digging deeper into the neglected years shortly prior to the Japanese invasion, we cannot simply credit the Japanese alone for economic misfortune in Indonesia. With the eruption of the Second World War in Europe, communications between motherland and colony broke down. The impact of this on economic conditions in the colony, even before a single Japanese soldier put his feet on Dutch East Indies soil, is also yet to be assessed. Shigero Sato, known for his book on Java during the occupation, is currently working on this particular theme.

That the expansion of Asian entrepreneurship was (using Touwen's terminology) "delayed" during the years of political and military turmoil is also too simplistic. First of all, entrepreneurship should be defined more carefully, distinguishing between political and economic entrepreneurship. Obviously, the two might overlap. Twang Peck Yang's fascinating study of Chinese business elites in Indonesia during and shortly after the Japanese occupation gives evidence of this complex and multifaceted wartime entrepreneurship.<sup>1</sup> Secondly, Touwen's conclusion is based on his single focus on cash crop cultivation and trade. What about off-farm activities, for instance, small-scale industry and retail trade?

Touwen's concluding chapter does not adequately support his main argument that a versatile indigenous export economy contributed to education and better access to medical services, and that it ultimately led to increasing human dignity and freedom of choice. The observations about indigenous Indonesian cash crop producers in the preceding chapters are too general and fragmented. Apart from the problem of consistency, it is puzzling why he made this argument so central. The author's main concern is the different economic development scenarios of different groups of islands. Social and political developments are secondary to this. Supporting the argument would require a far more daring approach across disciplinary borders, incorporating economics with social and political science and historiography. It would also call for case studies from a micro-level perspective to be linked with a macro-level analysis. A much broader range of sources would need to be explored, from archives to newspapers, particularly Indonesian and Chinese language materials. For anyone willing to embark on that challenge, Touwen's conservative but solid history of the economy of the Outer Islands of colonial Indonesia remains compulsory reading.

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<sup>1</sup> Twang Peck Yang, *The Chinese Business Elite and the Transition to Independence, 1940-1950* (Oxford: Oxford University Press, 1998).