THE IMPORTANCE OF INDONESIANISASI DURING THE TRANSITION FROM THE 1930s TO THE 1960s

by

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1. Introduction

The term *indonesianisasi* stands for the removal of Dutch tutelage and a subsequent fundamental reorientation of the economy of Indonesia at the time of decolonisation and during the years immediately after Dutch acknowledgement of Indonesian independence in December 1949. The term was initially used in a narrow sense designating the replacement of Dutch officials and managers by Indonesian nationals in the government bureaucracy and private firms in Indonesia during the years leading up to the nationalization of remaining Dutch business assets in Indonesia in December 1957. There is a growing appreciation that the term needs to be applied in a broader sense as the transfer of economic leadership in newly independent Indonesia had profound consequences for future economic development and also occurred within a wider context of structural change. This paper forms a first exploration of the application of the term *indonesianisasi* in such a broad sense. It should be emphasized, therefore, that this is a starting-point of new research rather than the outcome of a completed undertaking.

Chronology is always at the forefront of the historian’s mind. Whereas there can be doubt about the decisive turning-point in Indonesian political history, i.e. the proclamation of independence on 17 August 1945, it is not self-evident that the fundamental change in the course of economic history can be pinned down to one specific event or year. As Dick argues, the collapse of the colonial export-based economy in the 1930s signalled a decisive break with the past forcing Indonesian into a very different path of economic development that in fact only culminated with the rise of manufacturing in the 1980s and 1990s (cf. Dick *et al*. 2002: 153-154). It can similarly be argued that the Indonesian Revolution was only fully completed with the expulsion of remaining Dutch nationals in 1957/58, i.e. several years after the collapse of the colonial state in the 1940s. These two extremes, the early 1930s and the late 1950s, underscore that economic change constituted a gradual process embracing several decades. It is one aim of this paper to demonstrate that *indonesianisasi* needs to be conceived as such a long-run process of economic change.

The Indonesian economy at the time of independence was of a highly dualistic nature with the modern sector still largely controlled by Dutch business interests and strongly oriented towards exports of primary commodities for which terms of trade had been deteriorating for some time already (Dick *et al*. 2002: 174). This represented a path of economic development, which did not
possess much long-run viability. European investment was soon to be replaced by American, eventually also East Asian capital and management. In export production, the emphasis was to shift away from agricultural crops to oil, including refined products, eventually also to non-oil manufacturing goods. These were major changes that gave the Indonesian economy a decidedly different character within not much more than about half a century, from the 1930s to the 1980s. It is another aim of this paper to demonstrate that the process of indonesianisasi must be considered within the framework of such a long-run fundamental reorientation of the Indonesian economy.

Research on indonesianisasi is greatly facilitated by the early and very elaborate Ph.D. dissertation by John Sutter, which was submitted at Cornell University in 1959 but never reworked into a commercial edition. His definition of indonesianisasi is useful: ‘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. Sutter distinguishes between nine types of such institutional change:

- transfer of formerly colonial public enterprises to the Indonesian government,
- establishment of new State enterprises,
- transfer of private alien enterprises to the Indonesian government,
- increased government control over alien business,
- transfer of private alien enterprises to Indonesian and their organizations,
- establishment of new enterprises in sectors previously virtually closed to Indonesian,
- increased Indonesian equity ownership in corporations established by aliens,
- increased participation in the management of alien companies,
- return of landholdings by alien enterprises to the Indonesian community

(Sutter 1959: 2).

Not all nine forms of indonesianisasi can obviously be dealt with in detail here. Attention will be given in particular to the establishment of new private enterprises, efforts to increase Indonesian participation in key business sectors and, finally, the transfer of private foreign enterprises to the Indonesian government. A key concept in this type of analysis, mentioned already in Sutter’s definition, is ‘indigenous’ or pribumi which refers to Indonesian nationals of Acehnese, Dayak, Irian, Javanese, Sundanese, Balinese, Madurese, Minangkabau, Minahasa etc. origin excluding Indonesians of European, Chinese, Arab or Indian descent. This definition
follows the one laid down by the central bank of Indonesia in a confidential report that eventually leaked out (Kompas, 24 March 1976).

Several approaches to a further analysis of the process of *indonesianisasi* are explored here and arranged into five brief sections concerning respectively early ventures in this direction (section 2), official macroeconomic policies of the Indonesian government (section 3), changes in economic structure (section 4), changes in the business environment after independence (section 5), and, finally, the fate of remaining foreign, especially Dutch enterprises up to 1957/58 (section 6).

### 2. Early initiatives

Examples of successful indigenous entrepreneurship in colonial Indonesia are manifold and clearly modify the stereotype conventional image of a dichotomy between modern, Western and traditional, Asian modes of production. Space limitations only permit us to draw attention to the vast numbers of indigenous rubber and copra planters in Sumatra, Kalimantans and Sulawesi reaping the fruits from favourable conditions in foreign markets during the early decades of the twentieth century as well as to the hundreds of cooperatives in rural Java that were established, often in conjunction with the Indonesian nationalist movement, during the 1910s, 1920s and 1930s. Other, perhaps less well known examples foreshadowed the eventual transfer of economic leadership. The *susuhunan* of Surakarta ran his own sugar estates on the lands of the sultanate in Solo. Kudus in Central Java was traditionally known as the 'kingdom of *kretek*' (the tobacco used for local Indonesian cigarettes) with a Javanese entrepreneur, Nitisemito, successfully competing with Chinese manufacturers, at any rate up to the 1940s. The first indigenous commercial bank, BNI (*Bank Nasional Indonesia*, Indonesian National Bank), was founded by local businessmen in Surabaya in 1929. The belated efforts at industrialization on the part of the Dutch colonial government, that only materialized towards the end of the 1930s, included the support of indigenous textile factories in both Majalaya (West Java) and Bagnil (East Java). Although scattered and locally oriented in their operations, such enterprises served as a breeding-ground for future economic leadership.
The Japanese occupation not only offered opportunities for the nationalist movement to prepare for independence but also encouraged indigenous business, often in co-operation with Japanese private firms (Post1997).

A first wave of establishing indigenous enterprises followed immediately after the proclamation of independence. It was supported by newly founded organizations of Indonesian entrepreneurs and various economic conferences organized by the Sukarno-Hatta government from late 1945 onwards. The first major private commercial bank, BDNI (Bank Dagang Nasional Indonesia, National Trading Bank of Indonesia) was founded in 1946. Various examples show that "indonesianisasi" was well underway in the second half of the 1940s. By 1950, about 100 indigenous Indonesian importers operated in the regions controlled by the Dutch forces that, between them, accounted for one-tenth of the import trade. Some 20 newly founded import firms operated out of Yogyakarta, the provisional capital of the Republican government, including the CTC (Central trading Company) managed by Vice President Moh. Hatta (Muhaimin 1990: 31).

A second wave of establishment of new indigenous firms followed in the early 1950s, after Dutch acknowledgement of Indonesian independence. Again, numerous business organization provided support and encouragement. Examples include the PEKSI in 1950 (Persatuan Eksportir Indonesia, Union of Indonesian Exporters), the GAPINDO in the same year (Perkumpulan Koperasi Gabungan Pembelian Importir Indonesia, Union of Allied Cooperatives of Indonesian Importers) and the IKINI in 1952 (Ikatan Importir Nasional Indonesia, Indonesian National Association of Importers). The national carrier Garuda was founded in 1950, followed by the national shipping company PELNI (Pelayaran Nasional Indonesia) in 1952 and the nation’s central bank, Bank Indonesia (formerly De Javasche Bank) in 1953.

The literature on the economy of late-colonial and immediate post-colonial Indonesia makes frequent mention of the leading Dutch trading houses, the ‘Big Five’ (Borsumij, Jacobson van den Berg, Internatio, Lindeteves and Geo.Wehry). Less well known are the so-called ‘Big Four’, a cluster of major indigenous trading houses that became successful rivals of the ‘Big Five’ during the early 1950s. These four were: Muchsin Dasaad, Djamaludik Malik, Birokorpi and Intraport. The first two were of Sumatran origin whereas the other two had owners from respectively Manado and East Java. The Dasaad concern found its origin in a group of South Sumatran traders who in the 1930s successfully challenged the Chinese hegemony in local imports of textiles from Japan. After independence, Agus Muchsin Dasaad became the owner and
manager of Kancil Mas, Indonesia’s largest textile factory. He benefited from personal contacts with President Sukarno and enlisted the aid of the Minangkabau businessman-politician H. Masagus Noer Moh. Hasjim Ning who had worked for both Hatta and Sjahrir during the 1940s (Muhaimin 1990: 227-233).¹

This brief survey may suffice to indicate that the process of *indonesianisasi* had its roots before the Second World War and that the *indonesianisasi* during the Sukarno period could draw on a rich tradition of indigenous entrepreneurship. The remainder of this paper will focus on the 1950s.

3. Economic policy

One of the most controversial elements of economic policy during the early Sukarno period was the so-called *Benteng* (fortress) program, introduced in April 1950 and officially abandoned in 1957. The explicit intention was to foster the creation of a class of indigenous Indonesian businessmen but it became a national scandal and allegedly did much to discredit the very idea of free private enterprise in Indonesia (cf. Dick *et al.* 2002: 178). It formed the prime example of officially enforced *indonesianisasi* and a vivid illustration of a fundamental dilemma facing the Sukarno government. On the one hand, there was a strong and rising political pressure to wrest economic power from the private Dutch enterprises still remaining in the country and thus complete the Indonesian Revolution. On other hand, Indonesia was in urgent need of foreign capital and management skills in order to realize the rapid economic growth necessary to keep up with the growth of population and to accumulate the investment funds required to restructure the economy.² Already in February 1950, Sukarno had assured foreign firms that quick economic recovery called for a mobilization of all sources of capital, foreign and domestic, and in 1953 the then Minister of Finance, Ong Eng Die, announced that the role to be played by foreign

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¹ Significantly, the assets of the Dasaad concern passed over to the Indonesian-Chinese Ciputra conglomerate after Agus Muchsin Dasaad’s death in 1972.

² Such a dilemma was faced not only by the Indonesian government under Sukarno but also by the Malaysian and Philippine governments at the same time. The three neighbours all chose different solutions and it is interesting to compare the outcomes.
enterprises in national economic development was to be written explicitly into forthcoming plans (which in the event never happened). The Benteng program offered a means to further *indonesianisasi* without encroaching upon the privileges enjoyed by foreign, especially Dutch firms.

The program went through several phases and was changed and amended on numerous occasions. It focused on the import trade since limited amounts of capital were needed and since Dutch predominance, in particular by the 'Big Five', was especially strongly felt in this sector. The emphasis was initially on listing goods to be imported by indigenous traders, later the discussions circled around the criteria that had to be met by the businessmen eligible to receive a license to import. Already in 1950, it was stipulated that at least 70% of the equity of receiving firms should be indigenous Indonesian (*bangsa Indonesia asli*). In May and June 1953, discussions about raising this percentage, including public accusations for discriminating against Chinese importers, contributed to the fall of the Wilopo cabinet. The new cabinet, the first one headed by Ali Sastroamidjojo, felt the need to accelerate the process of *indonesianisasi* through import licences. The radical Minister of Economic Affairs, Iskaq Tjokrohadisurjo, declared that henceforth 80-90% of the licensed foreign exchange should be reserved for indigenous importers. This step met with severe criticism from the Minister of Finance, Ong Eng Die, and the Governor of Bank Indonesia, Sjafruddin Prawiranegara. The guideline was formally withdrawn but it soon transpired that the executing body, the KPUI (*Kantor Pusat Urusan Import*, Central Office for Regulation of Imports) in fact applied the new guidelines in its allocation of licenses. This was the time when 'Ali Baba' constructions and 'importir aktentas' (briefcase importers) became popular, the former referring to partnerships between Indonesian foremen and Chinese traders in the background3 and the latter to the indigenous businessman always prepared to produce his license if requested. The KPUI office became known for widespread corruption with presents being delivered only addressed 'to somebody inside' (*untuk orang dalam*) as a sign of appreciation of favourable treatment (*Berita Ekonomi*, 10 September 1954).

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3 'Ali' stands for the Indonesian partner who sold his license to his Chinese partner, 'Baba' (actually *Babah* from the Chinese *Wa Wa Sze*, used in a derogative manner by Chinese born in China against Chinese born in Indonesia). 'Ali' may also refer to the (first) cabinet of Ali Sastroamidjojo when corruption of this type was rampant.
The Benteng program was reformed again in September 1955 under the more moderate cabinet of Harahap in which the economist Sumitro Djohadikusumo served as a Minister of Finance (he had been involved already in the initial implementation of the program as a Minister of Industry and Trade in the Natsir cabinet of 1950/51). Exclusion of potential licensees on ethnic grounds was discontinued and replaced by stiff requirements with regard to advance down payments. Such requirements were already in existence but had not been actually enforced before. Minimum amounts to be paid varied by ethnic origin. The measures taken by the Harahap cabinet are often seen to be the most consistent with the original intentions of the program (Muhaimin 1990: 34-38). Yet it was then too late. National economic policies became increasingly intertwined with the conflict with the Netherlands about the possession of Irian Barat (western New Guinea), especially after the Sukarno government had in February 1956 unilaterally repealed the agreements reached at the Round Table Conference in 1949. The declaration of a situation of ‘War and Siege’ (SOB, Staat van Oorlog en Beleg) and the formation of an extra-parliamentary ‘working cabinet’ (kabinet karya) under Djuanda in March and April 1957 marked the shift of emphasis in economic policy-making towards ‘Guided Economy’ and long-run economic planning from above.

Prior to the Benteng program, it was estimated that only 7% of the foreign exchange was used by so-called ‘new’ (i.e. indigenous) import traders. Their share in the total climbed to 43% in 1952 and 38% in 1953. Acceleration during the first Ali Sastroamidjojo cabinet brought the share up to 76% but this grossly misrepresents reality because of the mushrooming ‘Ali Baba’ constructions. Numbers of listed import traders listed under the Benteng program increased from 250 in 1950 to 700 in April 1952 and from there to 3500 by September 1953 and as much as 4300 in November 1954, but then including Chinese importers that had obtained the status of ‘national importer’ (Muhaimin 1990: 78, 81, 156-157; see also Feith 1962: 364-275, Bondan 2001: 9). More importantly, however, by early 1955, the director of the KPU, Ahmad Ponsen, estimated that only 50 of the indigenous firms could be labelled ‘bonafide’ whereas another 200 had only marginal operations (Sutter 1959: 1018-1022). By implication, 90% of the listed import firms in fact served as front men for either Chinese or foreign traders. The publication of these statistics and the subsequent public criticism of the ‘quick-gain’ attitude among indigenous Indonesian businessmen, especially by Vice President Hatta, signified the failure of the entire program.
The failure of the Benteng program had far-reaching consequences. In terms of political economy, the implementation of the program fostered new alliances between political power holders and private capitalists, i.e. between government officials, whether bureaucrats or military, one the one hand and Chinese businessmen in particular (Castles 1967: 11; for repercussions during the early New Order period, see Dorodjatun 1979, Liem 1976, Robison 1977, 1986). It has been argued that the program’s very failure paved the way for the nationalization of remaining Dutch enterprises in 1957/58 (Anspach 1969: 169). I shall return to that matter in due course (section 6 below).

4. **Economic structure**

The encouragement of indigenous Indonesian entrepreneurship, if need be by way of positive discrimination as in the Benteng program, took place against the background of a wider discussion of the future course of direction of Indonesian economic development. The contrast between the inherited ‘colonial’ economy and the ‘national’ economy under construction was a recurrent theme in Indonesian economic literature during the 1950s (for instance *Berita Ekonomi*, 10 March, 1 August, 20 August 1954; *Warta Niaga dan Perusahaan*, 18 October 1958). This did not only concern patterns of ownership, i.e. Dutch against Indonesian or indigenous predominance in economic life, but also economic structure, i.e. the composition of national product and employment by sector. Dutch colonial rule was held responsible for the excessive dependence on world markets for primary goods and the subsequent neglect of development of an industrial sector. Late colonial rule had witnessed a spectacular export-led economic expansion but Indonesia was still left distressingly poor at independence. A modernization in terms of economic structure had scarcely taken place but such an achievement would probably have been incompatible with the very institution of colonial rule (Dick *et al.* 2002: 144-145).\(^4\)

The answer to the problem of how to sustain economic growth was of course industrialization. Despite a professed ambition in this direction already at the time of the formulation of the Ethical Policy in the early twentieth century, not much was undertaken in this regard by the Dutch

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\(^4\) Further research will have to disclose whether such insights played an important role in the public discourse on national economic development during the early Sukarno years.
colonial government until towards the very end of the colonial period. An industrialization policy was only shaped and implemented in the late 1930s as a logical corollary to the protection of the domestic market from cheap foreign imports introduced in 1933. Import-substituting industrialization in textiles and various other labour-intensive lines of production raised the share of manufacturing in total GDP (Gross Domestic Product) from 8% in 1931 to 12% in 1939, which, by any comparison, reflects a rapid change in economic structure. Considering the continued and reinforced efforts in this vein also after the Netherlands had been occupied by Germany in May 1940, it is probable that the percentage of manufacturing in GDP had risen slightly further by 1942 (Booth 1998: 88; Dick et al. 2002: 159-162).

Industrialization policies were resumed after the Sukarno government had gained full control over the country. It is instructive to review the situation in Indonesian manufacturing as it had developed by 1954. This is done by looking at the distribution of manufacturing employment across branches of production, numbers of manufacturing firms as well as the geographical distribution over the archipelago (Figures 1-3; source: BPS 1956: 2-3, 10-11). A distinction is made between large firms (at least 50 employees) and medium-size firms (10-<50 employees).5 Taken together, some 1800 large enterprises employed more than one quarter of a million workers corresponding to 55% of total employment in large and medium-size manufacturing. The average size of a ‘large’ firm was 144 employees against only 23 on average in medium-size firms (BPS 1956: 10-11). Although manufacturing accounted for only a very tiny proportion of the total labour force in Indonesia at the time (cf. Dick et al. 2002: 199), these aggregates do show that the process of industrialization regained its momentum very shortly after conditions had become more conducive for economic structural change.

Three out of five Indonesians working in manufacturing were found in a handful of traditional and highly labour-intensive branches such as Footwear, Tobacco, Textiles and Food products, in that order (Figure 1). Three of these branches (Tobacco, Textiles and Food) accounted for more than one half of all employment in large manufacturing firms whereas Footwear (in fact

5 The statistical survey of manufacturing carried out by the BPS (Biro Pusat Statistik, Central Bureau of Statistics) in 1954 in principle covered large and medium-size manufacturing firms that either had at least 10 employees each or made use of mechanized power. However, there appears to be some inconsistency in the application of the selection criteria, notably with regard to a number of small firms in Footwear (including some ancillary textile production for some reason excluded from Textiles), primarily located in Central Java.
including some ancillary textiles as well) offered by far the most employment among medium-size firms. More capital-intensive lines of production, as found in Chemicals, Metals, Non-metals, Machinery, Electrical appliances and Transport equipment (including motor cars), offered employment for less than one quarter of the total manufacturing labour in large and medium-size firms. Such characteristics underscore that industrialization in Indonesia by the early 1950s had scarcely advanced beyond the very initial stage of labour-intensive import substitution.

The overall impression of a limited range of manufacturing production is also borne out by the distribution of the number of firms over individual industries (Figure 2). There was a proliferation of enterprises in a relatively small number of industries, notably Food, Tobacco, Textiles and Printing among large firms and the former two of these four among medium-size firms. Some 250 firms can be considered very large with employment in excess of 250 persons and of these only 28 had more than 1000 employees on the payroll. Firms within the tiny last-mentioned category were primarily found in Tobacco, Textiles and Transport equipment (car and bicycle manufacturing). Large-scale mechanization was clearly still quite exceptional in Indonesian industrial production of the 1950s.

Spatial dispersion in manufacturing was highly skewed with an excessive predominance of Java as opposed to the other islands. West Java accommodated 30% of all large and medium-size firms in manufacturing whereas Central Java and East Java were good for 25% each. Outside Java, only North Sumatra (the former East Sumatra of the colonial period) housed more than a trivial number of manufacturing establishments. The overall rank order of regions among manufacturing firms was mirrored in virtually all individual branches of industrial production (Figure 3). Although boosting the highest percentage of establishments within most branches, West Java was in this respect usually closed followed by East Java. There were, however, some interesting exceptions to the rule. Tobacco had its centre in Central Java, especially Kudus, Wood was concentrated to Sumatra, Rubber was evenly distributed over West Java, East Java and Sumatra (especially Deli) while Furniture was equally important in all three provinces of Java.

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6 There appears to be some inconsistency in the application of the selection criteria with regard to small firms in the branch labelled Footwear, but in fact also including some ancillary textiles production. It is likely that the high figure for employment in this branch is inflated by inclusion of numerous firms with less than 10 employees each.

7 Footwear, with its large numbers of supposedly medium-size firms, is left out in order to avoid distortions.

8 Footwear is again left out in order to avoid distortions. A suspiciously high number of the many supposedly medium-size firms in this branch were located in Central Java.
The unbalanced geographical pattern of manufacturing establishments again tells us that industrialization was certainly under way yet still in its infancy.

The very rationale behind mechanization is obviously to raise labour productivity but it is very difficult to measure such gains unless we have data on the value of industrial output. The statistical survey of Indonesian manufacturing used here only renders inputs and outputs in physical quantities. Combined with the employment figures by branch, this does offer some interesting examples of how far productivity had risen by 1954. Examples are as follows (BPS 1956: various pages):

- Food (78 large firms): 3.2 tons of refined sugar/person
- Tobacco (223 large firms): 495 bundles of 1000 cigarettes/person
- Textiles (3954 medium-size firms): 586 pieces of batik/person
- Paper (5 large firms): 4.7 tons of printing paper/person
- Rubber (56 large firms): 26 tons of dried rubber/person
- Chemicals (1 large firm): 116 tons of fertilizer/person
- Electrical appliances (4 large firms): 216 radio sets/person
- Transport equipment (3 large firms): 126 bicycles/person

For a full interpretation, such figures need to be compared with similar data at a later point in time or in other industrializing countries. They do, however, illustrate the great variety in industrial achievement as well as the scope for improvement in Indonesian manufacturing as it had already developed by the early 1950s.

Indonesianisasi and industrialization were two processes of fundamental structural change that gained momentum at approximately the same time. The link between the two remains a hitherto little explored matter. Did they reinforce each other or did they occur in virtual isolation from one another?

5. A new business environment

In his impressive survey of Indonesian politics and economics in the 1940s and early 1950s, Sutter concludes that already by the mid-1950s a sizeable group of indigenous Indonesian

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9 Examples can only be given for branches of industry where the output is homogenous.
entrepreneurs had emerged whose activities were by no means confined to small-scale operations on the local level (Sutter 1959: 1238). This is an important observation because it questions the idea that the nationalization of foreign, especially Dutch enterprises was a necessary precondition for the transfer of economic leadership in Indonesia. Or, in other words, that the failure of the Benteng program implied a failure in terms of indonesianisasi on other frontiers as well. Sutter’s observation also mitigates the conventional conception that the Indonesian economy remained almost exclusively dualistic up to the draconic measures taken by the Sukarno government in the latter part of its rule. The recapitulation of the historical roots of indonesianisasi above (section 2) pointed in the same direction but here the implications bring us one step further. The process of indonesianisasi had not only started earlier than what has often been thought but more had also been achieved than is usually appreciated. It is a subtle distinction but an important one.

Sutter’s basic contention is that a new kind of business environment was evolving in Indonesia already in the early 1950s, alongside, as a result of or perhaps even despite the ill-reputed Benteng program. His argument draws largely on quantitative and rather piecemeal evidence. The only statistics cited in this regard concern the ethnic identity of new firms established in 1951 and 1953. Numbers of new firms were as such impressive: 490 in 1951 and 522 in 1953. The share of Indonesian firms was strikingly high on occasions, 43 % in 1951 and 50 % in 1953. Almost all of the remainder, 48 % in 1951 and 45 % in 1953, consisted of Chinese firms (Sutter 1959: 1307).

Such data offer a statistical expression for the well-documented wave of establishments of new firms immediately following Dutch acknowledgement of Indonesian independence in December 1949.

Ethnic identity of business firms is a tricky matter, especially in times of rising economic nationalism when it may be to a firm’s advantage to carry on operations under a more indigenous-sounding label. Keeping the necessary reservations in mind, it is possible to corroborate and further substantiate Sutter’s observation with the aid of an elaborate business directory of business in Indonesia published in 1953. This source offers summary information on almost 4200 incorporated business firms: 3106 in export-import trading, 862 in manufacturing

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10 Sutter makes use of a separate category for mixed Indonesian-Chinese firms but numbers are negligible in both years.

11 The same difficulty applies to the identification of ethnic origins of individual businessmen, in particular since the 1960s when the government started to urge Indonesian nationals of Chinese descent to choose Indonesian names.
industry and another 221 in non-trading services (Business 1953).\textsuperscript{12} Although the information on each individual firm is very scant, consisting only of the firm’s name, the address of its head office, the location of its branches and its banking contact, it is usually possible to infer the ethnic identity of owners or managers from the firm’s name. Assigning ethnicity in this manner was relatively clear-cut in a large number of cases, including the following:

(1) Firms using distinctly indigenous Indonesian personal names (Javanese, Sundanese etc.) or business labels in the Indonesian language (unless in combination with overtly non-indigenous personal names) or labels containing unambiguous cultural references to for instance Islam or the nationalist movement;

(2) All firms using Chinese personal names;

(3) Firms using distinctly Dutch personal names or business labels in the Dutch language (unless in combination with Chinese or Indonesian personal names).

One may safely assume that a businessman, whether of indigenous Indonesian, Chinese or Dutch descent, would not use a personal name associated with another ethnic group. Similarly, it is highly unlikely that a Chinese or Dutch enterprise would include a word like \textit{merdeka} (independence) in its business label in 1953. A special case is formed by the small number of firms of distinctly Arab or Indian origin. Although not considered to be \textit{pribumi} by the official definition of the Indonesian authorities cited above (section 1), it appears expedient to group them together with indigenous firms, both so as to avoid an additional, very small separate category and perhaps also in recognition of the higher degree of integration with Indonesian business as compared to Chinese firms in particular.

Even aside from possible shortcomings in terms of linguistic and cultural associations, difficulties may arise in some cases. One concerns firms using English business labels (unless in combination with distinctly British or American names when the matter is again clear-cut), which may or may not mirror a strategy of Dutch or Chinese firms to downplay their true ethnic identity in public. The only practical solution here is to create a separate, slightly amorphous category of \textquote{International firms} containing all firms with a professed non-indigenous, non-Chinese and non-Dutch character, including a very small number of firms with French or Italian names. Another difficulty concerns use of geographical names in business labels. Here the level of geographical designation comes into consideration as well, i.e. the more local and specific, the higher the

\textsuperscript{12} The book also contains a list of 880 agricultural estates but only names, locations and crops are given.
likelihood that the firm is indeed an indigenous one. Inevitably, an exercise of this type also produces a rest category of firms for which ethnic identity remains undetermined.

The procedure of assigning ethnic identity to business firms in Indonesia in 1953 may be illustrated by a number of examples taken from two randomly chosen pages in the business directory of 1953:

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17 firms of which 8 indigenous (Gunung Mas N.V. Perseoran Dagang, Firma Gunung Merah, Gunung Terang Perusahaan Karet, Hadis Didong, Firma Hadji Akil & Co., Firma Hadji Ali Toko Adjataparang, Toko Hadji Abang Abubakar), 5 Chinese (Gwan Bie, Gwan Chong & Co., Gwan Hong & Co., Gwan Seng Hoo (Oei Ngo Hok), Gwan Wan), 3 Dutch (Güntzel & Schumacher N.V. Handel Mij., Gutwirth Trading Co. (Indonesia) Ltd. N.V., Stuwadoors Handel Mij. F. De Haas) and 1 international (Guthrie & Co.).

The outcome of assigning ethnicity to trading and manufacturing firms listed in 1953 is astounding (Figure 4; Business 1953: 121-429, 461-527). The proportion of indigenous (or ‘Indonesian’ as in the graph) firms is strikingly high: almost two-fifths among trading firms and one-third among manufacturing enterprises. The former, higher percentage may of course be inflated by ‘Ali Baba’ constructions considering the changes in the execution of the Benteng program from mid-1953 onwards under the first Ali Sastroamidjojo cabinet (section 3 above). Yet a similar line of argument does not apply to industrial firms that were unaffected by the Benteng program where the share of indigenous firms is only slightly lower. The overall picture,

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13 The impact of the ‘Ali Baba’ factor on these results largely depends on whether the information on individual companies reflects the situation at the beginning or the end of the year 1953. The fact that the date of printing of the directory is given as 1953 lends support to the former alternative, which implies that distortions due to ‘Ali Baba’ constructions may be limited.
therefore, demonstrates that the business environment indeed looked radically different from the one that had prevailed at the end of the period of colonial rule when indigenous Indonesian firms were far and few between (Lindblad 1998:74, 78).

Next to the discontinuity with regard to the part played by indigenous businessmen, there was also an essential continuity compared to the colonial past as represented by the strong position of Chinese firms, in trading and to an even greater extent in manufacturing where the Chinese enterprises ranked above the indigenous ones (36 % against 33 %). The true 'losers' in the process of *indonesianisasi* during the early Sukarno period were not Chinese firms but Dutch ones, especially the numerous small firms fitting into a category best labelled ‘Netherlands-Indian’ in the situation prevailing up to 1942, i.e. firms with a local head office and an orientation towards local economy that were owned and managed by members of the permanent Dutch settlement in the colony. Remaining Dutch firms, which in numbers ranked below indigenous and Chinese ones in both trading and manufacturing, counted several large Dutch enterprises managed from the Netherlands. Other firms, with a non-Dutch international or undetermined ethnic status, formed a rather marginal category in the grand total.

Services other than trading had been affected by early *indonesianisasi* in a slightly different way. Indonesian predominance was already pronounced, at any rate as measured by numbers of individual firms, in banking and publishing; 13 out of 19 registered banks were Indonesian whereas 68 out of 83 newspapers or journals had an indigenous signature. In shipping and insurance, however, Dutch firms or firms with an international image, judging from the English-language label, still ranked above distinctly Indonesian companies. There were only five unambiguously Indonesian (including one Chinese) insurance companies in a total of 25 and less than one-half of the 16 firms engaged in interisland shipping were Indonesian.\(^\text{14}\) These data underline that *indonesianisasi* was occurring, as may be expected, primarily within the domestic economy.

\(^{14}\) International shipping (12 companies) and aviation (7 airlines) are special cases as an international label would probably be preferred here regardless of the ethnic origin of the owners or managers.
6. The fate of Dutch firms

The attitude of the Sukarno government vis-à-vis foreign, especially Dutch business interests was highly ambivalent. It was publicly admitted that foreign capital and management had an important role to play in strategies for economic development of independent Indonesia (see for instance the speech by Prime Minister Ali Sastroamidjojo in February 1954; *Berita Ekonomi*, 20 February 1954). Meanwhile business conditions for foreign firms continued to deteriorate, a development for which the government can at least in part be held responsible. Currency controls and a complex system of multiple exchange rates impaired transactions with foreign owners and suppliers of inputs. Wage demands from increasingly militant labour organizations raised costs of production while thefts and land occupations formed additional obstacles for foreign-owned agricultural estates in particular. Yet prospects for Indonesian export products in international markets remained favourable for the time being and profitability was high. It is estimated that Dutch firms remitted a total of 800 million guilders between 1954 and 1957 alone (Meijer 1994: 529). Such massive transfers of profits testified to a short-run perspective in management strategies of the Dutch enterprises and clearly added to Indonesian apprehension about their continued operations in Indonesia.

Relations with Dutch firms in particular were in the first place soured by the on-going conflict between Indonesia and the Netherlands over ‘the return of Irian Barat’ (West New Guinea) as it was labelled in the Indonesian press. It is highly likely that the very aftermath of decolonisation played a role as well. As Dick argues, the terms under which Indonesia gained independence were exceptionally harsh with the apparatus of the colonial state being dismantled, in 1950-1952, largely at Indonesian expense (Dick *et al.* 2002: 170-171). Although rarely acknowledged in the international or Dutch literature, it does make it easier to understand why it did not prove possible to forge a new kind of partnership between former colonizer and former colony in the same way as did happen in neighbouring former colonies such as the Philippines and Malaysia.

Increasing Indonesian apprehension was matched by a firm belief on the part of remaining Dutch managers that their continued presence was indispensable to the functioning of the Indonesian economy. This fostered vain attempts, in the mid-1950s, by leading Dutch businessmen in Indonesia to separate the interests of private Dutch business and those of the Netherlands government and to forge a secret understanding with Sukarno about the role of
Dutch firms in Indonesia in the future. At the same time Dutch enterprises were increasingly urged or compelled to surrender managerial or supervisory tasks to Indonesian nationals. This was another brand of indonesianisasi, different from the one promoted by the Benteng program or resulting from the establishment of new enterprises. The story of indonesianisasi inside the Dutch firms in Indonesia between 1950 and 1957 still needs to be told. Suffice it here to say that it was a process that left none satisfied. To Dutch business in general, the pace of indonesianisasi but to proponents of Indonesian economic nationalism, the pace was too slow. In a remarkable interview in Bandung in early 1957, Hatta, who by then of course had already stepped down from the vice presidency, joined the critics of rapid indonesianisasi. He spoke of great losses because of firms run by party politicians “most of whom lacking the required economic knowledge” (kebanyakan dengan tiada berpengetahuan ekonomi yang berpadanan) (Pikiran Rakyat, 7 February 1957).\(^\text{15}\)

The process of indonesianisasi within the Dutch firms culminated with the takeover of Dutch assets in December 1957. This was a dramatic turnabout, which forced the repatriation of almost 50,000 Dutchmen within a couple of months and brought the virtual collapse of all commercial and financial relations between the Netherlands and Indonesia. It is instructive to review events as they unfolded and to consider the context in which it all happened. The political situation at the time was highly volatile with the SOB just being declared, the procedures for constitutional democracy for all intents and purposes set aside already and secessionary movements mounting in Sumatra and Sulawesi. The future course of direction in Indonesian politics was far from certain, i.e. whether or not Sukarno would be able to implement his newly expounded conception of Guided Democracy and keep the nation together in the process. Things were also very much up in the air in the international arena. The dispute over Irian was submitted to the General Assembly of the United Nations in September 1957 and negotiations were going on with Japan on financial aid in recognition of the sufferings during the Japanese occupation and the urgent material needs of Indonesia at the moment. American uneasiness with Sukarno’s leftist flirtations was rising and the CIA had already begun its infiltrations in support of the opposition to the Sukarno government (Conboy and Morrison 1999).

It is often assumed that Dutchmen were taken by surprise by the purportedly spontaneous actions in December 1957. Yet this overlooks that there were in fact signs on the wall during the

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\(^{15}\) The full interview was not published. It is likely that Hatta’s criticism was more outspoken in the unpublished part.
preceding months. In late October 1957, the interim Minister of Foreign Affairs, Hadi, in a public speech referred explicitly to a possible nationalization of Dutch capital and in early November 1957 Sukarno himself told a gathering in Ampenan (Lombok) that trade with the Netherlands would have to be discontinued (*harus stop*) in order to secure seizure of Irian Barat. A mass meeting in central Jakarta, reportedly attracting more than one million participants, equated the ‘liberation’ (*pembebasan*) of Irian with the continuing struggle against Dutch colonialism (*Indonesia Raya*, 29 October, 7 and 18 November, 1957). The heat of the moment rose spectacularly with the so-called Cikini incident on 30 November when Sukarno just barely escaped an attempt at assassination, an act of violence that left nine dead and more than 100 wounded in the spot in downtown Jakarta. Meanwhile, in New York, the resolution to order resumed Dutch-Indonesian negotiations on Irian failed to obtain the required two-thirds majority of the General Assembly. It was in that heated atmosphere that action was taken against Dutch property.

Actions against Dutch firms began on 3 December 1957 when labourers took over operations of the Jakarta office of the KPM (*Koninklijke Paketvaart Maatschappij*, Royal Packet Company). It was followed by similar actions throughout Indonesia during the next couple of days. Hostility against Dutchmen became overt, for instance in Surabaya and Bandung where Dutch individuals were even refused as passengers in taxi’s and *beca’s* or had their telephone lines cut off. Yet no bloodshed occurred and the allegedly spontaneous, unorganised actions were remarkably soon brought under orderly control by the authorities. In a special cabinet meeting already on 5 December it was determined that the local labour activists were not permitted to continue operations of the seized firms but had to surrender to the military – ‘in the interests of security’ (*untuk kepentingan keamanan*) (*Indonesia Raya*, 5 December 1957). All further action was to be taken by the military. During the next couple of days, military takeovers of the three Dutch banks remaining in the country (*NHM, Nederlandsch-Indische Handelsbank* and *Nederlandsche Escompto-Maatschappij*) and the Dutch-owned agricultural estates were authorized by the Djuanda cabinet. The exodus of Dutch nationals began on 10 December 1957.

The *ex post* legitimisation of the takeovers by the Sukarno government is especially interesting when it comes to better understand the nationalization of Dutch enterprises in December 1957. In the statement issued after the special cabinet session on 5 December, it was acknowledged that the actions formed the expression of a spirit (*semangat*) which had been gathering momentum for
a long time now turning into a `flood’ (banjir) and that it was the government’s responsibility to canalise such sentiments into a orderly and disciplined national capacity (potensi nasional) to reach the final goal, i.e. the `return’ of Irian Barat (Pikiran Rakyat, 6 December 1957). Such a statement lends credence to the idea that the nationalization of Dutch firms formed the logical, perhaps inevitable outcome of a successive change of climate in the public discourse on foreign control of large parts of the Indonesian economy.

Direct causal links between the nationalization of Dutch business and overt government policies appear less convincing. The argument that the failure of the Benteng program caused the takeovers (section 3 above) suffers from the need to explain why a gestation period of more than three years was needed for effects to materialize – after all, the Benteng program was known to be a failure already by 1954. The very fact that the takeovers were apparently not orchestrated by the government makes it difficult to view the nationalization as part of Indonesian foreign policy, which, needless to say, does not preclude that the Sukarno government was quick to use the actions, once they had taken place, as a means of confrontation with the Dutch in the Irian conflict. The feeling of immediate and urgent crisis at the time must be considered as well. As Bondan concludes in his insightful analysis of the event, the Dutch firms still operating in Indonesia easily became the scapegoat (kambing hitam) for all problems at the moment (semua persoalan yang ada) (Bondan 201: 106).

The immediate aftermath of the wave of takeovers is also instructive to consider. It appears less than coincidental that already on 11 December 1957, a final agreement was reached with the Japanese government on a very substantial package of financial aid to Indonesia, in total amounting to $ 400 million. On 19 December, the Indonesian Parliament determined that the profits over 1957 confiscated from Dutch firms were to be used to cover the deficit in the government’s budget over the same year. At a slightly later stage, in November 1958, the Parliament passed a law (Undang-undang Nasionalisasi Perusahaan Milik Belanda di Indonesia) legitimising the appropriations of property and providing for a procedure for the determination of indemnification payments (which, in the event, only materialized under the Suharto government and to a very limited extent). Meanwhile the `Big Five’ were still in business but under new public management, i.e. Indevitra (Indonesian Development Industrial and Trading Corporation, later known as Budi Bhakti) for Borsumij, Juda (later Fadjar) Bhakti Corporation for Jacobson van den Berg, Satya Negara (later Aneka Bhakti) for Internatio,
Indestins (Indonesian Estates and Industrial Supply Corporation, later Tulus Bhakti) for Lindeteves, and, finally, the Triangle Corporation (later Marga Bhakti) for Geo. Wehry (Warta Niaga dan Perusahaan, 28 March 1959; Bondan 2001: 93-94). The *indonesianisasi* in large-scale trading was complete.

7. Conclusion

This contribution has served to demonstrate the importance of studying *indonesianisasi* as a gradual process extending over several decades fitting into a wider context of economic and social change in Indonesia at the time of transition from colony to nation-state. Several avenues of analysis have been explored. Preliminary observations are as follows:

(1) The historical roots of *indonesianisasi* may be found in instances of indigenous Indonesian entrepreneurship during the late colonial period thus offering a measure of continuity over time that needs to be fully appreciated.

(2) The Benteng program in the years 1950-1957 formed a special case of government-imposed *indonesianisasi* compatible with continued access to foreign capital and technology. It admittedly failed but may still have had an important impact on further developments in this vein.

(3) *Indonesianisasi* coincided with an industrialization that regained momentum in the early Sukarno years but remained limited in scope.

(4) An appreciable degree of *indonesianisasi* had in fact been achieved already by the mid-1950s as demonstrated by the professed ethnic identity of incorporated firms in commerce and manufacturing, especially newly founded enterprises.

(5) The ultimate *indonesianisasi* with respect to Dutch business materialized through the takeover of Dutch assets in December 1957, a perhaps inevitable consequence of the changing political climate and profound sense of crisis at the time.

These observations may provide an agenda for further research on the highly fascinating topic of *indonesianisasi* as an integral part of a dramatic transition in modern Indonesian history.
References


