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Indonesianisasi of Dutch economic interests, 1930-1960

The case of Internatio

Introduction

In his elaborate PhD dissertation, J.O. Sutter (1959:2) defines *indonesianisasi* as ‘a conscious effort to increase the participation and elevate the role of the Indonesian – and more particularly, the “indigenous” Indonesian – in the more complex sectors of the economy’. In a broader sense, the term stands for the end of Dutch tutelage and subsequent reorientation of the Indonesian economy during the period 1930-1960 (Lindblad 2002:51). It can be seen as a process of emancipation, in other words as the economic manifestation of decolonization. The ultimate expression of this process was the nationalization of Dutch corporate assets in 1958.

Considering the comprehensive character of his dissertation and the short time span in which it was produced, Sutter’s work is an impressive achievement. However, it has some important shortcomings, many of which are also found in later publications on *indonesianisasi*. First, Sutter’s focus on legislation and on decision-making by the Indonesian government means that he gave little attention to actions taken by other economic actors. Second, he consulted very few Dutch sources and, as a result, largely ignored the viewpoint of Dutch firms still operating in Indonesia. Third, the dissertation excludes the crucial episode of the takeover of Dutch firms in 1957-1958.¹ Finally, Sutter’s work is excessively descriptive but offers little analysis. My aim here is to redress these shortcomings.

This article looks in detail into the process of *indonesianisasi* at Internatio, a major Dutch trading firm in Indonesia. I draw on Dutch archival records and the voluminous Dutch and international literature on the changing environ-

¹ Sutter’s dissertation, although defended in 1959, does not go further than the Indonesian general elections in 1955.

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ment for Dutch private business in Indonesia in the 1950s. Internatio's case is particularly instructive for the following reasons:

- Internatio was a leading trading firm in Indonesia and regarded as a 'trend-setter' among the so-called 'Big Five', the leading Dutch import houses in the archipelago.²
- Successive Indonesian cabinets considered import trade crucial in the process of *indonesianisasi*, and for this reason the sector was targeted for policies aimed at wresting control from Dutch firms and encouraging the development of indigenous ones.
- Internatio had a pivotal role in the Indonesian economy due to its extensive interests, not only in import trade but also in exports, estates, manufacturing, shipping, and insurance.³

The article is chronologically structured, distinguishing five periods: depression and diversification (1930-1940); the end of Dutch supremacy (1940-1945); revolution and rehabilitation (1945-1950); adjusting to new realities (1950-1956); confrontation and nationalization (1956-1960).

Depression and diversification, 1930-1940

The Internationale Crediet- en Handelsvereniging 'Rotterdam' (International Credit and Trading Association 'Rotterdam') was founded in 1863 by a group of Rotterdam merchants. The firm soon concentrated on commission trade (shipping and selling of goods on consignment) and entered a period of almost continuous expansion (Allen and Donnithorne 1957:62; Baudet and Fennema 1983:32). After World War I, Internatio greatly diversified its interests, although import trade continued to be its core business. In 1922, the firm participated in setting up the Padalarang paper factory near Bandung, one of the first large manufacturing establishments in the Netherlands Indies. In addition, Internatio owned and operated estates in Java and Sumatra.

During the Depression of the 1930s, world prices for primary products – particularly sugar – dropped dramatically. Internatio's response was to diversify its interests in estate agriculture and reduce its involvement in

² Stout 1963:32; Jonker and Sluyterman 2000:209-12. The other four are Borsumij, Jacobson Van den Berg, Lindeteves, and Geo. Wehry. Their standing was principally based on their widespread interests in key sectors of the economy. According to Stout, on the eve of the Japanese invasion Internatio ranked as the number one importer in the Netherlands Indies. Internatio's annual reports claim that its share in the colony's foreign trade in the late 1930s was usually 8 to 9% of the colony's imports and 3 to 5% of the colony's exports.

³ Internatio acted as the representative in the Netherlands Indies for (among others) the Holland-Amerika Lijn and the Rotterdamsche Lloyd. In addition, Internatio insured cargoes to and from the colony.

the most vulnerable crops.⁴ At the same time, there was an influx of cheap Japanese consumer goods in the Netherlands Indies. Particularly threatening for Internatio was that the Japanese set up their own trading networks and were subsequently able to capture about one-third of total imports.⁵ Internatio directors advocated protection against cheap Japanese imports, for 'what would be the value of the *Netherlands Indies*, if within the foreseeable future trade and distribution are for the most part in Japanese hands?'⁶

In 1933, the colonial administration abandoned laissez-faire economic policies in an attempt to offset Japanese competition and stimulate Dutch and indigenous business in the Netherlands Indies. Deteriorating terms of trade and protection against imported manufactures provided a strong inducement for Internatio to divert resources from export crops to domestic industries. In the 1930s, the firm set up or participated in various manufacturing establishments, including the Preanger Bont Weverij in Garut (West Java), the largest weaving mill in the archipelago.⁷

The second half of the 1930s saw rapid recovery in many sectors, with the important exception of estate agriculture. Internatio profited from the upturn in international trade, protection against Japanese competition, and rising prices for its products. In 1939 total sales (imports, exports, and local sales) in the Netherlands Indies were at the same level as they had been in the late 1920s.⁸ The relative prosperity of the period before the German occupation of the Netherlands in May 1940 made possible the build-up of substantial reserves that were vital in the process of rehabilitation after World War II.

The Depression brought lasting changes in the structure of the colonial economy (Hill 2002:157-62), and this affected Internatio too. The company's operations became more diversified due to its expansion into manufacturing at the expense of estate agriculture. In 1939, Internatio's nominal investment in manufacturing amounted to f 1.3 million, about one-fifth of the firm's total assets in the Netherlands Indies.⁹ However, the company's activities remained almost exclusively concentrated in the Indonesian archipelago.¹⁰

⁴ Internatio. Various annual reports. Between 1927 and 1936, Internatio closed down 9 of its 14 sugar plantations in Java. In the same period, the number of 'mixed' estates (raising various crops) rose from 27 to 35.

⁵ Hill 2002:158. Japan's share in total imports soared to a peak of 32% in 1934, exceeding imports of the Netherlands, Britain, and Germany combined.

⁶ '[W]at zou de waarde van *Nederlandsch Indië* zijn, indien binnen niet afzienbaren tijd handel en distributie zich in overwegend Japansche handen zouden bevinden?' Internatio. Annual report 1934.

⁷ Internatio. Various annual reports.

⁸ Internatio. Various annual reports. Total sales dropped from f 134 million in 1928 to f 45 million in 1933. Recovery began in 1934, first slowly but after 1937 quite rapidly. In 1939 total sales amounted to f 130 million.

⁹ Internatio. Annual report 1939.

¹⁰ Van der Zwaag 1991:226. Before the outbreak of World War II, Internatio had 13 branches in the Netherlands Indies and 3 overseas (Singapore, Bangkok and Kobe).

Indonesianisasi, in the sense of increased participation of the indigenous population in the advanced sectors of the economy, was at most in embryonic form before World War II. The economy of the Netherlands Indies was still dominated by foreign (mainly Dutch) enterprise. Indonesians were unable to make significant inroads into the foreign-controlled trading network.¹¹ The same applied to the expanding manufacturing sector. The colonial government's economic policies were designed first and foremost to protect the interests of the mother country and of Dutch enterprise in the archipelago and very little consideration was given to local producers (Sutter 1959:79; Hill 2002:160).

Before World War II, Internatio never promoted Indonesians into the higher echelons of the company.¹² During the Depression some relatively expensive European employees were replaced by cheaper indigenous workers (Allen and Donnithorne 1957:124), but for two reasons it is somewhat misleading to label this *indonesianisasi*. First, because the positions to which local workers gained access were never beyond the intermediate level. Second, because the rationale behind the policy was to increase profitability by cost reduction, not to give Indonesians a more prominent role in their own economy.¹³

The end of Dutch supremacy, 1940-1945

After the German occupation of the Netherlands in May 1940, Internatio moved its head office from Rotterdam to Batavia. It was not long before communications between the Netherlands and the Netherlands Indies were completely cut off. The Japanese invasion of the Indonesian archipelago in early 1942 and the Dutch surrender on 9 March again forced Internatio to move its headquarters, this time to Paramaribo in Surinam, as a result of which the firm's Indonesian organization essentially ceased to exist.¹⁴

In the wake of Dutch defeat, Internatio's offices, factories, and estates came briefly under control of the company's senior indigenous personnel.

¹¹ Next to the Dutch 'Big Five', the Japanese continued to play an important role in imports and distribution. Chinese merchants functioned primarily as intermediaries between Indonesian smallholders and large exporters. The only indigenous firms involved in international trade were Djohan Djohor, Rahman Tamin, and the Malaya Import Mij. (Sutter 1959:95-101).

¹² Internatio was no exception. According to Sutter (1959:95-6), Dutch trading concerns 'virtually never took Indonesians or Chinese into the top echelons of their companies'.

¹³ Interview with J. Boer, 17-11-1997. SMGI-collection, KITLV, Leiden 1170.1. Mr. Boer asserted that the highest jobs available to Indonesians in the 1930s were in clerical work.

¹⁴ Internatio's head office was severely damaged in the German air raid on Rotterdam on 14 May 1940. Internatio. Annual reports 1939 and 1940; Directors to Board of Commissioners, 9-1-1941; June 1944 [no exact date] and 24-5-1946, in: Gemeente Archief Rotterdam (GAR), Internatio, inv. 74.

For the time being, the Japanese military authorities tolerated this form of *indonesianisasi*, pending arrival of their own experts to take over operations. In addition, many Dutch managers and technicians were required to stay at their jobs as the Japanese considered their expertise essential for a swift reconstruction of the economy (Sutter 1959:133-6).

The Japanese authorities planned to continue the operations of Internatio's sugar plantations in Java.¹⁵ Rehabilitation of the sugar industry progressed rapidly and when the crop had been harvested the military sought to bring sugar cultivation under Japanese control. In November 1942, six Japanese companies took over all Dutch sugar estates in Java. Internatio's five operational sugar factories and three others that had been temporarily closed down during the Depression came under control of the Meiji Seito Company. By mid-1943 the 'Nipponization' of the Java sugar industry was complete (Sutter 1959:155, 220; Postma 1946:9-10).

Coffee and tea plantations were converted to the cultivation of food-stuffs or war materials, for instance at Internatio's Sringin coffee estate near Semarang. The same applied to rubber, which, although of strategic significance, was produced in larger quantities in the occupied territories than Japan was able to consume. On Internatio's Gerengredjo rubber estate in East Java, 15% of the trees were cut down.¹⁶

Since clothing was a basic consumer need, Japanese authorities encouraged textile production. In August 1942, Internatio's Preanger Bont Weverij in Garut was taken over by a private Japanese firm, Oyo Weaving Company. However, the Dutch retained some influence over the industry because their expertise could not easily be dispensed with. Along with Indonesians and Chinese businessmen, several Dutch managers of textile mills were included in the Weaving Commission, which advised the Japanese military administration in matters concerning production in the Priangan area. In November 1942 this commission was replaced by the Weaving Enterprise Administration, which also had the authority to decide which weaving mills could remain open and which firms could act as wholesalers.¹⁷

Apart from the Nicki fire-brick plant in Ngandang, Internatio's factories survived the Japanese invasion undamaged. By the end of 1942, virtually all of them had come under control of various private Japanese companies. However, plants fabricating 'non-essentials' suffered from neglect or were converted to the production of war materials, such as the Tjomal sugar fac-

¹⁵ Internatio's sugar estates were all located around Yogyakarta and Surakarta, in southern Central Java.

¹⁶ Internatio. Report 1940-1947.

¹⁷ Sutter 1959:160-1. A similar organization was set up in East Java: the Textiles Control Board (Kigyoo Toosei Kai). The Dutch, however, were gradually removed from the scene and by mid-1943 virtually all were interned.

tory in Central Java, which was turned to the production of low-octane fuel.¹⁸ Even those establishments receiving support because of their strategic value were confronted with severe shortages of raw materials and spare parts (Booth 1998:52).

In June 1944, Internatio's directors in a memorandum reflected upon the consequences of the war and the difficult task of rehabilitation that lay ahead. There was confidence that the Indonesian archipelago would again come under Dutch control, even if there were likely to be adjustments to the colonial relationship. Interestingly, the directors in Rotterdam assumed that Dutch managers were still in charge of some of the firm's estates and factories, which shows that they had completely lost sight of the real situation in the archipelago. Despite sadness over the human and material losses incurred during the war, the overall tone of the memorandum was optimistic.¹⁹

The economic position of the indigenous population was scarcely better at the end of the Japanese occupation than it had been under Dutch colonial rule (Hill 2002:164-7). Indigenous economic activity was still primarily confined to the subsistence sphere of the smallholder or petty trader. Dutch assets in estate agriculture, manufacturing, and trade were transferred to Japanese private companies or to the Japanese military administration, which hardly ever placed Indonesians in influential positions. The occupation was characterized by Nipponization rather than *indonesianisasi* (Sutter 1959:176, 265).

Revolution and rehabilitation, 1945-1950

Indonesia's declaration of independence on 17 August 1945 was of no immediate concern to Internatio. The firm was busy locating its personnel, restoring its productive capacities, and reopening its trading channels. These tasks were to be carried out under difficult circumstances by a traumatized work force. 102 Dutch Internatio employees, including 48 staff members, had not survived the Japanese occupation. Virtually all had spent years in internment camps and many had lost family and friends. Those able to work immediately undertook the reconstruction of Internatio's Indonesian possessions; the others were repatriated to the Netherlands to recuperate.²⁰

By late 1945, the Indonesian archipelago was cut in two. The Republic under Soekarno and Hatta controlled the inland regions of Java and Sumatra,

¹⁸ Internatio. Report 1940-1947; Directors to Board of Commissioners, 18-9-1947, in: GAR, Internatio, inv. 74.

¹⁹ Directors to Board of Commissioners, June 1944 [no exact date], in: GAR, Internatio, inv. 74.

²⁰ Internatio. Report 1940-1947; Directors to Board of Commissioners, 24-5-1946, in: GAR, Internatio, inv. 74.

where most estates were located, whereas the Dutch occupied the Outer Islands and some larger cities in Java. In Republican-held territory, Japanese managers initially continued operations of foreign possessions. However, by October 1945 control had passed into the hands of their Indonesian deputies, who worked under close government surveillance (Sutter 1959:297-8, 304-10). The 'Foreign Policy Manifesto' of 1 November 1945 stipulated that the takeover of foreign assets was merely a temporary measure to guarantee their continued operation, and that 'all alien property other than which our State needs to operate itself will be returned to the rightful owners'.²¹

The restoration of Internatio's trading network proceeded swiftly since most branches were located in larger cities, where security was less problematic than in the countryside. Also, Internatio could recover its losses in Indonesia by reserves built up prior to the war. In late 1947, all but two Indonesian branches had been reopened. Initially, foreign trade in the Dutch-controlled areas had been strictly regulated by a government agency for which all the major trading concerns provided personnel, but these measures were gradually abolished in 1946-1947. In its first annual report after the war, published in 1947, Internatio noted that 'wherever Dutch influence returns, the people are willing to cooperate with us on the old footing'.²²

The picture was gloomier in manufacturing and estate agriculture since nearly all estates and many factories were in Republican-held territory. Internatio considered itself fortunate 'that our Association is not primarily engaged in plantations [...] and that we merchants will always be able to earn our bread'.²³ In July 1946, Internatio advocated political concessions to the Republic in exchange for guarantees to Dutch economic interests, as 'we fully understand that far-reaching political change in the Indies is unavoidable'.²⁴ Apparently, the firm assumed that the restoration of its possessions would be served by an agreement between the Republic and the Dutch government.

Negotiations between the Republic and the Dutch produced the Linggadjati Agreement, signed on 25 March 1947. Article 14 provided for the restoration of the pre-war rights of non-Indonesians as well as restitution of foreign property in territory under Republican control.²⁵ Internatio was sceptical,

²¹ 'Maklumat Pemerintah Republik Indonesia', 1-11-1945. An English translation is included in Sutter 1959:1279-80.

²² '[O]veral waar de Nederlandsche invloed terugkeert, de bevolking bereid is op de oude voet met ons samen te werken'. Internatio. Report 1940-1947.

²³ '[D]at onze Vereeniging niet overwegend in cultures is geïnteresseerd [...] en er voor ons kooplieden altijd wel een boterham te verdienen zal zijn.' Directors to Board of Commissioners, 18 September 1947, in: GAR, Internatio, inv. 74.

²⁴ '[R]ealiseren wij ons ten volle, dat ingrijpende politieke verschuivingen in Indië onafwendbaar zijn'. Directors to Board of Commissioners, 24-7-1946, in: GAR, Internatio, inv. 74.

²⁵ Linggadjati Agreement, 25-3-1947, Article 14. Secretariaat-Generaal van de Ronde Tafel Conferentie 1949:102-6.

since '[article 14] sounds very good, but the question is if those whose rights are to be restored will receive a fair chance in the Indies of the future to continue their enterprise'.²⁶ Also, it was maintained that Indonesia's sovereignty – or at least independence for Java and Sumatra – should have been recognized. The projected union between Indonesia and the Netherlands was deemed 'an illusion'.²⁷

Linggadjati, in fact, did not solve the problems of Dutch enterprise in Indonesia. The opposition of Indonesian nationalists and militant labour unions, illegal occupations of estate lands ('squatting'), and the unwillingness of Dutch authorities to withdraw their troops made implementation of Article 14 a slow and frustrating process. In January 1947, Internatio reported that virtually all estates were still isolated.²⁸ Six months later, in July 1947, the Dutch launched the first *Politioenele Actie* (military action, or *Agresi Pertama* in Indonesian historiography), code-named Operation Product, which had as its aim the capture of the foremost estate areas and oil fields in Java and Sumatra. Although the Dutch forces 'liberated' over 1,000 estates and factories, many of these were severely damaged or even completely destroyed (Bank 1981:240).

Internatio did not profit much from the Dutch occupation of estate lands in Java and Sumatra. Due to chronic insecurity, the firm's employees could not reach most of the liberated estates or, if they did, found the plantations and buildings in a desolate state. Military intervention had more positive results for Internatio's factories. The Preanger Bont Weverij in Garut, the Morton-Java sweets factory in Surabaya (see Photo 4), the chemical plant Sepandang, and the phosphate factory in Cirebon all resumed production in the months following the first military action.²⁹

The Renville Agreement (January 1948), providing for a truce and a ceasefire, temporarily shelved the Dutch-Indonesian conflict but failed to address its deeper causes. In December 1948 the Dutch therefore launched the second military action, this time with the intention of wiping out the Republic altogether. Internatio did not comment on the wisdom of this decision but merely noted that the Dutch government had seen no alternative. The company's sugar estates in Java were liberated but were severely damaged.³⁰ Under intense international pressure, Dutch troops were forced to abandon the operation in May 1949. The Dutch government had no choice but to accept Indonesian independence.

²⁶ 'Dit klinkt zeer schoon, doch de vraag is of degenen die in hun rechten hersteld zullen worden, ook een redelijke kans zullen krijgen in het toekomstige Indië hun bedrijf voort te zetten'. Directors to Board of Commissioners, 15-11-1946, in: GAR, inv. 74.

²⁷ Directors to Board of Commissioners, 15-10-1946, in: GAR, Internatio, inv. 74.

²⁸ Directors to Board of Commissioners, 28-1-1947, in: GAR, Internatio, inv. 74.

²⁹ Internatio. Report 1940-1947.

³⁰ Internatio. Annual report 1948; Directors to Board of Commissioners, 18-1-1949, in: GAR, Internatio, inv. 75.

Despite all this, Internatio was optimistic about its future in Indonesia. The firm profited from rising prices for estate crops, a boom in international trade, and growing demand for its manufacturing products on the domestic Indonesian market.³¹ Even more important, it was believed that after the transfer of sovereignty Indonesia could not dispense with Dutch guidance, for 'as long as they [the Indonesians] cannot eliminate our capital and organization without jeopardizing the entire influx of goods, we will be able to preserve our position in Indonesia's import trade, which thus means for a considerable time [...]'.³²

The Round Table Conference (RTC) in The Hague (23 August-2 November 1949) led to formal Dutch recognition of Indonesian independence on 27 December 1949. The RTC treaty sealed the political decolonization of Indonesia, even if there was to be a loose union with the Netherlands. However, the *Finec* (financial and economic agreement), an appendix to the treaty, stipulated the restoration of foreign property and Indonesia's obligation to safeguard operations of Dutch firms, thus assuring the continued dominance of Dutch enterprise in the archipelago. In exchange, these firms were to train Indonesians for staff positions and actively solicit Indonesian capital.³³

The continued dominance of Dutch firms in the Indonesian economy in the half decade after the declaration of independence (1945-1949) was especially evident in Internatio's main field of activity, import trade. The 'Big Five' regained their prominent positions after the lifting of governmental controls on foreign trade in 1947. Dutch authorities claimed to support Indonesian importers in the territories under their control, but in reality these 'newcomers' received only a limited share of the available foreign exchange, while pre-war importers (mainly Dutch) were assured preferential treatment based on their 'historic rights' (Sutter 1959:590-1).

In the period under review, Internatio reduced its near-exclusive orientation on Indonesia. The first steps in that direction had been taken before 1945 (Stout 1963:40) and were an ad hoc response to the challenges of war and occupation.³⁴ The process accelerated after World War II. New branches were established in Osaka and Tokyo in 1948. In that same year, Internatio

³¹ Internatio. Annual report 1948.

³² 'Zolang men ons kapitaal en onze organisatie niet kan uitschakelen zonder de gehele goedereenaanvoer in gevaar te brengen, zullen wij in Indonesië op importgebied onze plaats kunnen handhaven, hetgeen dus wil zeggen nog geruime tijd...' Notes of P.F. Zimmerman concerning his trip to the Far East, December 1948-April 1949, in: GAR, Internatio, inv. 74.

³³ *Resultaten RTC 1949:24-38*. An abstract of the *Finec* in English is included in Sutter 1959:1290-3.

³⁴ In 1940, Internatio opened a branch in British India (Calcutta) to divert its trading routes from occupied Europe to Asia. During the war, new branches were set up in Penang, Kuala Lumpur, and Bombay. Some of Internatio's staff members who resided in New York during the war established the firm's first American branch in that city. Internatio. Report 1940-1947.

took over the Holland-China Trading Company of Hong Kong. In the United States, Internatio set up a subsidiary with branches in New York, Boston, and San Francisco. In 1950, Internatio was active in the Netherlands, Indonesia, India, British Malaya, Singapore, Thailand, Hong Kong, Japan, Belgium, and the United States.³⁵ An attempt to expand into South America foundered on a lack of suitable personnel as well as unfavourable economic conditions in the countries concerned.³⁶

The career opportunities of Internatio's Indonesian employees did not improve markedly in the second half of the 1940s. In fact, only one Indonesian occupied a leading position prior to the transfer of sovereignty, one Moh. Yusuf, who was the company's agent in Pangkal Pinang (Bangka) and later in Denpasar (Bali).³⁷ The promotion of Indonesians to leading positions in Dutch enterprises was occasionally discussed in the various Dutch business organizations but few tangible results were seen before 1949.³⁸ Economic decolonization had to await political decolonization.

Adjusting to new realities, 1950-1956

Internatio's assessment of the RTC agreement was positive, for 'even though it must be admitted that our political influence in Indonesia is reduced to nil, we can entertain reasonable hopes that there will remain for us a substantial economic and financial basis to build and work on'.³⁹ However, it was clear that many problems persisted, in particular the 'special relationship' between Indonesia and the Netherlands as symbolized in the Union, and the still unresolved question of New Guinea, which, to the dismay of Indonesia, had not been included in the agreement and therefore remained under Dutch control. Internatio predicted that 'the suddenly reviving enthusiasm for New Guinea [...] may remain a stumbling block between us and the United States of Indonesia and this may well damage existing and larger interests'.⁴⁰ Also, the

³⁵ Directors to Board of Commissioners, 31-5-1950, in: GAR, Internatio, inv. 74.

³⁶ Directors to Board of Commissioners, 21-3-1950, in: GAR, Internatio, inv. 74.

³⁷ Internatio. Annual report 1948.

³⁸ General Board meeting (confidential), 8-12-1949, in: Nationaal Archief (NA), The Hague, Ondernemersraad voor Indonesië te 's-Gravenhage (1921-1958), nummer toegang 2.20.02.01, inventarisnummer (inv.) 18.

³⁹ 'Hoewel toegegeven moet worden dat onze politieke invloed in Indonesië tot nul gereduceerd is, zo mag men toch gereede hoop koesteren, dat er economisch en financieel voor ons een behoorlijke basis zal overblijven waarop wij kunnen voortbouwen en voortwerken'. Directors to Board of Commissioners, 15-11-1949, in: GAR, Internatio, inv. 74.

⁴⁰ '[H]et plotseling oplevend enthousiasme voor Nieuw-Guinea een steen des aanstoots kan blijven tussen ons en de Verenigde Staten van Indonesië en dat hierdoor wel eens bestaande en grotere belangen geschaad zouden kunnen worden'. Directors to Board of Commissioners, 17-1-1950, in: GAR, Internatio, inv. 75. The United States of Indonesia (Republik Indonesia Serikat),

Finec was considered 'very vague' and was said to contain too many 'escape clauses' to safeguard the position of Dutch enterprise in the archipelago.⁴¹

In the first weeks after the transfer of sovereignty, Internatio noted that 'apparently nothing has changed', but 'to what extent this is only the calm before the storm we cannot assess at present'.⁴² The strains in Indonesian-Dutch relations were considered symptomatic of the 'transition period' in which the economic and cultural ties between the two nations were – temporarily – thrust into the background.⁴³ The question was if moderate politicians who were willing to cooperate with Dutch capital would prevail over the radicals who, according to Internatio, aimed for 'the accelerated liquidation [...] of everything that is even remotely reminiscent of so-called Dutch rule, regardless of the economic and financial consequences this might have for the country'.⁴⁴

One of the major challenges for sovereign Indonesia was how to construct a viable 'national economy' that would make it truly independent of the former colonizer. Basically, there were two opposing standpoints. The first maintained that Indonesia still needed foreign expertise and capital for economic development. In the view of these 'moderates', the state was to assist the still weak indigenous business class to the point where it could rival foreign companies. The second group argued that a truly national economy could never be achieved within the existing 'colonial' framework. These 'radicals' advocated the transfer of Dutch assets to the indigenous population or the Indonesian government through nationalization or expropriation.

Indonesian cabinets of the early 1950s were dominated by politicians of the first group, who were 'essentially pragmatic toward making the system work' (Glassburner 1971:82). They were, however, steadily losing ground as the solutions advocated by the radical faction (mainly the communist PKI, but also sections of other political parties) seemed to be more popular with the Indonesian people (Booth 1996:412). But until 1957, not even the most nationalist coalition cabinets went so far as to expropriate Dutch assets 'because when it came to

a federation of 16 Indonesian 'states', had been established at Dutch insistence to maximize Dutch control over the former colony. It was replaced by the unitary Republic of Indonesia in August 1950.

⁴¹ Directors to Board of Commissioners, 15-11-1949, in: GAR, Internatio, inv. 74.

⁴² '[E]r schijnbaar niets veranderd is [...] in hoeverre dit de stilte is die aan de storm voorafgaat, kunnen wij thans niet beoordelen.' Directors to Board of Commissioners, 17-1-1950, in: GAR, Internatio, inv. 74.

⁴³ Directors to Board of Commissioners, 31-5-1950, in: GAR, Internatio, inv. 74.

⁴⁴ '[E]n versnelde liquidatie [...] van alles wat ook maar even aan de zogenaamde Hollandse overheersing nog doet denken, zulks ongeacht de consequenties, welke dit op financieel en economisch gebied voor het land mag hebben.' Directors to Board of Commissioners, 21-3-1950, in: GAR, Internatio, inv. 74.

the point, Indonesia had neither the capital nor the political resources to maintain and replace the colonial economic structure' (Robison 1986:38).

The unstable political constellation and the tacit acknowledgement of those in power that Indonesia still needed foreign capital explains why *indonesianisasi* was often carried out only half-heartedly. The important exception was the Benteng (fortress) program, launched in April 1950, an ambitious effort to break the hegemony of leading Dutch firms and encourage development of an indigenous class of entrepreneurs. Its focus was on import trade, for not only was this activity considered highly lucrative, but it was also thought to be particularly responsive to state direction (Robison 1986:44). The program's emphasis was on reserving the import of certain goods for indigenous merchants and formulating criteria that these 'national importers' had to meet to receive an import license (Lindblad 2002:54-6).

The Benteng program led to an astronomical increase in the number of Indonesian importers ('newcomers'), rising from 100 in 1950 to over 2,200 in late 1954 (Sutter 1959:1021). Already prior to the transfer of sovereignty, Internatio had envisaged that an independent Indonesia would not tolerate a continued dominance of foreign firms in the import sector. Although the company said it would survive difficult periods, 'whereas [...] many over-optimistic newcomers will be held back in their growth',⁴⁵ it also warned that 'discrimination is a dangerous weapon in the hands of those that do not appreciate the value of a well-functioning import apparatus'.⁴⁶

Foreign exchange to finance imports was in extremely short supply because of high inflation and the slow recovery of export earnings that resulted in chronic balance-of-payments deficits. Preferential distribution of foreign currency was used to compel foreign importers to enlist the services of indigenous business, a measure called 'accommodation'. Internatio was one of the few Dutch enterprises that actually tried to collaborate with Indonesian firms. For example, in 1953 the firm worked together with Indonesian partners to set up a new phosphate factory.⁴⁷ Also, in the mid-1950s Internatio set up 70 local distribution offices, almost completely staffed by Indonesians and often under indigenous management. They sold mainly consumer goods from local industries (Jonker and Sluyterman 2000:269; Stout 1963:44).

⁴⁵ '[T]erwijl [...] vele al te optimistisch denkende newcomers in hun bloei zullen worden gehinderd.' Directors to Board of Commissioners, 27-9-1949, in: GAR, Internatio, inv. 75.

⁴⁶ '[D]iscriminatie is een gevaarlijk wapen in de handen van hen die de waarde van een goed functionerend importapparaat niet waarderen.' Directors to Board of Commissioners, 17-1-1950, in: GAR, Internatio, inv. 75.

⁴⁷ The project never became a success and Internatio pulled out in late 1955. Directors to Board of Commissioners, 23-3-1954, in: GAR, Internatio, inv. 75. Directors to Board of Commissioners, 21-9-1954, in: GAR, Internatio, inv. 74. Cooperation between Dutch and Indonesian firms was unusual (Meijer 1994:351).

Foreign importers' craving for foreign currency and the newcomers' lack of capital and expertise coupled with political favouritism led to widespread degeneration of the Benteng system. In 1955, Indonesian officials admitted that the vast majority of the 'national' importers were 'Ali Baba' constructions or importir aktentas (briefcase importers), Indonesian front men who had sold their licenses to Chinese and Western firms. Internatio likewise used the services of Indonesian straw men to evade the Benteng policy. Corruption in the form of preferential treatment of government supporters in the distribution of import licences further obstructed the scheme, resulting in its virtual collapse in 1955-1956, and its official suspension in 1957 (Sutter 1959:1026-7; Lindblad 2002:55).

Indonesianisasi, or attempts in that direction, not only occurred in the Indonesian economy at large, but also within Dutch companies operating in the archipelago. The Finec obliged Dutch firms 'as quickly as possible to bring skilled Indonesians into executive (including top managerial) and staff positions'.⁴⁸ In addition, a gentleman's agreement between the Indonesian government and Dutch enterprise in Indonesia required the latter to have indigenous employees make up 70% of the total workforce (Meijer 1994:352). However, no time limit was set, nor did the agreements specify the percentage of Indonesians to be promoted to management positions.⁴⁹

Internatio frequently paid lip service to the notion that Indonesians should have more control over their economy, but this was done above all to placate the authorities and prevent too much governmental interference in personnel policies. *Indonesianisasi* occurred almost exclusively at lower and intermediate levels. Also, the motives to promote Indonesians were practical rather than ideological, in particular the shortage of European expatriates, restrictions on immigration, and the need to reduce costs.

Sending Dutch employees overseas was expensive because they received relatively high salaries and benefits. However, despite these generous financial arrangements, the number of Dutch willing to live and work in Indonesia dwindled in the 1950s due to both the uncertain situation in the archipelago and the economic boom in the Netherlands. Internatio considered 'the low willingness of expatriate workers to continue to work in Indonesia one of the largest difficulties facing us' and complained that 'by now, we are at the end of our tether'.⁵⁰ A 25% premium on top of the normal salary, introduced in

⁴⁸ '[H]et zo spoedig mogelijk opnemen van daartoe geschikte Indonesiërs in de leiding (ook directies) en staven der bedrijven...' Financial and Economic Agreement, Article 12d.

⁴⁹ Finec Article 12d did specify that eventually the majority ('het overwegende deel') of leading staff personnel should be Indonesian citizens.

⁵⁰ '[E]n van de moeilijkste problemen waarmede wij ons geconfronteerd zien. [...] Wij zijn zo langzamerhand aan het eind van ons Latijn.' Short report of H.G. Muller to Board of Commissioners concerning his trip to Asia, 9 January-18 March 1955, 28-3-1955, in: GAR, Internatio, inv. 74.

1955, did little to counteract the exodus.⁵¹

The situation was aggravated by severe restrictions on Dutch immigration into Indonesia, a policy intended to encourage *indonesianisasi* within Dutch firms. In June 1952, Internatio complained that since the beginning of the year all applications for re-entry permits had been turned down. The firm asserted that 'the sentiment toward foreigners is again decidedly hostile and it looks as if a scapegoat is needed for the deplorable state of the economy'.⁵² Between 1952 and 1956, the number of Internatio expatriates in Indonesia fell from 303 to 186.⁵³

Cost considerations and the shortage of expatriates forced Internatio to replace Dutch employees with locally recruited workers. The firm participated in various training schemes to prepare Indonesians for management positions. For instance, Dutch estate companies set up a crash course in Bandung and sugar producers provided grants for study in Indonesia and the Netherlands.⁵⁴ Dutch trading concerns established a retail business school. However, Dutch firms remained reluctant to invest large sums in the training of talented Indonesians, many of whom after finishing their education opted for a career in government service (Meijer 1994:353-4).

In 1954, Internatio set up Staf Indonesië, a separate category of talented, locally recruited employees to supplement the expatriate staff. The idea was to inspire Indonesian employees to assume positions of responsibility more rapidly. The most comprehensive document on the composition of Internatio's personnel compares the situation in January 1956 with that of January 1957 (Figure 1), providing an in-depth view of the progress of *indonesianisasi* less than one year prior to nationalization.⁵⁵

In January 1957, Staf Indonesië counted 97 employees, or 7% of the total workforce (excluding blue-collar workers). This may seem unimpressive, but in the early 1950s there had been hardly any locally recruited workers in intermediate and higher positions at all. Also, their numbers were rising quite rapidly. Staf Indonesië increased from 86 employees in 1956 to 97 employees in 1957 (a 12% increase), whereas the number of expatriates fell from 186 to 163 (a drop of 12%). There can be no doubt that *indonesianisasi* had made progress at Internatio.

⁵¹ Directors to Board of Commissioners, 19-7-1955, in: GAR, Internatio, inv. 74.

⁵² 'Het sentiment tegenover de buitenlanders is weder beslist vijandig en het is alsof men een zondebok zoekt voor de deplorable positie waarin de economie verkeert'. Directors to Board of Commissioners, 18-3-1952 and 22-7-1952, in: GAR, Internatio, inv. 74.

⁵³ Memorandum concerning personnel affairs [no date], in: GAR, Internatio, inv. 174.

⁵⁴ General Board meeting (confidential), 13-7-1950, in: NA, Ondernemersraad, 2.20.02.01, inv. 10.

⁵⁵ Unless stated otherwise, the following is based on: Memorandum concerning personnel affairs [no date], in: GAR, Internatio, inv. 174.

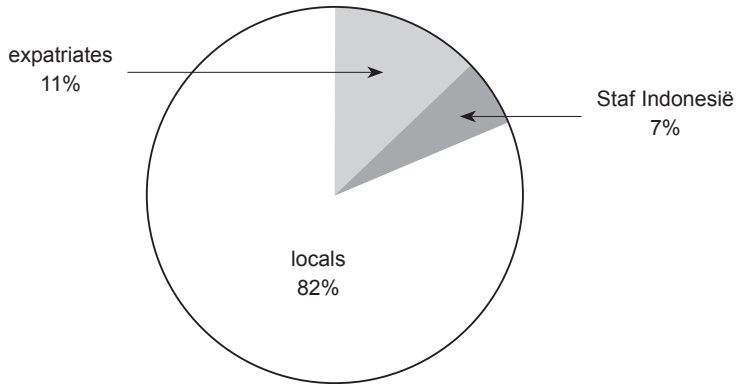


Figure 1. Internatio's workforce in Indonesia, January 1957
(Source: GAR, Internatio, Memorandum concerning personnel affairs, inv. 174)

But to fully appreciate the extent to which *indonesianisasi* had advanced by 1957, it is important to note that there was a difference of opinion between Internatio and the Indonesian authorities as to who exactly was an 'Indonesian'. Internatio applied the term as widely as possible, including both indigenous Indonesians and Indonesians of other ethnic origins (*warganegara*). Indonesian officials, however, reserved the term for *asli* (indigenous Indonesians), thus excluding Indonesians of foreign – mainly Chinese – descent. The distinction is important, as Chinese Indonesians made up more than half of Staf Indonesië (see Figure 2).

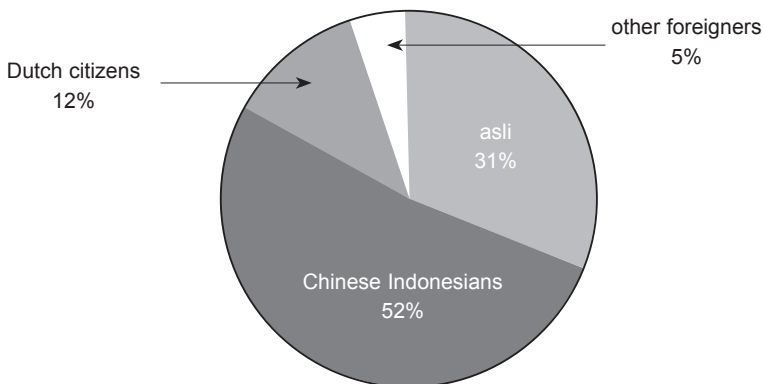


Figure 2. Composition of Staf Indonesië, January 1957
(Source: GAR, Internatio, Memorandum concerning personnel affairs, inv. 174)

Under Internatio's definition, 83% of Staf Indonesië was 'Indonesian'. However, according to the definition used by the Indonesian authorities, the figure drops to only 31%. Internatio considered this difference of opinion 'inconvenient, but as yet not insurmountable and always refutable'.⁵⁶ More problematic was that Indonesian authorities, in construing the level of *indonesianisasi*, grouped expatriate and local staff together. Since the expatriate staff, by definition, was made up exclusively of foreigners, this resulted in a far lower percentage of Indonesians in staff positions.

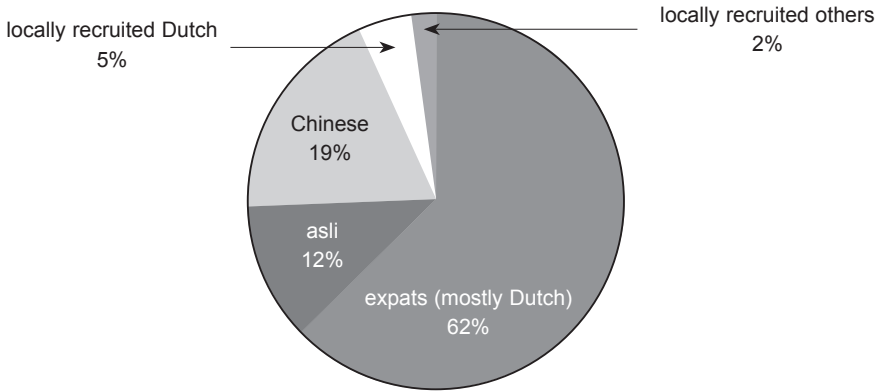


Figure 3. Composition of Internatio's staff, January 1957
(Source: GAR, Internatio, Memorandum concerning personnel affairs, inv. 174)

The higher positions were still overwhelmingly dominated by (Dutch) expatriates: Nearly two of every three staff positions were occupied by employees from overseas (Figure 3). Furthermore, all the top executive positions remained firmly in Dutch hands. By the mid-1950s only two *asli*, Moh. Yusuf (see third section) and J.O.H.N. Wenas, had advanced to management positions. Both were in their mid-forties and had over twenty years of experience in the firm.⁵⁷ At the time of the takeover of Internatio's assets in December 1957, no more than two branch offices (Bandung and Cirebon) were headed by Indonesians.⁵⁸

⁵⁶ '[H]inderlijk, maar vooralsnog niet onoverkomelijk en ook altijd wel weerlegbaar'. Memorandum concerning personnel affairs [no date], in: GAR, Internatio, inv. 174.

⁵⁷ Personnel in the Far East by seniority below the rank of chief employee as of 1 January 1955 [no date], in: GAR, Internatio, inv. 293.

⁵⁸ Report consultations Directie Jakarta with Serikat Buruh Internatio (SBI) on 5 and 6 December 1957, in: GAR, Internatio, inv. 428. According to Internatio, two more branches (Bangka and Belitung) would soon have come under Indonesian control.

As late as January 1957, indigenous Indonesians occupied only 12% of staff positions, significantly behind Chinese Indonesians, who were considered more suitable candidates for such positions (see Figure 3). Internatio maintained that 'the Indonesian staff performs to a certain extent well to very well, but it lacks the capacity to lead and accept responsibility. It is the same story everywhere.'⁵⁹ 'Indo-Europeans', most of them Dutch citizens, were grouped with 'locally recruited others'. They were not much sought after by Dutch firms, as the Indonesian authorities considered them 'aliens' and did not look upon their advancement as *indonesianisasi* (Voorneman 1991:115-8).

The precarious political and economic situation in Indonesia was a constant source of concern for Internatio, especially after political discourse took a more radical and xenophobic turn in the mid-1950s. However, this did not have a large negative impact on the firm's profits. Internally, the management acknowledged that business was, in fact, highly lucrative and that 'although the political reports from Indonesia remain alarming, our business develops, despite many obstacles, not unfavourably'.⁶⁰ In 1955, Internatio's profits in Indonesia completely compensated for losses made in other countries.⁶¹

Remittance of profits to the Netherlands, however, became ever more restricted, as Indonesian authorities sought to ease the country's severe shortage of foreign exchange by forcing overseas companies to reinvest their profits in the Indonesian economy. Whereas in 1952 Internatio had been allowed to transfer almost f 5 million, the figure dropped to f 3.3 million in 1953, and only f 1.9 million in 1954.⁶² Hence the decision to finance the expansion of Internatio's Indonesian organization, such as the setting up of 'Indonesian' distribution offices, entirely by reinvested profits.⁶³

Reorientation is a recurring theme in Internatio's annual reports from the 1950s, since 'for our Association [Internatio] it continues to be imperative to give our activities a wider geographical distribution'.⁶⁴ Other than the expansion in the 1940s, this was no ad hoc response to the temporary drop-

⁵⁹ 'Indonesische staf voldoet tot op zekere hoogte goed tot zeer goed, maar mist de capaciteit tot leiding geven en tot het aanvaarden van verantwoordelijkheid. Het is overal hetzelfde verhaal.' H. Jordaan to his fellow directors, 30-1-1957, in: GAR, Internatio, inv. 413.

⁶⁰ 'Hoewel de politieke berichten uit Indonesië verontrustend blijven, ontwikkelen zich onze zaken, ondanks de vele belemmeringen, niet ongunstig'. Directors to Board of Commissioners, 18-1-1955, in: GAR, Internatio, inv. 74. In general, the large Dutch firms in Indonesia prospered in the 1950s (Baudet and Fennema 1983:161; Meijer 1994:497; Hill 2002:182).

⁶¹ Draft introduction for consultations of the Board of Directors with Directie Rotterdam, 25-2-1957, in: GAR, Internatio, inv. 75.

⁶² Internatio. Various annual reports.

⁶³ Directors to Board of Commissioners, 18-1-1955, in: GAR, Internatio, inv. 74; Interview with J. Boer, 11-12-1997, SMGI 1170.2.

⁶⁴ 'Voor onze Vereniging blijft het een onafwijsbare noodzaak aan haar activiteiten een wijdere geografische spreiding te geven'. Internatio. Annual report 1953.

out of Indonesia as a market and producer, but a strategy to make the firm less dependent on unstable areas. Therefore, the focus of reorientation came to rest on the United States and Europe, above all the Netherlands, at the expense of Asia. It was thought, however, that 'it will take several decades before the merchant with a mainly *Indische* past [...] has succeeded in getting off the ground in one or more countries a profitable organization which can equal the one we have managed to build up in Indonesia'.⁶⁵ In fact, in the 1950s many large Dutch firms in Indonesia attempted to transfer part of their business elsewhere, although certainly not all were successful (Brand 1963; Baudet and Fennema 1983:144).

The issue of reorientation was particularly relevant in view of the New Guinea question, which throughout the 1950s continued to sour Indonesian-Dutch relations. When negotiations at the second Union Conference in December 1950 came to nothing, Internatio warned that 'we must expect that these developments will have repercussions for official relations and that [Dutch] enterprise in particular will suffer a setback'.⁶⁶ Increasingly, Internatio sought to distance itself from the inflexible stance of the government in The Hague. In a letter to the Ondernemersraad (Council of Entrepreneurs) in December 1951, Internatio cautioned that rational calculations of Indonesia's self-interest would 'fall into the background once the group that finds in the Irian [New Guinea] question motive to cause the Netherlands and Dutch interests enormous harm, even at the expense of Indonesia, becomes strong enough'.⁶⁷

In December 1955, there was a new round of Indonesian-Dutch negotiations in Geneva with the intention of revising the Finec. Although agreement was reached on many issues, negotiations broke down over the 'arbitration procedure' which the Dutch delegation insisted on so as to protect the interests of Dutch enterprises in the archipelago against 'unlawful' Indonesian measures. In response to the failed negotiations, Indonesia in February 1956 unilaterally repealed the RTC agreements and withdrew from the Union. It was an act of great symbolism (Meijer 1994:507). Not only did it suggest that

⁶⁵ '[E]nkele tientallen jaren zal moeten duren, voordat de koopman met een voornamelijk Indisch verleden [...] er in geslaagd zal kunnen zijn om in één of meer andere landen een renderende organisatie uit de grond te krijgen, die de toets der vergelijking kan doorstaan met de organisatie die het ons gelukt was in Indonesië op te bouwen'. Directors to Board of Commissioners, 17-1-1956, in: GAR, Internatio, inv. 74.

⁶⁶ '[M]oeten wij niet verwachten, dat het gebeurde geen repercussies zou hebben op de officiële verhoudingen en dat vooral het bedrijfsleven hiervan niet de terugslag zou onder vinden'. Directors to Board of Commissioners, 16-1-1951, in: GAR, Internatio, inv. 75.

⁶⁷ '[D]at deze overwegingen op de achtergrond raken, zoodra de groep, die in de Irian-kwestie aanleiding vindt om Nederland en de Nederlandse belangen enorme nadelen te berokkenen, zelfs ten koste van Indonesië, sterk genoeg wordt'. Internatio to Ondernemersraad (confidential), 24-12-1951, in: NA, Ondernemersraad, 2.20.02.01, inv. 155.

Indonesia had left the path of legality in its dealings with the Netherlands, but it also ushered in a new phase in Indonesian-Dutch relations, replacing reserved cooperation with confrontation.

Confrontation and nationalization, 1956-1960

Internatio worried that Indonesia's withdrawal from the Union and its repudiation of the RTC agreements would usher in a new period of confrontation. The firm criticized the obstinacy of the Dutch government, which it found 'very disappointing'. The arbitration procedure, on which the negotiations had foundered, was considered 'a matter of secondary importance' since Indonesia had sufficiently observed the Finec and 'certainly not taken advantage [of the escape clauses]'.⁶⁸ The firm anticipated further restrictions on Dutch immigration and new measures against the Dutch import business.⁶⁹

Social unrest intensified in the months following Indonesia's cancellation of the Union. In October 1956, Internatio declared that 'the situation in Indonesia is, one would almost say as always, difficult and confused. The country is, as always, in the process of sliding down economically and it gets ever harder for the Dutch entrepreneur to hold his own.'⁷⁰ The decision was made to cease investing in Asia completely and to focus on Europe and the United States 'because little by little we have to come to the conclusion that we must be rather sceptical about the future [...] of our [...] establishments in Southeast Asia'.⁷¹

The prospects of Internatio in Indonesia were discussed at a directors' meeting in January 1957. Two of the three directors were rather sceptical, arguing that it would be merely a matter of years before the firm would be forced out of the country, and that it could not survive anyway if no solution was found to the severe shortage of personnel. However, director H. Jordaan still considered Indonesia 'the best bet of the Far East'. He too admitted that the lack of educated and experienced employees was a source of concern and

⁶⁸ '[Z]eer teleurstellend [...] een punt van secundair belang [...] stellig geen misbruik gemaakt'. Directors to Board of Commissioners, 20-3-1956, in: GAR, Internatio, inv. 75.

⁶⁹ Directie Jakarta to Board of Directors (confidential), 22-2-1956, in: GAR, Internatio, inv. 62.

⁷⁰ 'De situatie in Indonesië is, men zou haast zeggen als steeds, moeilijk en onoverzichtelijk. Het land is, als steeds, in een economisch afglijdingproces en het wordt voor de Nederlandse ondernemer steeds moeilijker zich te handhaven.' Directors to Board of Commissioners, 16-10-1956, in: GAR, Internatio, inv. 74.

⁷¹ '[W]ij moeten zo langzamerhand toch wel de conclusie bereiken dat wij enigszins sceptisch moeten worden omtrent de toekomst [...] van onze [...] vestigingen in Zuidoost Azië'. Consultations Board of Directors, 13-10-1956, in: GAR, Internatio, inv. 19.

that therefore 'it is [...] clear that Indonesianization, now and in the future, will be one of the most important tasks of the management in Jakarta'.⁷² All agreed that full *indonesianisasi* of the firm was unacceptable, 'because none of us is inclined to leave our assets there in the hands of the local workforce'.⁷³

In late 1956, the situation in Indonesia was spinning out of control. At the root of the problem was dissatisfaction in the Outer Islands with the political domination and economic 'exploitation' by Java. The resignation of Vice-President Hatta in December 1956, who as a Sumatran was highly popular in the Outer Islands, did not help matters (Hill 2002:180). Rebellious army officers took control of Sumatra. Similar acts of regional defiance occurred elsewhere. On an inspection trip in early 1957, Internatio director Jordaan was confronted with Dutch property in Jakarta defaced with slogans such as 'Long live Soekarno' and 'Down with the Dutch'.⁷⁴ On 21 February, President Soekarno introduced Guided Democracy, a form of 'enlightened despotism' (Meijer 1994:557), which he stated was more in line with Indonesia's national character. Parliamentary democracy was abolished altogether in March, when Soekarno proclaimed martial law and, in April, installed a 'business cabinet' under the independent Djuanda Kartawidjaja.

Djuanda's most important task was to restore national unity in close cooperation with the armed forces headed by General A.H. Nasution and with backing by the communist PKI. Part of the strategy was to rally the people of Indonesia behind a renewed attempt to wrest control of New Guinea from the Dutch. In October 1957, the Indonesian government launched its 'national campaign for the liberation of New Guinea'. Soekarno publicly threatened that there would be severe consequences if the United Nations General Assembly were to reject a resolution calling on the Dutch to resume negotiations. On 29 November, however, this is precisely what happened. To add to the confusion, the next day there was a failed assassination attempt on Soekarno.

In this extreme sense of crisis, the stage was set for the final phase of the New Guinea campaign. On 3 December followed the takeover of the Koninklijke Paketvaart Maatschappij, the mammoth Dutch shipping company, by the Committee for the Liberation of Irian Jaya. Similar actions followed throughout Indonesia. Internatio's headquarters in Jakarta, as well as those of the other 'Big Five', were occupied on 4 December. Not only the managers of Dutch enterprises but also the Indonesian government seemed taken by surprise by the outburst of labour union militancy, although it seems unlikely that

⁷² 'Het is wel [...] duidelijk dat Indonesianisatie nu en in de toekomst een van de meest belangrijke onderdelen van de taak van de leiding te Djakarta zullen zijn'. Report concerning the trip of Jordaan to the Far East, 8 January – 3 April 1957, in: GAR, Internatio, inv. 234.

⁷³ '[W]ant geen van ons voelt er iets voor, ons vermogen aldaar te laten in de handen van de locale krachten'. Report consultations Board of Directors, 5-1-1957, in: GAR, Internatio, inv. 19.

⁷⁴ Jordaan to his fellow directors, 24-2-1957, in: GAR, Internatio, inv. 413.

Soekarno and his inner circle did not know what was about to happen.⁷⁵

There followed two days of discussions between Internatio directors in Jakarta and the labour union Serikat Buruh Internatio (SBI, Union of Internatio Labourers). Besides control over management decisions, the SBI demanded the right to assign Indonesian employees to training and to staff positions. The directors refused, claiming that Internatio had been training Indonesian workers to take over the positions of foreigners for years, that such a process would take time, and that considerable progress had already been made. They were prepared to speed up *indonesianisasi* but only to the extent considered possible without damaging the firm's interests.⁷⁶

Negotiations resumed the next day, 6 December. The SBI repeated its demands: forced and speedy *indonesianisasi* and control over management decisions. Again, Internatio's directors refused, claiming that important decisions could not be made that day since these required the consent of all four directors whereas only three were present at the meeting. The delegations parted in an extremely tense atmosphere.⁷⁷

At 8 o'clock in the morning of Saturday, 7 December, the SBI ordered all employees to gather outside. Standing on a table, SBI deputy chairman Ie Hok Gie proclaimed that the company had officially been 'taken over' and was now under control of the 'Central Committee for the Taking Over of the Enterprise of NV Internatio'. A few Dutch employees were allowed to go back to work together with the Indonesian workers; all the others were assembled in pre-arranged buses and brought home. The directors for the time being were prevented from entering the office.⁷⁸

In the following weeks the government took measures to bring the occupied Dutch firms under its authority. The socialist red banner, displayed next to the Republican flag above the side entrance of Internatio's Jakarta office, was replaced by a sign that read '*Milik R.I.*' (property of the Republic of Indonesia). A less symbolic but still important step was taken on 21 December, when the Jakarta military commander, Major Sutardjo, officially assumed control of Internatio's possessions in the city.⁷⁹ Similar takeovers of

⁷⁵ Most historians assume that the Indonesian government did not plan the takeover of Dutch firms. However, that does not exclude the possibility that Soekarno and his confidants knew the chances they were taking by drumming up popular support against the Dutch.

⁷⁶ Report consultations Directie Jakarta with Serikat Buruh Internatio (SBI) on 5 and 6-12-1957, in: GAR, Internatio, inv. 428.

⁷⁷ Report consultations Directie Jakarta with Serikat Buruh Internatio (SBI) on 5 and 6-12-1957, in: GAR, Internatio, inv. 428.

⁷⁸ Directors to NV Internationaal Assurantie Bedrijf, 16-7-1958, in: GAR, Internatio, inv. 444; Report consultations Directie Jakarta with Serikat Buruh Internatio (SBI) on 5 and 6-12-1957, in: GAR, Internatio, inv. 428.

⁷⁹ Directors to NV Internationaal Assurantie Bedrijf, 16-7-1958, in: GAR, Internatio, inv. 444. Moh. Yusuf, Internatio's most senior Indonesian employee, acted as the military commander's adviser.

Internatio's assets occurred in other parts of the archipelago.

The highly flammable situation in Indonesia spurred Internatio's management to order the immediate evacuation of all spouses and children of expatriate employees. The employees themselves were to leave in echelons, starting with the lower ranks and then working upward. Since it was virtually impossible to perform normal duties anyway, a 'core group' (*kernformatie*) of about 30 senior Dutch staff members in Jakarta and other important cities was considered sufficient. The evacuation, both by ship via Singapore and by plane, proceeded swiftly.⁸⁰

The exodus of Dutch employees speeded up *indonesianisasi*. In early 1958, Indonesians took over twelve of Internatio's Indonesian branch offices. In one case an Indo-European was promoted to agent, in two instances control went into the hands of Chinese Indonesians, but all the other posts were assigned to indigenous Indonesians. In March, the only offices where there was still a 'Dutch presence' were Jakarta, Surabaya, and Medan. The top management positions were in the hands of the most capable Staf Indonesië employees.⁸¹ Internatio's remaining Dutch managers complained frequently that the pace of *indonesianisasi* frustrated business operations.⁸²

Another complicated issue was how to deal with the Indonesian authorities. On the one hand, Internatio needed to demonstrate that it did not recognize the takeover of its Indonesian possessions. On the other hand, it had to cooperate sufficiently in order not to further antagonize Indonesian officials and lose all chances of recovering its Indonesian assets. On 4 January 1958, Internatio issued an official declaration of protest, asserting that the New Guinea dispute was one between two sovereign states in which Internatio neither was nor wished to be involved in, and that therefore the occupations were both unjust and illegal.⁸³

There soon appeared a rift between the directors in Rotterdam and the Dutch managers in Jakarta. 'Rotterdam' had ordered the formation of a core group to be 'the last stayers, or perhaps the first beginners [...] the guard-

⁸⁰ Directie Jakarta to directors, 27-12-1957, in: GAR, Internatio, inv. 416.

⁸¹ Directors to Board of Commissioners, 18-2-1958, in: GAR, Internatio, inv. 74; Jordaen to Directie Jakarta, 20-3-1958, in: GAR, Internatio, inv. 413; Documents relating to the replacement of Dutch personnel by Indonesians in to be nationalized establishments, 1958, in: GAR, Internatio, inv. 443.

⁸² Agency Medan to Directie Jakarta, 17-1-1958, in: GAR, Internatio, inv. 416. According to the Directie Jakarta's secretary, Internatio would have preferred to transfer control over business operations to the company's senior Chinese personnel. Interview with Mrs. E. Ensinger, Amsterdam, 20-2-2004.

⁸³ Board of Directors to Indonesian military command, 4-1-1958, in: GAR, Internatio, inv. 409. The complaint was sent to general A.H. Nasution, army chief of staff and defence minister, and Prime Minister Djuanda. Internatio also supported declarations of protest issued by various Dutch business organizations.

ians of our interests [...] on the spot'.⁸⁴ 'Jakarta', however, asserted that 'the clock cannot be turned back and for most [Dutch employees] it has been quite enough'.⁸⁵ In early 1958, the management in Jakarta single-handedly reduced the core group to a much smaller number than originally intended. Angrily, the Rotterdam directors wrote that the phrase core group 'suggests more endurance than taking the boat a fortnight later'.⁸⁶ Also, they claimed that although 'we do not exactly belong to the category of diehards who want to stay just to stay', withdrawing all Dutch personnel would mean de facto abandonment, which was considered unacceptable 'if it is not certain that it is necessary to do so'.⁸⁷

The management in Jakarta, however, pointed at the ever more depressing situation in Indonesia and at the rapid *indonesianisasi* at other Dutch firms.⁸⁸ In April 1958, the directors in Rotterdam finally ordered the departure of the twelve remaining Dutch employees. Most expatriates lost their jobs, although later about one-third returned to Internatio as the company expanded its activities elsewhere.⁸⁹ The last Dutch Internatio employee, one of the Jakarta directors, left Indonesia in May 1958.

The Indonesian government soon began preparations for the formal nationalization of Dutch assets. In April 1958, virtually all Dutch firms in Indonesia came under the management of the Republic. Internatio's business activities – estate agriculture, industry, and trade – were placed under various government agencies.⁹⁰ Internatio decided not to file a claim for indemnities, for as long as there was the slightest possibility of reviving its Indonesian organization it chose to avoid an overtly oppositional stance.⁹¹

The promulgation of the Basic Act in December 1958 paved the way for the nationalization of Dutch possessions, retroactive to December 1957. In

⁸⁴ '[D]e laatste blijvers, of misschien weer de eerste beginners [...] de bewakers van onze [...] belangen *on the spot*'. Directors to Board of Commissioners, 18-2-1958, in: GAR, Internatio, inv. 74.

⁸⁵ 'De klok kan niet meer teruggezet worden en voor de meesten is de maat thans wel vol'. Directie Jakarta to Board of Directors, 29-12-1957, in: GAR, Internatio, inv. 410.

⁸⁶ '[T]och wel meer permanentie suggereert dan 14 dagen later op de boot stappen'. Jordaan to Directie Jakarta, 25-2-1958, in: GAR, Internatio, inv. 413.

⁸⁷ 'Wij behoren niet bepaald tot de categorie van *diehards* die alleen maar willen blijven óm te blijven [...] wanneer niet zou vaststaan dat de noodzaak daartoe inderdaad bestaat'. Jordaan to Directie Jakarta, 20-3-1958, in: GAR, Internatio, inv. 413.

⁸⁸ Directie Jakarta to Board of Directors, 14-3-1958, in: GAR, Internatio, inv. 416.

⁸⁹ Stout 1963:46-7. Internatio and Geo. Wehry were the first of the 'Big Five' to pull out their Dutch personnel in Indonesia completely. 'Globaal aperçu van de feitelijke toestand waarin zich de Nederlandse bedrijven in Indonesië bevinden', [no date], in: NA, Ondernemersraad, 2.20.02.01, inv. 194.

⁹⁰ Internatio's core activity – import trade – came under control of the Badan Urusan Dagang (BUD, Body of Trade Affairs).

⁹¹ Directors to Board of Commissioners, 20-10-1959, in: GAR, Internatio, inv. 74.

February 1959, Internatio's shares were assigned to a new state company – Satya Negara – which was to continue operations using existing trade relations with the exception of Dutch firms. Former Internatio employees Yusuf and Wenas (see fourth section) were promoted to 'acting general manager'.⁹² Internatio's plantations were officially nationalized in May 1959, followed in July by the *vennootschap* and all manufacturing establishments.⁹³

However, Internatio soon devised a means to continue to trade with the archipelago, although these operations had to be camouflaged and were therefore modest in scale. In 1958, Internatio exported goods worth f 1 million to Indonesia through *schaduwadresses* (covert enterprises), usually firms formally owned by Indonesians.⁹⁴ But there were other methods to 'find such facades, that our identity and our interests in the companies that Satya Negara makes use of remain completely hidden'.⁹⁵ Frequent ploys included borrowing the name of a friendly relation, setting up a new firm, or turning an existing Dutch enterprise into a foreign one.

Reorientation was vigorously pursued after December 1957. Even more than before, the strategy was to pull out of politically unstable areas in Asia and Africa.⁹⁶ In its annual report of 1958, Internatio stated that most of its business had already been diverted to Europe and the United States. In that same year the company resumed dividend payments, after these had been passed over the previous year to allow for a special provision of f 26 million to write off the remaining book value of the firm's Indonesian assets (Stout 1963:46). In 1963, Asia accounted for only 2% of the firm's total assets, suggesting that Internatio was very successful in adapting to the new situation (Brand 1963:156; Jonker and Sluyterman 2000:295).⁹⁷

In fact, it was Indonesia that suffered the most from the expulsion of Dutch capital (Brand 1963:165-71). Nationalization of Dutch assets temporarily satisfied Indonesia's frustrations but it was no panacea for the economy's shortage of capital and expertise. Per capita income actually fell after 1958.⁹⁸ Economic

⁹² Directors to Board of Commissioners, 14-7-1959, in: GAR, Internatio, inv. 74.

⁹³ Directors to Board of Commissioners, 20-10-1959, in: GAR, Internatio, inv. 74.

⁹⁴ Directors to Board of Commissioners, 7-10-1958, in: GAR, Internatio, inv. 74. The other Dutch importing firms also continued to trade with Indonesia. 'Gloaal aperçu van de feitelijke toestand waarin zich de Nederlandse bedrijven in Indonesië bevinden', [no date], in: GAR, Internatio, inv. 195.

⁹⁵ '[Z]odanige façades te vinden, dat onze identiteit resp. onze belangen in de vennootschappen waarmede Satya Negara werkt, volkomen verborgen blijven'. Directors to Board of Commissioners, 20-10-1959, in: GAR, Internatio, inv. 74.

⁹⁶ Internatio. Annual report 1957.

⁹⁷ Internatio pulled out of Asia almost completely. The offices in Ceylon, China, and Calcutta had already been closed down prior to December 1957; the branches in Malaya, Singapore, and Japan followed in 1962 (Stout 1963:60).

⁹⁸ Booth 1998:61, 65. Average annual growth per capita was 3.4% between 1950 and 1957, but population growth outstripped the modest income increases during the years 1958-1965.

nationalism was soon redirected to Chinese Indonesians business, which to a large extent had filled the vacuum left by Dutch enterprise, and to the remaining foreign capital in Indonesia, mostly American and British. In 1964-1965, all Western firms in Indonesia were nationalized (Hill 2002:186-90). The hostile attitude toward foreign investment was not reversed until 1966, when Soekarno's regime was replaced by General Soeharto's 'New Order'.

Internatio employees continued to make occasional inspection trips to Indonesia. In October 1966, one of the firm's directors reported on such a trip.⁹⁹ He elaborated on the social and political problems in Indonesia, such as the derelict appearance of Jakarta, the army's interference in politics, the intimidation of the Chinese Indonesians community, and the corruption that pervaded all areas of life. However, he believed that the country still offered possibilities for Internatio. More than a century after its foundation, Internatio could still not fully disengage itself from its past in Indonesia.

Conclusion

Indonesianisasi – the increased participation of indigenous Indonesians in the more advanced sectors of the economy – was present only in embryonic form during the final decade of uncontested Dutch colonial rule, and finally gained momentum after Dutch acknowledgement of Indonesian independence in 1949. The Dutch-dominated 'dual economy' was a deep-rooted colonial legacy which indigenous businessmen could only overcome with the resolute support of an independent Indonesian government. Political decolonization was therefore a precondition for economic decolonization.

Three key themes run like a continuous thread through the process of *indonesianisasi* at Internatio. First, the advancement of Indonesian personnel to higher positions within the firm. Second, the process of reorientation to reduce Internatio's dependence on Indonesia. Third, the issue of ownership, which found its ultimate expression in the takeover and subsequent nationalization of Internatio's assets in 1957-1958.

Advancement of Indonesian personnel

Dutch firms in Indonesia have often been criticized for failing to train and recruit sufficient numbers of indigenous workers to replace expatriate personnel in positions of influence. The case of Internatio demonstrates that there is much truth in this allegation. At the time of the takeover in December 1957, virtually all management positions were still firmly in the hands of the Dutch.

⁹⁹ Directors to Board of Commissioners, 28-2-1967, in: GAR, Internatio, inv. 74.

Publicly, Internatio paid lip service to the notion that the indigenous population should have a larger share of the 'commanding heights' of the economy. Internally, however, the tone of voice was much more defensive; there can be no doubt that Internatio would have abandoned Indonesia altogether rather than transfer its Indonesian organization to indigenous management.

In lower and intermediate positions, *indonesianisasi* of Internatio's personnel progressed appreciably in the 1950s. This was mainly the result of cost considerations and a shortage of expatriates, not of an ideological commitment to grant the indigenous population more control over their own economy. Internatio's claim that there were insufficient qualified Indonesians to replace expatriate personnel was a welcome excuse not to indigenize top management positions. The claim happened to be correct, however, as many Indonesian politicians and senior bureaucrats grudgingly admitted.

In 1954, Internatio set up a program called Staf Indonesië to promote the influx of Indonesians to the higher echelons of the company. Although Indonesians did make substantial progress in lower and intermediate positions, management positions continued to be the nearly exclusive domain of Dutch expatriates. Also, indigenous Indonesians still lagged significantly behind Chinese Indonesians, who were considered more suitable candidates. Full *indonesianisasi* of Internatio's personnel did not take place until after the company's assets had come under Indonesian control in 1957-1958.

Reorientation

After Japan's defeat in August 1945, Internatio's management was very quick to realize that the company was dangerously dependent on its Indonesian operations. It also recognized, as early as 1946, that Dutch colonial rule had become untenable and that Indonesian sovereignty should be acknowledged sooner rather than later. Internatio thus proved much better than most other Dutch companies in Indonesia in predicting the repercussions of Indonesian independence.

Early recognition of the changed circumstances in Indonesia enabled Internatio to effectively reduce its dependence on Indonesia by geographical diversification of its business. The first steps towards reorientation were still ad hoc responses to the prevailing conditions of war and occupation, and not part of a long-term strategy. In the late 1940s and early 1950s, however, Internatio spread its activities to virtually all parts of the globe. More and more, the company pulled out of 'volatile' regions of Southeast Asia in favour of Europe and the United States, which appeared to offer better prospects for expansion.

But despite the increasingly difficult situation for Dutch enterprise in Indonesia, profits remained high and the option of abandoning the archipelago altogether remained hypothetical. This continued reliance on Indonesia

was partly based on the false assumption that it would take years, or even decades, to build up a profitable organization elsewhere.

Reorientation was vigorously pursued after 1957-1958. Internatio profited from its long-standing experience in many sectors of the economy, and the fact that its core activity, import trade, required knowledge that could easily be put to use in other countries.

Issues of ownership

Independent Indonesia considered the continued supremacy of Dutch enterprise in the economy an intolerable relic of the colonial period. However, it was also widely recognized in political circles (with the exception of the communists and radical nationalists) that Dutch capital and expertise were still badly needed to ensure essential economic services, export earnings, and government revenue. Despite much nationalist rhetoric, until December 1957 all Indonesian cabinets gave preference to such practical considerations over the fulfilment of national economic aspirations.

Before workers' actions of December 1957 presented the Indonesian government with a *fait accompli*, no cabinet ever seriously considered the overall expropriation of Dutch assets. *Indonesianisasi* was encouraged primarily by providing assistance to the nascent indigenous business class. The most sweeping attempt was the ill-fated Benteng program, which aimed at wresting control from Dutch import firms and promoting the development of indigenous ones. Its failure contributed to Indonesian frustrations that formed the breeding grounds for the radicalization of public discourse in 1956-1957.

The ultimate expression of the process of *indonesianisasi* was the takeover and subsequent nationalization of Dutch corporate assets in 1957-1958. Like other Dutch firms, Internatio was taken by surprise. That Indonesia would somehow retaliate against the Dutch government's refusal to hand over New Guinea was a constant source of concern. But until December 1957 it was generally assumed that Indonesia would not throw out Dutch capital altogether, if only because that would hurt the Indonesian economy much more than the Dutch firms. Internatio thus failed to understand that for many Indonesians such practical considerations had increasingly lost their relevance.

After the nationalization of the company's Indonesian assets, Internatio's management believed that a cooperative stance toward the Indonesian authorities might save the organization. The people 'on the spot' in Jakarta, however, had no such illusions and rightly argued that Internatio's role in Indonesia was over. The divergent points of view led to a clash between 'Rotterdam' and the 'core group' in Jakarta, which was only resolved in April 1958 when the directors in the Netherlands finally admitted that it was futile to stay in Indonesia.

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