

### III

## DECOLONISATION AND NATIONALISATION, 1950-1958

### Indonesian Reactions

The Western plantations and other industrial enterprises had been severely damaged during the Japanese occupation and the freedom struggle. In 1948 the total financial loss was estimated at 4.1 billion guilders. Those mainly affected were the large enterprises that had been able to rebuild their businesses. Many of the smaller and often family concerns lacked the necessary funds and were forced to sell to other Dutch, Chinese or Indonesian entrepreneurs.<sup>1</sup>

During the immediate aftermath of the transfer of sovereignty in December 1949, the reaction of the Dutch business world had been generally positive. The first Indonesian government had tried hard to put the Dutch community at ease and had publicly supported the continuation of Dutch business and investments, emphasising their crucial role in national economic rehabilitation and development. It soon became apparent, however, that the general mood of large sections of the common people was far less accommodating to their former colonial masters, whom they saw continuing in the prewar comfort of their lifestyles and demeanours, while for the majority of Indonesians the promised fruits of the revolution were passing by.

In 1951, High Commissioner Lamping complained to The Hague about the prewar apartheid-like mentality that continued to prevail in most of the Dutch community and he stressed that in the new Indonesia there was no longer any place for the old Dutch colonial diehard generation. Lamping warned that atti-

tudes like this could only exacerbate the already deteriorating relations threatening the vast Dutch economic stake in Indonesia and could weaken the position of the small number of Western orientated economic rationalists in the Indonesian government and the public service. It was of the highest priority for the Dutch community to get off its high moral horse and to get rid of its colonial prejudices and to transcend old racial barriers by increasing social contacts at least with the Indonesian Western-educated elite.<sup>2</sup>

Dutch business quickly attuned itself to the new situation and the changed commercial patterns, and these included corrupt practices. In their social life very little changed from the colonial era and the majority of Dutch people remained aloof from Indonesian society, continuing their prewar discriminatory attitude dismissing Indonesians with condescension and their new leaders as inexperienced and bumbling parvenus. A report by D.F.F. de Man, the officer in charge of the information section of the high commission, highlights this problem. In Bandung, invited to attend an informal meeting to discuss a reorganisation of the Sociëteit, the hub of former upper-class colonial society, it became clear to him that there the old 'apartheid' mentality was still fully alive:

It soon became apparent that this section of the Dutch society in Bandung is strongly in favour of distancing itself as much as possible socially from the Indonesian community. So far as the reorganisation of the Club is concerned ... the idea is to give this club an exclusively Western international character and therefore to keep Indonesians out ... later it might be decided to admit through the back door, a few, thoroughly Westernised, Indonesians ... These Dutchmen sounded quite arrogant, arguing that it was impossible to hold a proper conversation with Indonesians and if they were admitted to the club they would only drink cordial laced with coconut juice ...<sup>3</sup>

In addition to the Dutch, the Eurasians and Chinese also gen-

erally refused to mix socially with Indonesians. Admittedly now called Indonesians the image of the inferior native had certainly not yet disappeared. Furnivall's plural society was still fully alive in the 1950s. To complete the full picture, even among the Western educated Indonesian elite it was not uncommon even until very recently to hear the colonial-era remark: *rakyat masih bodoh* (the people are still stupid).

It was among the deprived masses that the call of the ultra-radical nationalist and left wing leadership for a continuing revolution to achieve full independence, both economically and culturally, received a ready response. Attempts at social revolution during the freedom struggle that had been stifled temporarily after the Madiun revolt, had started once again to push ever more powerfully for fulfilment with the PKI during the 1955 national elections, regaining a powerful voice and winning 23 per cent and 25 per cent of votes in east and central Java respectively.

The platforms for rapid socioeconomic development of the successive short-lived governments of the early 1950s in reality remained unfulfilled as a result of constant political instability and inter-party rivalry. With very few exceptions politicians used the parties as convenient vehicles to advance the interests of themselves, their families, their clans, and their close supporters. In many cases the traditional, feudal-like, patron-client relations pattern had simply been incorporated into a new organisational form namely the political party. Often parties acted more as mutual benefit societies for their members rather than concentrating their efforts on improving the national common good. Religious and ideological targets were often pushed with such fervour that compromise remained impossible and the parties neglected the golden rule that the interests of party should stop at the point where the interests of nation begins. It could well be argued that democracy on the Western model never actually existed in Indonesia and that in 1957 Sukarno and the army only buried a ghost.

The rule of law had already been tampered with before the

introduction of guided democracy evidenced by a growing trend of the executive arm of government to exert undue political pressure on court proceedings. Notorious examples made international headlines. For example, a number of court cases against Dutchmen were orchestrated purely for political effect and which made a mockery of justice. In numerous other less publicised cases the course of justice also was demonstrably impaired.

The overthrow of the Netherlands colonial state had brought about national freedom, but the crucially important struggle as to what kind of political philosophy the new state was to embrace had by no means been concluded. The basically socio-democratic system of government on the Dutch model adopted in 1949 had no grassroots backing. Moreover, a sizeable portion of the Dutch educated elite was in favour of statist models ranging from Sukarno's system to communism. In addition there was a minority Muslim group trying to establish by force of arms a Darul Islam, an Islamic State. The Indonesian masses neither understood nor wanted Western-style democracy and its concomitant economic rationalism, and were far more prone to throw in their lot with major populist parties such as the PNI, the NU and the Communist Party. In essence the general mood in the country remained strongly anti-Dutch and widespread dissatisfaction existed about the outcome of the RTC agreements which were regarded as limiting Indonesia's sovereignty and granting the Netherlands too many economic and political concessions.

From the beginning of the revolution there had existed a popular radical, nativist-nationalist ground swell, that at least in the original republican areas clamoured for the immediate annihilation of all vestiges of Dutch colonial power. It was this same overpowering, raw, and often irrational force that, within a few years, was able to sweep into oblivion the various inherently unstable early moderate governments and eventually with them whatever had existed in the way of Western democracy, in the process sweeping aside the still predominant Dutch position in

the national economy. The great winners were the instigator and the leading guide of this popular anti-Dutch and anti-Western outburst: President Sukarno and the Communist Party. The immediate losers were the Dutch, but in the long run it was the Indonesian people themselves that were to pay the greatest price, as the nation was led into a quagmire of economic and social suffering and squalor from which even today it has not yet fully recovered.

### **The armed forces and politics**

During the revolution the prewar Indonesian nationalist political configuration had become further complicated by the appearance of a new and powerful political player; the armed forces.

In 1945 the Netherlands had been confronted by hundreds of thousands of armed revolutionaries, a veritable people's army. The vast majority of fighters belonged to *laskar* bands, irregulars who saw themselves primarily as anti-colonial resistance fighters and not as professional soldiers and as such remained deeply involved in politics. A number of *laskar* organisations were directly connected with political parties and for many freedom fighters there was no difference between military and political power. As in most revolutionary situations, in Indonesia numerous robber bands sprang up terrorising all sides for their own gain. The TNI formed only a relatively small part of the total armed force in the field confronting the Dutch colonial forces. Moreover the TNI itself was by no means a politically homogenous force. Only a small segment of the officer corps had received Dutch military training. A very select few had graduated from the Royal Military Academy (KMA) in the Netherlands and another group, including the later generals Nasution, Simaputang and Kawilarang, had been trained at the KMA in Bandung, where Western democratic rule of the division of powers between the legislative, judicial, and executive branches had been instilled into them. Most of these former KNIL officers held

general staff positions in the TNI and generally kept out of politics. Their main objective was to forge the large number of motley and generally ill-coordinated and undisciplined fighting bands, constituting the bulk of republican forces, into an effective national fighting force under the control of the republican government.

In 1948 the Hatta government, with the strong support of most of the general staff, had launched a reorganisation plan for the republican forces, which envisaged massive demobilisation and the creation of a smaller but much better trained, armed, coordinated and more professionally attuned force; an objective that proved difficult to achieve. The only units that, during the revolution, came closest to reaching these targets were the Nasution-commanded and largely Dutch-speaking and officered Siliwangi division and the mobile police brigade. The majority of the TNI officers, though, had been trained by the Japanese, whose priority had been to inculcate *semangat*, fighting spirit, rather than teach military tactics and strategy. As well the Indonesian cadets were imbued with a great deal of Japanese fascist military philosophy which did not differentiate between political and military power. It was particularly these officers who from the beginning had been opposed to the republican government's policy of achieving independence mainly by diplomatic means and many had supported the call of the communist Tan Malaka to drive the colonialists into the sea.

During the guerrilla war and with the republican government imprisoned after the Dutch occupation of Yogyakarta, the TNI and the irregular units in Java and Sumatra became the only official representatives of republican, political and administrative power in the large areas under their control. After the transfer of sovereignty many military commanders were loath to give up these positions of power. In some areas commanders assumed warlord status becoming involved in large-scale corruption, raking in a great deal of money and scarce goods. It took considerable time and effort for the central government to take over con-

trol and to obviate some of the worst abuses.

The army commander, General Nasution, remained committed to plans adopted by the Hatta government in 1948 for the reorganisation of the armed forces. At the end of 1950 he had managed to reduce the forces, swollen to 500,000 men, to 200,000, and the irregular bands to 80,000, while at the same time incorporating 26,000 ex-KNIL soldiers. First, late joining opportunists, the old and sick, and those with proven corrupt and criminal records were dismissed. Second, the irregular units and untrained members of the TNI were targeted and schemes for retraining for civilian employment were started.

The objective was to then create a modern, and well-disciplined force of about 150,000. Officers were required to obtain the necessary educational qualifications and skills to run a modern army. Supported by the large Netherlands Military Mission (NMM), training facilities and an inspectorate were put in to place.<sup>4</sup>

This blueprint for reform caused a great deal of resentment among the *semangat* officers, who on the whole had lower educational qualifications and were also strongly opposed to being trained by their former enemies. Also, it was mainly the *semangat* officers who were opposed to subjugating military power to civilian authority. Still, Nasution and the army command insisted on seeing their reforms pushed through, threatening recalcitrant officers with demotion.

A serious problem that militated against the creation of a modern, tightly disciplined army was the culturally based phenomenon of *bapakism*, that is, the kind of patron/client relationship that had emerged between commanders and their soldiers during the guerrilla struggle. This was especially evident in the former PETA-officered units and the irregular troops. Many of the *pemuda* had originated from the vast ranks of the unemployed, landless peasants who had migrated to urban areas, and students. Propelled by the Japanese and by Sukarno many of the young attached themselves as *anak buah*, loyal followers, to a

new brand of leaders, either Japanese-trained officers or *jago*, natural village firebrands. They selected their leaders (*bapak*) on the basis of their fighting skills and their charismatic qualities. The *bapak* was a feudal-like father figure, who, in addition to his *semangat* qualities, was also expected to provide shelter and food and take a paternal interest in the wellbeing of his soldiers and their families. It was a system that easily fell foul of modern public financial rules and regulations and often resulted in large-scale corruption of public funds.

After their crucial role in gaining national independence the republican armed forces also acted as an important catalyst in bringing the federal states of Indonesia to a speedy end by pushing the local people towards a unified and Jakarta-controlled Republic of Indonesia. There were, however, also some internal developments in some of the federal states that accelerated their downfall.

### **The Westerling affair**

The first of these developments was the Westerling affair that sealed the fate of the Federal State of Pasundan (west Java).

On 23 January 1950, a coup d'état against the Indonesian government was mounted by some disgruntled KNIL soldiers, mainly Ambonese. Their leader was the charismatic Captain Westerling, the former commander of the Speciale Troepen (RST), the Dutch commando detachment which was notorious because of its harsh treatment of, and murderous exploits against, Indonesian insurgents, as, for example, in south Sulawesi where a large number of people had been massacred. While Indonesian nationalists condemned Westerling as a criminal killer, in Dutch army circles and in the Dutch community in general Westerling was, with few exceptions, looked upon as a national hero. Rather than officially censure him, on 9 July 1947 the Batavia government submitted Westerling's name for a royal decoration, the Bronzen Leeuw. A decision was postponed by

the Minister of Overseas Territories, who awaited a report about Westerling's Sulawesi activities. In a dispatch of 17 December 1948 to the Department of Overseas Territories, High Commissioner Beel wrote that the investigation had cleared Captain Westerling and therefore no objection existed against him being decorated. Commenting on a note passed on by the prime minister, a high departmental official stated that although Westerling on various occasions had: '... over stepped the bounds ... they were not serious enough ... to reject this request. Beel apparently agreed but wrote that the decoration had to be withheld for political reasons.'<sup>5</sup>

Westerling retired from the army at the end of 1948 and became director of a Chinese transport firm, Koh Hien. He lived in the Puncak area and set up the Angkatan Perang Ratu Adil (APRA). Dutch intelligence reports in December 1949 described the APRA as large, recruiting 10,000 fighters from various sources. They included local Sundanese, who wanted to turn their Pasundan federal state into a separate independent nation to stop Javanese domination. In addition there were deserters from the TNI, members of Muslim and communist fighting groups, and soldiers from the RST and other KNIL units.<sup>6</sup> The Dutch authorities in Bandung were only able to obtain vague information about the activities of the APRA, as members were sworn to secrecy. The objectives of the organisation appeared to have been, in the first place, to safeguard the security of the state of Pasundan and to avoid its takeover by the republic. Supposedly, there was a plan to occupy Bandung on 25 December in order to keep the city out of TNI control. Support was said to have been offered by various Sundanese leaders, and even some TNI commanders, while financial help came from Chinese quarters. According to a police source these early reports caused only lukewarm reactions from Dutch intelligence services and Central Military Intelligence members were even forbidden to show any interest, which caused new information to dry up.<sup>7</sup>

The Indonesian authorities became very anxious about

Westerling's activities and especially his frequent contact with the officers and soldiers of the KNIL. Vice-President Hatta in fact at one stage suggested to High Commissioner Lovink, that he should deport Westerling from Indonesia in order to avoid serious trouble. Lovink was less worried and a short investigation by the army commander failed to find any incriminating evidence while the officer corps in the Bandung area played dumb, though in reality many of them were aware of, and sympathetic to, Westerling's actions.<sup>8</sup>

Westerling also tried to ensure support for his plans from the highest echelons of the Dutch army. On 25 December he directly contacted the army commander, General Buurman van Vreeden, asking for his reaction to a military coup he was planning immediately after the transfer of sovereignty to Indonesia. The general insisted that the RTC agreements had to be adhered to and immediately ordered an investigation which revealed that, in addition to lower-rank officers and soldiers, Westerling had extensive talks with Major-General Engles, the commander of the '7 December' division, Colonel Cassa, the commander of Bandung and Cimahi, and Major-General van Langen. The latter had impressed upon Westerling the need to avoid causing embarrassment to the Dutch government and to postpone any action until after the transfer of power. During meetings just before Christmas General Engles told Westerling that he did not want any trouble in his area and would cooperate with the TNI to put an end to it.<sup>9</sup>

Indonesian anxiety increased. Hatta announced on 27 December that Westerling was involved in the delivery of weapons to the Darul Islam and newly appointed High Commissioner Hirschfeld was ordered by The Hague to look into the matter. This was followed with another complaint by Hatta which included a letter of 5 January from Westerling to the Pasundan government and the Indonesian cabinet with an ultimatum demanding recognition before 12 January of the APRA as the official Pasundan state-armed forces. Hatta added that the major-

ity of the KNIL in west Java wanted to join Westerling and that the ultimatum had been handed to the Pasundan government by KNIL Lieutenant Rijniner.<sup>10</sup>

This development caused governmental involvement at the highest level and Minister for Overseas Territories Götzen, Minister of Foreign Affairs Stikker, and High Commissioner Hirschfeld, demanded strong action to be applied against Westerling. Suggestions of arrest or recall to active duty were opposed by General Engles for the reason that this carried the high risk of setting off a massive revolt and division in the KNIL, the consequences of which would be disastrous, tearing the RTC agreements apart. As a result, General Engles resorted to persuasion and contacted Westerling, telling him again that, in case of a rebellion, he would be opposed by the Dutch army. The Dutch high command was indeed deeply worried about a wholesale desertion of KNIL soldiers to the Westerling camp. This fear, however, abated somewhat after a meeting with all local commanders on 11 January, who generally were more worried about their troops defying orders to take up arms against Westerling, than about actual defection.

It was perhaps portentous that Colonel Borghouts, the commander of the RST, Westerling's former unit, was absent. The Indonesians strongly pressed for the immediate removal of the RST from the region. Despite initial refusal, under strong pressure from Hirschfeld, the army commander on 19 January decided to demobilise the whole unit, comprising 450 officers and soldiers. A number of Indonesian RST members and their families were to be shipped to Holland and a subsequent group of 340 rank and file was to be returned to east Indonesia.

Westerling in fact decided to act before the order to disband the RST could be put into effect, and on 23 January APRA units attacked Bandung and managed to occupy a number of important points, including the headquarters of the TNI Siliwangi division. During the fighting sixty TNI soldiers, twenty-five civilians and two of Westerling soldiers lost their lives. The APRA

force consisted mainly of Ambonese soldiers of the RST, amounting to 140 men, and another 190 former KNIL soldiers, who had deserted from the Indonesian armed forces.<sup>11</sup> The rumoured existence of thousands of other dissident armed groups poised to join the APRA, which had deeply worried both Indonesian and Dutch authorities, proved in fact fallacious. Realising that no further reinforcements were to arrive, the APRA soldiers became disillusioned and the coup fizzled out. After negotiations with General Engles a solution was reached to allow the APRA forces until 5.00 p.m. to leave the city unmolested by the TNI. Many of the RST soldiers wanted to return to barracks and agreed to be disarmed there and were then transported to the stockade on the small island of Onrust in Jakarta Bay. A small troop left the city and disappeared into the mountains. Finally 124 participants were sentenced to jail by the military tribunal and sent to West New Guinea to serve their time.<sup>12</sup>

Westerling, however, disappeared and, apparently with the help of the Dutch military authorities and the approval of the Dutch Secretary of State for Defence, Fockema Andreae, in Indonesia at the time to supervise the repatriation of the Dutch armed forces and the dismantling of the KNIL, was able to flee to Singapore. He had first been taken by a Dutch navy Catalina close to the Malayan coast and then paddled ashore in a rubber boat. The British government in Singapore refused an Indonesian request for extradition considering Westerling a political refugee, and en route to Holland via England he managed to escape to Belgium, finally entering the Netherlands in 1952 when the heat had died down.

Fockema Andreae later related that in fact before his departure he had been instructed by Prime Minister Drees to do his utmost to have Westerling removed from the Indonesian scene.<sup>13</sup> The Dutch army command, having used Westerling and the RST for various shady operations, was also very keen to keep him out of an Indonesian courtroom to avoid their own nest being soiled.

Westerling's flight caused a highly indignant call from the Indonesian press for extradition and the death sentence.

The Indonesian official response, however, proved to be less sanguine particularly after Fockema Andreae's frank admission to the Sultan of Yogyakarta, then Indonesian Defence Minister, about his part in the affair. Apart from sending a stiff protest to The Hague it seems that the Indonesian government, including the highly influential President Sukarno, was unwilling to allow the affair to cause a serious break with the Netherlands. Indonesian-Dutch relations at the highest level remained cordial and the resolute steps taken by High Commissioner Hirschfeld and Fockema Andreae helped to defuse the crisis.

The cabinet minutes of 27 February 1950 revealed that after consultation, Commissioner Hirschfeld and the Dutch government had decided against requesting the British government to refuse to hand over Westerling to Indonesia, but resolved that in case he appeared in the Netherlands to have him put under preliminary detention on the charge of murder. The cabinet minutes also referred to a suggestion on 18 January of President Sukarno to have Westerling deported, and Hatta's argument that after the bloody coup in Bandung this was no longer possible and the only option open was punishment. Cabinet concluded that probably the Indonesian government also would be happy to see the back of Westerling. It accepted Fockema Andreae's appreciation of the situation that if the integration of the KNIL with the Indonesian armed forces failed, a chaotic situation would occur in which the lives of Europeans in Indonesia could well be in danger. Therefore, the removal of Westerling had to be seen in that context.<sup>14</sup>

The affair proved to be more corrosive of relations than expected, as it apparently had jolted the Indonesian nation, undermining the already brittle feeling of trust towards the Netherlands even more. This was something that could only be further accentuated by the general reaction of ridiculing the new nation by the Dutch in Indonesia and in Holland itself. Some ultra-con-

servative figures advocated official support for Westerling, while in an opinion poll in Holland only 35 per cent condemned his actions, 18 per cent approved and 30 per cent had no opinion. In another poll Westerling came to the fore as the seventh most admired contemporary personality, bypassing world-beaters such as Eisenhower and Marshall.<sup>15</sup>

### **The demise of federalism**

Another crucially important result of Westerling's intervention was that rather than strengthening the federal system it in fact accelerated its downfall. The first victims were a number of prominent Sundanese leaders of the federal state of Pasundan, who had been compromised through their contact with Westerling. The Pasundan head of state, Wiranatakusuma, was forced to resign and the republican army took control of the government and continued its fight against the Darul Islam.<sup>16</sup> A further shock to the federal cause was the arrest and the sentence to ten years jail of the Sultan of Pontianak, one of the most important BFO leaders, for his involvement in the Westerling affair. Known as Max to his Dutch friends, the sultan had received a thorough Western upbringing. His wife was Dutch, and as an officer in the KNIL he had been imprisoned by the Japanese together with his European colleagues. He was considered to be pro-Dutch and anti-republican, and it seems that dissatisfaction with his ranking in the federal Indonesian cabinet caused him to join the Westerling coup. Attempts by the Dutch government, including Prime Minister Drees, to save him from jail by having him exiled to Borneo were resolutely rejected by the Hatta government.

The Westerling affair facilitated the realisation of the republic's program to replace the federal system by a unified Indonesian state. The Prime Minister of the Republican Federal State, Dr Halim, on 8 February 1950, stated that the republic, having gained freedom for the nation, would find it hard to accept its status being reduced to one federal state among many others:

## The West New Guinea Debacle

It will be difficult for the Indonesian Republic having gained freedom after four years of fighting to acquiesce ... to move to a small house while for some considerable time it already had been used to living in a large house ...

He dismissed the federal system as a vestige of the Dutch colonial policy of divide and rule and the Round Table Conference agreements had only resulted in a partial victory for the Indonesian people. Hence, the Republic of Indonesia was committed to continue the struggle to regain the position lost at the RTC and to present the people with a unified Indonesian republican state.<sup>17</sup>

An important weakness of the federal states was that individually they lacked their own defence forces. This left the field completely open to the strongly republican-orientated TNI to infiltrate the states, indoctrinate and, if necessary, push the population to join the republic into a united Indonesian state. A kind of dual governmental system came into existence in the federal areas with the arrival of the TNI. A regional commander was placed in each *kabupaten* (regency). He was assisted at district level by the KODAM (Kommando Onder District Militair), and in the villages by *kader desa* units. In theory the military were to function alongside the civil government but in practice the TNI took over all power pushing federal civil authorities aside and village heads also lost their authority. A report at the end of January 1950 about the situation in the region around Jakarta mentioned that the *kader desa* had usurped practically all power in the villages, raising taxes, selling licences, demanding part of the income of agriculture and cottage industry and strictly executing orders from the KODAM.<sup>18</sup> In another report the high commission stressed that in other federal states the military also seemed to have superimposed itself on the power structure, undermining federal authority:

The government of the United States of Indonesia seemed not powerful enough to stop successfully the unlawful and utterly

arbitrary actions of local military authorities. There are numerous examples of the imposing of unlawful taxes on the local population as well as on the Western entrepreneurs. The misappropriation of taxes, money from public bodies and business, trading on their own account, and the devising of their own export regulations outside the Federal government, which have often occurred in East Java, South Sumatra, and elsewhere, are symptomatic of a shocking lack of a sense of responsibility of the commanders and of the powerlessness of the central government. With the exception so far of the Federal State of Eastern Indonesia, it seems in reality, that the whole of Indonesia has been placed in a state of emergency under which the military power has gained not only precedence over civil authority but also has appropriated this ...<sup>9</sup>

The most powerful reason for the debacle of the federal system in Java and Sumatra was the popularity of the Indonesian republic among most of the intelligentsia and the masses, the latter often being propelled by millenarian expectations or communist-led anti-feudal motives. The leadership in the federal states was, in the main, still drawn from the old ruling classes of the nobility and *adat* chiefs, who had always been at the beck and call of the Dutch colonial power. The republic was glowing in the aura of being the instrument of freedom and independence and by propaganda and military pressure tried to extend and deepen its hold on the national ethos. Furthermore, the republican government and military administration had existed in the major part of Java and Sumatra for most of the revolutionary era, with the two Dutch police actions proving unable to bring drastic change. The federal states were seen as Dutch constructions, and were not allowed sufficient time to outlive this colonial taint and to gain enough local popular support. A number of Indonesian nationalists, such as Abu Hanifah, indicated in interviews that a federal system of government might have been ideal in the context of Indonesia's highly diversified political, cultural and ethnic situation, but that its Dutch origins caused its death knell.

With the ink on the RTC signatures hardly dry the Netherlands felt deeply aggrieved to have to witness the speedy demolition of the federal form of government by the Indonesians in favour of unification.

This process had started as early as 28 November 1949 when the newly created state of Central Java requested to be amalgamated with the Republic of Indonesia. This was followed on 19 January 1950 by the appointment of a republican government supervisory administrator to the state of East Java. Next there was a request from the state of Madura for a similar republican government official to take over.

After the Westerling affair the state of Pasundan came under central government control and soon after, the state of West Sumatra – Minangkabau – indicated it would join the republic. The autonomous status of the states still remained intact until 8 March 1950, when Jakarta enacted an emergency law sanctioning voluntary unification by referendum and only in exceptional circumstances by other methods. As a result, by 4 April most of Java and Sumatra had joined the Republic of Indonesia. Jakarta and its immediate surroundings were declared a special area, Jakarta Raya. On 5 May the state of East Indonesia also agreed to join the unified state of the Republic of Indonesia.<sup>20</sup>

### **The Macassar revolt**

Unification had generally been achieved smoothly and without holding a referendum. The great exception was East Indonesia where a number of armed revolts broke out directed against the breaking up of the federal system and at what was perceived as Javanese imperialism. At the core of this reaction were the problems associated with the dissolution of the colonial army, the KNIL, particularly its indigenous soldiers.

The first problem occurred in Macassar, the capital of the federal state of East Indonesia, where, on 5 April 1950, Captain Andi Azis, in charge of a federal army unit of former KNIL soldiers

and opposed to unification, initiated a coup. This action was triggered by the decision of the TNI high command, supported by the Jakarta government, to dispatch to Macassar the Worang battalion, a unit consisting of East Indonesian soldiers, who had fought on the side of the republic during the revolution. With the support of leading East Indonesian politicians, Andi Aziz and his 300 ex-KNIL soldiers occupied various strategic points to stop the TNI landing and arrested the local TNI commander, Colonel Moko, and other republican officers. After Hatta's reconciliation overtures had failed President Sukarno denounced Aziz as a rebel. A supposed plan for the East Indonesian government to proclaim a separate republic of East Indonesia seemed to be losing support when Jakarta insisted on having its troops garrisoned in Macassar after the implicated politicians left the sinking ship, leaving the military plotters in the lurch. As a result the coup failed and pressured by the East Indonesian president, Sukawati, Captain Andi Azis left for Jakarta where he was promptly arrested and convicted to fourteen years in jail.

This still did not solve the KNIL question and at the end of May fighting occurred between former KNIL soldiers, mainly Ambonese, and Worang battalion units. The security situation in south Sulawesi was unstable with various armed groups, including Darul Islam, KNIL and TNI deserters, and bands of brigands roving around. Ambonese and Menadonese armed KNIL soldiers and their families, congregated in a transit camp and protected by Netherlands army troops, refused to be demobilised. In order to resolve this impasse Dutch High Commissioner Hirschfeld, and Prime Minister Hatta, on 14 July came to an agreement to temporarily transfer the indigenous KNIL soldiers to the Netherlands army and on 26 July officially abolished the KNIL. This arrangement was overtaken again by the reaction of the TNI in Macassar by, on 26 July, attacking the KNIL camp with the intention of eliminating the Ambonese soldiers before the later planned TNI attack on Ambon, where a major anti-republican revolt was also in progress. With the or-

der for a ceasefire by the Indonesian Minister of Defence being ignored, Hirschfeld contacted the UNCI and, in conjunction with the Indonesian government, sent Major-General Scheffelaar and Colonel Kawilarang to Macassar by plane to stop the fighting. But General Scheffelaar was arrested on arrival making it clear that the TNI was unwilling to negotiate. In response Hirschfeld ordered the Dutch destroyer *Kortenaer* to the scene which, with its guns trained at the city, forced the TNI to give in and to release the Dutch general, who then, together with Colonel Kawilarang, succeeded in effecting a ceasefire on 9 August. The Menadonese soldiers and their families were repatriated to the Minahasa and demobilised and the Ambonese were transported to camps in Java.<sup>21</sup>

### **The Republic of the South Moluccas**

The strongest resistance against republican encroachments was shown by the Ambonese KNIL soldiers. The Moluccas had been in close contact with the West for 400 years, first being colonised by the Portuguese and then for more than three centuries by the Dutch. The people of Ambon and its adjacent islands were 65 per cent Christian (Dutch Reformed), with the rest being Muslim, and showed one of the highest literacy rates in the country. Many Ambonese Christians were among the most loyal supporters of the Dutch colonial regime, with some holding low echelon positions in the colonial service and many serving in the KNIL. Ambonese Christians held a privileged position in the colonial social-economic status system, as soldiers, for example, received higher pay than other indigenous troops and showed an especial attachment to the Netherlands royal house.

On the other hand a section of the Ambonese had been involved in the Indonesian nationalist movement from its inception. While the nationalist call did not attract mass support before the war, it received, as elsewhere in Indonesia, a boost during the Japanese occupation, particularly among the Muslim

population. In 1946 a pro-Republican movement entered the scene, and although doing well at the polls it seems that in reality the majority still remained loyal to the Dutch. Many Ambonese supported the demands at the RTC for self-determination and gave a strong indication of wanting to remain part of the Netherlands kingdom.<sup>22</sup>

In 1950 three political parties existed in Ambon: the Partai Indonesia Merdeka (PIM), led by Urbanus Pupella, was Marxist-influenced and demanded fusion with the Indonesian republic. Secondly, there was the conservative Gabungan Sembilan Serangkai (GSS) supported by the traditional rulers, the *rajas* and chieftains, and a sizeable numbers of officials. The third organisation was the Gerakan Demokrat Maluku Selatan (GDMS) by J.A. Manusama, politically middle-of-the-road group that did not entirely preclude the possibility of joining the Indonesian republic. Ambon had remained fairly quiet and the political game was being played mainly by the intellectual elite with the masses remaining apolitical. This pattern changed abruptly in January 1950 with the arrival of Ambonese KNIL paratrooper and commando units that soon clashed with supporters of the pro-republican PIM, resulting in nineteen deaths. The police also became involved taking the side of the KNIL soldiers. Conditions worsened with the rumours of the imminent dissolution of the federal system and that an invasion of Javanese troops was near at hand. The news of the impending landing of a TNI battalion in Macassar and the Azis revolt, caused a panic in the Ambonese leadership and the leader of the GDMS, J.A. Manusama, called a great public meeting in support of the federal system. After the debacle of the Azis coup the more conservative group of the Ambonese leadership decided on 25 April to proclaim their own independent state, the Republic of the South Moluccas (RMS).<sup>23</sup>

A controversy exists among historians about the actual extent of public support the RMS was able to enlist. The categorical statement in a recent publication by H. Meijer based on some earlier studies<sup>24</sup> that the RMS was not supported by the major-

ity of Ambonese seems too stark. His argument that the RMS was only supported by the Christian Ambonese, who in fact accounted for 65 per cent of the population, points to this. According to Utrecht nearly all Christians and a third of the Muslims were in support of the RMS. H. Feith also agrees with the existence of strong local support.<sup>25</sup>

The RMS certainly was strongly supported by the local Ambonese KNIL and thousands of Ambonese soldiers in other parts of Indonesia also showed considerable sympathy. Their demand for repatriation was refused by both the Indonesian and Dutch authorities in order to avoid the creation of an even more indomitable bastion of resistance. Initially the Hatta government tried to solve the problem by peaceful methods. But a mission of the republican cabinet member Dr Leimena and other prominent Ambonese republicans, sent on 1 May, returned empty-handed. A Dutch delegation was also unable to defuse the situation by ordering the KNIL soldiers to return to barracks. This resulted in most of them resigning and transferring their loyalty to the RMS. In order to gain international recognition the RMS government offered the United States and Australia naval and airforce bases in the defence against communism in South-East Asia. In addition, young volunteers were trained for the defence force.<sup>26</sup>

The Netherlands government had asked the Indonesian government officially not to undertake a military action in Ambon and offered its help in finding a peaceful solution. The Jakarta government seemingly agreed and on 27 September another Leimena mission arrived in Ambon to be greeted the following day by a bombardment by the Indonesian air force. Apparently the Indonesian military had won their way, and with their confidence boosted by the outcome in Macassar seemed bent on annihilating the last vestiges of KNIL resistance. Large TNI forces were landed. But the defence of the RMS army, although completely outnumbered, was ferocious, and fighting continued until 3 November. The 20,000-strong Indonesian force had suffered

20 per cent casualties as compared to 50 per cent of the thousand RMS fighters. Civilian casualties were also high and the town of Ambon was severely damaged, making 20,000 people homeless.<sup>27</sup> The fact that TNI despatches were intercepted by the Dutch military intelligence service in West New Guinea and were directly sent on to the RMS defenders was also responsible for the prolonged fight for Ambon.<sup>28</sup> The RMS was still able to continue its resistance on the neighbouring island of Ceram until well into the 1970s.

It also proved difficult to find a solution to the resettlement of the thousands of Ambonese soldiers and their families living in the camps in Java. The Indonesian government declared, on 6 December 1950, its agreement for these soldiers to be demobilised in Ambon; weapons were to be left behind, and three months' salary and food were to be provided. The Indonesian government also promised that no reprisals would take place. About 1000 Ambonese soldiers agreed with these conditions and on 18 December left for the south Moluccas. In the meantime another hitch occurred as a result of a committee of Ambonese spokesmen submitting the question before a Dutch court and advising the rank and file to no longer agree to demobilisation. According to the court decision the Ambonese soldiers, still in the service of the Netherlands army, could not be forced to move against their will. This caused the Ambonese to demand their demobilisation either in the Netherlands, West New Guinea, or Suriname. Finally, the saga of the Ambonese in the camps in Java was finally closed early in 1951 when 12,000 soldiers and their families were transported to the Netherlands.

By this time the initial promising relationship between the Netherlands and Indonesia had been severely damaged. The Westerling affair, the dissolution of the federal Indonesian state, the Ambon question, the growing anti-Dutch utterances of Sukarno and the Indonesian press caused more Dutch politicians and a larger sector of Dutch public opinion to dig themselves in more deeply on the still unresolved West New Guinea issue. It

was the West New Guinea problem that in the end caused a total breakdown in Dutch-Indonesian relations and speeded up the demise of the Dutch hold on the national Indonesian economy.

### **The security question**

A sizeable Dutch and Eurasian group with Dutch citizenship had remained after the transfer of power, numbering, in 1950, about 226,000.<sup>29</sup> At least those in the urban areas had uttered an initial sigh of relief at not being confronted and hassled by an obviously hostile population. Certainly a new *bersiap* period, as some had feared, had not eventuated. Admittedly Europeans, as a whole better off economically than the Indonesians, were subject to widespread theft, but a general life-threatening situation did not exist. The position in the countryside, especially in the plantation areas, was often far less secure, as a result of the marauding activities of armed bands of demobilised TNI soldiers, irregulars, Darul Islam groups, and traditional robber bands.

The TNI was beset with a number of very serious problems relating to discipline, transport, and finance, as its numbers had vastly increased with tens of thousands of irregulars joining. Reportedly, in East Java the TNI had grown from 8000 to 40,000, swamping the available official resources and causing the majority of soldiers to resort to the exaction of money and goods from the people and from businesses, including the plantations.<sup>30</sup> For instance, in Besuki, Resident Kusumowinoto acted as chairman of the TNI support committee and had calculated that, for the following three months, 250,000 guilders were needed which had to be supplied for 40 per cent by the rice mills, mainly Chinese-owned, 30 per cent by sugar and tobacco plantations, and 30 per cent by the upland estates. In the Sidoarjo delta a surcharge of 1 per cent was to be imposed on all salaries, while the TNI commander in Banyuwangi exacted a quarterly levy of 5 per cent on each 100 kilograms of rubber and 50 per cent on a quintal of coffee.<sup>31</sup>

In addition to such demands the estates in East Java were exposed to terrorism by bands of *pemuda* armed with *bambu runcing* (pointed bamboo sticks) who hit, mistreated, and kid-napped Indonesian foremen and former home guards.<sup>32</sup>

During a meeting of planters of the Besuki region it was decided to offer a substantial financial contribution to the TNI coffers in the hope of reducing the activities of the irregular bands.

Corruption was also spreading very rapidly. For instance, 700,000 guilders earmarked in the provincial budget of East Java for the repair of the irrigation system in the Kediri region completely disappeared. Allocations for official salaries were misappropriated such as in the case of the Regent of Bondowoso, who received only 70 guilders out of his total December salary of 1700 guilders. Apparently the TNI command in East Java was the main culprit. Colonel Sungkono, commander of the East Java division, in particular was raking in thousands of guilders from granting casino licences to the Chinese. TNI superior officers had appropriated the biggest houses in Surabaya and had them furnished luxuriously with the funds accumulated by squeezing citizens and stealing the pay of their subordinates. The situation in East Java was highly precarious and it was feared that looting of coffee in the estates had taken on such proportions as to endanger the whole crop.<sup>33</sup>

Various representations were made by the plantation industry to the Indonesian government, which still lacked sufficient policing power and authority to deal with this crisis rapidly and effectively. The TNI chief of staff, General Simaputang, explained the situation as follows:

One should never forget that to the large part of the population the results of the RTC were very disappointing. A number of Dutchmen still hold important positions and also plantations and other industries are still led by Dutchmen. To put it plainly the people see the Dutch still travelling by car while they at the most might use a *becak* and we want to change this as quickly and

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spectacularly as possible. We are constantly confronted with this attitude and we must keep in mind that this is often the underlying reason for many of the difficulties encountered particularly in the interior. This explanation is clearly applicable to the typically leftist oriented regions ...<sup>34</sup>

In a review early in March 1950 of developments since the transfer of sovereignty, the high commissioner stressed that:

By simply comparing matters with how things were in the past or with the situation in the Netherlands today is neither helpful to us nor just to the independent Indonesia ...

He went on to tell Europeans to keep in mind that the new nation of Indonesia was born under very difficult circumstances as a result of social and economic dislocation by the Japanese occupation and the revolution. The new Indonesia ended up with a defective and partly destroyed infrastructure and an industrial apparatus needing a massive injection of capital investment and imports of consumption goods. Secondly, as a legacy of the Dutch colonial system only a few Indonesians had been able to gain experience in government at the top level, and furthermore, the country suffered from a high rate of illiteracy. Thirdly, a revolutionary mentality had pervaded the Indonesian people, particularly affecting the small, modern Dutch-educated elite and the student population, which was driven by an almost religious fervour demanding an immediate elimination of all vestiges of the former colonial power. Entry to government and the public service was generally decided on the basis of participation in the armed struggle against the Dutch, and often the ideal of appointing the right man to the right place was pushed aside and experienced federal Indonesian officials were being superseded by republican novices. Finally, the report impressed on the Dutch community the realisation that:

... in judging the present situation and the future development of Indonesia ... no longer are Western criteria applicable regarding

politics, and the efficiency and incorruptibility in public administration. In particular Western democratic norms are not fully applicable in an Eastern society and they too also during the Netherlands regime were not completely adhered to. The need for strict incorruptibility insisted upon in the West is not felt as strongly in the East ... This loss of Western norms ... may from a Western point of view be felt as deplorable. But it is a result of the transfer of sovereignty. Something that we have to accept and must take in our stride ...<sup>35</sup>

Corruption and other unlawful behaviour of both military and civil authorities continued unabated. Very few honest officials could be found. It was reported from East Java that the extortion practices of the TNI put a very heavy burden on the people. Even the rice in the *desa lumbung* intended to provide food during the dry season was taken and draft cattle had been requisitioned by the military causing the planting of rice and other crops to be affected. In addition, nature exacted its toll by a plague of *mentek* in the crop. More than 60 per cent of government allocations of scarce items such as sugar and textiles were sold by the military directly to the Chinese, and the remaining 40 per cent were sold at high prices. As a result people were forced to buy at black market prices causing them to sell their valuables and even draught cattle to the Chinese, and to sell expected harvests in advance, either wholly or partly, at one-third or one-quarter of the market prices to Chinese and other usurers. Apparently the local TNI was often directly implicated in these Chinese practices:

Everything is for sale ... by paying the military authorities from the military governor and commander of Surabaya down to the least important sergeant ... As a result Indonesian traders with moderate means, needing a motor vehicle for their business, are not issued a licence, while wealthy Chinese ... are. Three days ago a Chinese from Banjuwangi was trying to sell four car licences

for 20,000 guilders each which had been bought from the military governor for 5,000 guilders each ...

In order to secure part of this lucrative business the TNI commander of Surabaya issued a military regulation granting him the power to levy vehicle delivery charges. In the harbours the military imposed illegal duties on exports. For example, in Surabaya the military prevented access of custom and trade officials to a Chinese ships laden with coffee and other goods for Singapore.<sup>36</sup>

By the middle of the year some improvement in the situation in East Java was reported. The initial popular support for army commander Sungkono, a protégé of President Sukarno, had waned considerably owing to his arbitrary and corrupt behaviour, and the Surabaya population began to show open support for the actions of left youth groups against military and civilian authority. In May in a speech to an enthusiastic crowd, with Colonel Sungkono present, the freedom fighter Bung Tomo, highly revered for his role during the battle of Surabaya in 1945, declared that the people of East Java should not be allowed to fall prey to the colonialism of their own compatriots. After careful preparation, including the weakening of Sungkono's military base of support, the Minister of Defence, the Sultan of Yogyakarta, removed him and his close collaborators from their posts. In a radio message the sultan told the people of Surabaya that hard measures, including on-the-spot execution, would be taken against corrupt and unruly elements. Furthermore, the problem of the demobilisation of the military was receiving urgent attention by the government and the first rehabilitation camps had been opened. Elsewhere in East Java a beginning had been made with the abolition of the KODAM.<sup>37</sup> In the countryside too an improvement in the security situation appeared to be taking place.<sup>38</sup>

The anarchic situation in Indonesia caused great concern in government and business circles in the Netherlands. Minister van

Maarseveen told the high commissioner that:

Indonesia is working hard to lose the goodwill of the Dutch business world, which at the beginning of the year was still very strong ... The Indonesian government is not blameless in this. The speeches of Sukarno in regard to West Irian and other matters, are stirring up the Indonesian people against the Dutch and the Western world in general. Sukarno, who hereby strongly plays into the hands of the Communists, and will in the end himself fall victim to this ...

The Ondernemersraad had indicated to the Minister that many of their best and most courageous employees were getting discouraged and were planning to leave Indonesia. Furthermore, a number of firms had decided to relocate their activities to other parts of the globe where normal conditions existed:

We understand that leaders such as Natsir, Hatta, and Roem clearly realise the impending dangers, but as they fail to get Sukarno under control ... we see a very dark future ahead ...<sup>39</sup>

These comments proved to be highly prophetic.

### **Social revolution**

The actions against Western estates in fact intensified and it was not only the robber bands but also the plantation labourers unified in various labour unions that caused serious problems to the industry. In June 1951, State Secretary for Union Affairs and Overseas Territories Götzen, referring to the dangerous crisis affecting Dutch business in Indonesia, particularly in respect to the plantation sector, demanded that a strong protest be sent to the Indonesian government.<sup>40</sup>

According to the reports from the high commissioner and the various plantation organisations, the members of the robber bands were often retrenched soldiers, who were supported by returned fighter organisations such as the Badan Pemupuk Bekas

Anggota Perang Republik Indonesia (BPBAPRI) under the leadership of Dr Mustopo.<sup>41</sup> Moreover, these bands often elicited sympathy from old comrades in the TNI, the very organisation charged with the task of obliterating them.

The estate labourers were led by the left-orientated SARBUPRI, supposedly with a membership of 875,000, and was affiliated in 1952 with the SOBSI, the labour union federation. A large peasant organisation was the leftist BTI which, according to Dutch sources, was trying by means of unreasonable wage demands and illegal practices, to cause the highest possible harm to the plantations. The union movement was clearly opposed to the RTC accords and wanted to nationalise the whole of the plantation industry. To achieve these objectives it supported and encouraged the illegal occupation of estate lands, opposition to the return of plantations to the legal owners, large-scale thieving of crops, destruction and arson of factories, buildings and crops, ambushes, shootings and murders. The wage demands of the labour unions and frequent strikes were seen by the Dutch plantation industry not only as attempts to improve the living conditions of the labouring classes but even more as tactics to cripple the industry. A general strike in the tobacco areas in East Sumatra had been called for February 1950, exactly at the time when seedlings had been planted and so would threaten the loss of the whole crop. A general strike in the textile industry in West Java came about when large quantities of yarn were immersed in chemical baths causing them to become total losses. It was estimated that as a result of strikes and other labour unrest in 1950, losses for rubber, tea, palm oil and Deli tobacco were around 216 million guilders, and in the sugar industry, 32 million guilders.<sup>42</sup> A great deal of damage was caused by a general strike involving 700,000 workers starting in August 1950 and lasting for four weeks.<sup>43</sup> Some coffee plantations reported losses of up to 50 per cent. Strikes and a vast hike in wages, in some cases between 60 and 100 per cent, in many cases destroyed profitability and caused smaller family holdings in particular to

sell out. Early in January 1951 the Dutch ownership of the plantation sector had decreased to 51.5 per cent as compared to 63 per cent in 1929.<sup>44</sup>

### Squatting

Squatting on plantation lands was an enormous problem particularly in the estates of north-east Sumatra, where the Western plantation concerns had been forced to return to local farmers about half of the original plantation area of 256,000 hectares.

The situation in East Sumatra was extremely complex as a result of a social revolution during 1946 to 1947 in which the colonial social-political order of the region had been overturned. The original Malay population of the various East Sumatran sultanates had, since the establishment after 1870 of the Western plantation sector, gradually lost its predominance as a result of the arrival of large numbers of migrants from Java, China, and the Batak hinterland. In the contracts between the sultans and the Netherlands Indies government the Malay peasants had been accorded special rights to land in the Western plantation areas. This privilege was denied to the other population groups causing resentment especially among the Batak settlers, who despised the sultans and their Malay subjects as Dutch colonial pawns. In 1946 this ethnic tension, intensified by Japanese policies, exploded into a bloody insurrection against the ancient regime resulting in the murder of many of the sultans, their families and their officials. The *laskar* forces occupied the plantations and distributed the land to their supporters, Batak and Javanese farmers. Many of the Malay peasants were driven from their holdings. The *laskar* commanders took on warlord roles, basing their power on receiving arms and medicines through Chinese merchants from Penang and Singapore by the sale and barter of such plantation crops as rubber, sisal, and palm oil. The hold of the military on the regional economy remained intact after the end of the anti-Dutch guerrilla war in 1949. The revolution

had drastically changed the old social order and the Dutch attempts by way of the establishment of the federal state of East Sumatra, to reverse the situation, failed as their old partners, namely the aristocracy, the Malay population and the Chinese, had lost power to the revolutionary armed forces and the Javanese and upland Sumatran immigrants. The TNI now controlled the entire government apparatus as well as the economy.

A major problem in the post-1950 era was that of the squatters on estate lands. Between 1950 and 1956 more than 250,00 people had moved from Tapanuli into the east coast estate areas and the Toba Batak proportion of the population had also increased rapidly constituting the second largest group in the region. Various accords concluded between the government, the plantations and the labor unions, resulted in a large reduction of the prewar estate allotment allocated to the plantations. While in some areas squatting continued to such an extent that plantations were no longer able to continue their operations effectively, in general, despite the difficult working conditions, the estates were still able to make substantial profits.<sup>45</sup>

In Java also the occupation of plantation land was a serious problem. In West Java, peasants believed to have been incited by the returned soldiers' union lead by the maverick Dr Mustopo had, during the three months of 1950, taken over eleven estates. In Central and East Java the BTI and SARBUPRI had been involved in illegal land takeovers. Apparently in South Malang a special company was supposed to have been founded to manage these seized estates. Moreover, a great deal of damage was caused by theft and pilfering and it was only the high price on the world market for Indonesian estate produce that had kept the industry alive. The rubber industry was hit especially hard and despite the return of various plantations to the legal owners and the rehabilitation of the land and trees since 1949, the export of rubber in 1950 was lower than that of the previous year falling from 165,426 to 159,298 tonnes. Theft using inefficient tapping methods also caused serious damage to the trees, result-

ing in subsequent lower yields. In contrast the production of indigenously grown rubber had increased in 1950 to 494,816 tonnes clearly surpassing estate rubber production which, during 1938 to 1940, had been equal to that of Indonesian growers.

The situation in other parts of the plantation industry was also grave. During the ten months of 1950, according to an investigation of the syndicate of sugar factories, an amount of 53.6 million rupiahs worth of damage had been sustained by theft of cane and sugar, cane fields arson, and pilfering and destruction of railways. In East Java estate coffee trees were damaged by inexperienced handling on the part of squatters. Other reports told of the theft of tea leaves, cocoa, kapok and pepper. In the latter part of the year a deterioration in security and peace and order in East Java occurred again. From 10 November an enormous increase in arson occurred in the tobacco areas of Besuki. The Sukowono plantation reported that only fifteen of its sixty-five sheds were still standing. Between 10 and 15 November about 1 million kilograms of tobacco were estimated to have been destroyed amounting to a loss of about 7 million guilders worth of export income. In the whole of the Besuki region until 15 December 1950 the tobacco industry had suffered a loss of 400 drying sheds and 1530 tonnes of tobacco, estimated at a value of 30 million rupiahs. By mid-February 1951, a total of 440 sheds had been destroyed and 2,295 tonnes of tobacco burned or stolen. It was reported at the end of February 1951 that the situation in Besuki was still serious. Attacks on plantations were being repulsed by armed planters and police and the governor had announced that the TNI was to start a campaign to arrest the hundreds of known murderers and thieves. Gruesome murders had been committed in the villages including those of women and children. The regional TNI commander, Colonel Bambang Sugeng, obviously vexed by his difficulties in establishing peace and order, tried to blame the West Irian question as one of the causes for the deterioration of security in the Besuki region.<sup>46</sup> In other plantations, buildings and factories, some of which had

recently been rebuilt, had been wholly or partially destroyed by robber bands. One example of this was the destruction by arson of the storage shed of a newly built bag factory at Delanggu near Solo before its opening, resulting in the loss of employment and affecting the transport of sugar from the factories. In some areas such as South Sukabumi, South Malang and the Sidoarjo delta, murders of planters were so common that the estates had been abandoned. In some areas in West and East Java, European personnel could only remain on the plantations during the day under armed protection, and at night had to retire to specially guarded dwellings.<sup>47</sup>

### **Darul Islam**

In West Java the plantation industry was plagued by the marauding of Darul Islam followers and a number of robber bands. While the other threats to Indonesian unification such as the state of Pasundan and the Westerling affair, had been quickly disposed of, the Darul Islam movement proved to be a much more tenacious and dangerous foe. Its armed resistance to the TNI lasted until 1963 when its leader, Kartosuwirjo, was finally captured and executed. From 1948 onwards thousands of people were killed and a great deal of property destroyed and damaged. Since their return to the estates in 1948 Dutch planters had often been attacked by Darul Islam bands. In 1950, after the withdrawal of Dutch troops and the disarming of the planters and estate guards by the TNI, the security situation in West Java further deteriorated. The Darul Islam bands operated all over West Java with their main strength concentrated in the Garut, Tasikmalaya, and Ciamis regions. There were also strong pockets in the Sukabumi, Cianjur, and Bogor areas. In Central Java the Darul Islam was active in the north coastal regions of Tegal and Brebes.

The high commission received numerous reports of attacks. For example, on 14 February 1950 in the Cianjur area, the Vada estate was attacked by a band of marauders during which a

European employee and a number of Indonesian plantation guards were killed. On 16 February a fifty-strong band armed with sten guns and rifles shot at a car belonging to the Pasir Maung plantation near Bogor. One employee and the driver were seriously wounded and the vehicle was gutted.<sup>48</sup>

The TNI seemed unable to provide the population and the Western plantations with the necessary protection against the Darul Islam and the raids of other robber bands. The planters' decisions to ensure the safety of themselves and their property by paying off the Darul Islam forces had some success and an improvement in security was reported for the period May to July 1950.<sup>49</sup> Still, the situation in West Java remained precarious with attacks continuing. For instance, in the period 22 September to 25 October 1951 it was reported that the theft of rubber was on the increase to the extent that some estates were unable to operate profitably. One of the most affected areas was the Sukabumi-Cianjur district where a number of estates had been hit by large robber bands. The Bandung and Purwokarto areas were also unsafe and the administrator of the Sukamandi plantation was murdered. The Vada estate was overrun by a 200-strong band resulting in seven deaths. An attack by 500 men on the Panglipurgalih plantation was repulsed by the police leaving one employee dead and the administrator seriously wounded. In the period 5 to 18 October in West Java, forty-three people were killed, of whom eighteen were robbers, while twenty-eight persons were wounded, twelve kidnapped, and twenty-nine robbers were taken prisoner.<sup>50</sup>

In the period 26 October to 29 November, security in the Sukabumi-Cianjur area was reported as improving owing to the activities of the police and the military. A number of gang leaders were captured. In the Bandung area attacks on estates continued and a police detachment fell into an ambush suffering heavy losses. Again the Vada estate was targeted and six police were killed and two employees were kidnapped. On the Bandung-Cheribon road a car was attacked and burned out, the passen-

gers were robbed and one European murdered.<sup>51</sup> In January 1952, a tea planter of Gedeh estate was murdered and another planter, of Pasir Maung near Bogor, was kidnapped. This put the number of Dutchmen murdered since the middle of 1951 at sixteen.<sup>52</sup>

There was no improvement in the security situation. In Bantam, European workers were forced to leave plantations at night out of fear of attacks by robber bands. All estates reported large-scale thefts of rubber and feared that owing to unprofessional tapping, large rubber complexes were being ruined. In the Sukabumi area the Cigepong estate was pounded by hand grenades and all buildings of the Baajabang estate were burned down at the cost of 1 million rupiah. One plantation overseer was murdered, but a second attack was repulsed. In the Pamanukan-Ciasem area ten were killed during a heavy fight between police and robbers, with the latter standing their ground. During a surprise assault on a police truck near Purwokarto, five policemen were killed.<sup>53</sup> On 3 July the rubber estate of Gunung Sesuru near the Padalarang-Purwokarto road was attacked by a 300-strong group and the administrator was wounded by a hand grenade. His house was completely ransacked. Typewriters and calculators were taken from the office, and five village houses were put to the torch.<sup>54</sup> A well-armed and uniformed Darul Islam unit on 2 August invaded the Pemengatan tea plantation near Cikajang. The manager was forced to open the safe and 40,000 rupiahs were taken. At the same time another unit raided Cikajang village burning and pillaging the police post and shooting a civilian.<sup>55</sup>

The security report of 19 February 1953 showed no improvement. In the Banten-Jakarta-Bogor area the situation was deteriorating. In the Ciseeng district a shed had been burned down, and estate villages robbed. In Citari a smoking shed was burned down and a guard at Cingkasbitung was kidnapped and murdered. In Sukabumi-Cianjur rubber smoking sheds were destroyed, and storage sheds were raided. A similar story was told regarding the Bandung-Garut-Ceribon region.<sup>56</sup>

The situation in Banten, Jakarta and Bogor seems to have been improving and a report of October 1954 described security as good. In the rest of West Java the terrorising of estates continued. On 25 October in the Garut region the Conong plantation was attacked by a band of close to 100 men who plundered and burned a large number of houses belonging to local people and the estate at an estimated cost of 290,000 rupiah. A military detachment, sent to the rescue, fell into an ambush losing one soldier. This was the nineteenth attack on this plantation since 1 January 1953. Security in West Java remained a serious problem until the final defeat of the Darul Islam insurgents in 1963. In the rest of Java and Indonesia the police and the armed forces were gradually able to ensure more peaceful and orderly conditions.

<b>Survey of attacks on estates and personnel<sup>67</sup></b>				
	<b>1952</b>	<b>1953</b>	<b>1954</b>	<b>1955</b>
West Java	114	109	95	153
Central Java	32	29	19	8
East Java	7	17	1	5
South Sumatra	6	3	1	3
Kalimantan	—	6	—	—
Sulawesi	<u>1</u>	<u>—</u>	<u>—</u>	<u>1</u>
<b>Totals</b>	<b>160</b>	<b>164</b>	<b>116</b>	<b>170</b>

In 1950 the number of Dutchmen murdered in the whole of Indonesia stood at fifty-three with seventy-two wounded.<sup>58</sup> But personal security improved greatly and in 1954 only one Dutchman was murdered and the number of robberies was reported to be on the decline.<sup>59</sup>

### **Pillage of cargoes in ports**

Another great problem plaguing foreign business and trade was

unchecked corruption and lawlessness in the harbours. As an illustration the following are translations of some examples found in the report of the Scheepvaart Vereniging regarding the harbour of Surabaya during April 1951:

Amsterdamkade [wharf] ... all ships were pillaged and plundered. Cloves were taken from the 'Both' ... Later robbers started to remove indigenous produced rubber ... On board the 'Tjitjalengka' various cases were plundered ... mainly singlets ... the remainder was stolen on the wharf ... 'Plancius': at 1300 hours one of the holds had to be closed because of thieving and resulted in a fist fight. Textiles and Escort cigarettes were looted. 'Janssens': a consignment of Escort cigarettes, soap and beer was pilfered. 'Bunabaai': petrol, yarns and salt were either spoiled or stolen ... Tandjong Perak wharf. During the transhipment to lighters, despite the presence of police, cases were being opened and many workers returning home were burdened by their stolen gains hidden under their clothes and found it difficult to walk. It seems that in many cases it was difficult to obtain police assistance ... At 11.45 it was noticed that ... lively trade was taking place at the market place before the entrance to the Surabaya Veem ...

Phone calls to the police for help proved to be ineffective and pillaging and thieving in the harbour areas continued unabated.<sup>60</sup>

Despite all these problems Dutch business, aided by higher export prices caused by the Korean war, still managed to make reasonable profits. This lucrative windfall experienced by Dutch and other foreign firms also profited the Indonesian treasury. But the Indonesian government, mainly for political reasons, failed to take this opportunity to drastically reduce the public deficit and to severely cull the greatly overstuffed and inefficient public service.

When, in the second part of 1951, the Korean boom began to wane, it caused a fall in Indonesian export income that pushed the Indonesian economy gradually towards the abyss of national insolvency. During this process real per capita income and liv-

ing conditions further deteriorated causing most of the population, already living in poverty or on the brink of it, to be driven into the hands of political agitators such as Sukarno, the PKI, and the radical wing of the PNI, who found it easy to blame the Dutch for their miserable existence.

### **Demands for nationalisation**

From the beginning radical-nationalist and leftist groups had been opposed to the RTC clauses protecting the vast Dutch economic stake in independent Indonesia. An immediate takeover of Dutch business concerns, as demanded by the political left, however, had been dismissed by the early moderate cabinets on the grounds that short-term Indonesian economic survival was dependent on continued Dutch and other foreign investment and expertise. Hatta and other 'administrator'-like politicians stressed that foreign capital was absolutely essential to achieve the rehabilitation of the economy devastated by the Great Depression, the Japanese occupation and the revolutionary fighting, and argued that the liberation of the economy from foreign – mainly Dutch – domination could only be a gradual process.

A wider national consensus existed on the question of the destruction of the remaining vestiges of Dutch political power. This process had started early in 1950 with the demolition of the federal system and was followed later in the year by Indonesian moves directed at the abolition of the Netherlands-Indonesian Union. Furthermore, in response to the hardening of the Dutch government's position on the West Irian question, the Indonesian government also dug in its heels. No Indonesian government, however moderate politically, could afford to ignore the nationalist ground swell that demanded the return of West Irian to the homeland. It was this irredentist fervour that determined Indonesian demands, not the niceties of international law or the rights and feelings of the Papuan population.

The vast majority of Indonesian politicians, the armed forces,

and the public at large dismissed the RTC agreements as unjust since they left the country in a semi-colonial status and burdened the nation with an unfair share of the public debt left by the previous Netherlands Indies government. There seemed to have been agreement from within the whole range of the Indonesian political spectrum for the removal of the union statute that still linked Indonesia in a type of Commonwealth arrangement with the Netherlands and other parts of the realm under the Dutch crown. The failure of the West Irian conference in December 1950 pushed the deterioration in Dutch-Indonesian relations further towards the brink and braced Jakarta's demands for the abolition of the Netherlands-Indonesian Union.

### **The Dutch government freezes discussions on West New Guinea**

The Dutch High Commissioner, Lamping, argued that the failure of the West Irian conference had weakened the position of moderate Indonesian leaders such as Mohammad Roem and the whole of the Natsir cabinet. The Dutch offer to place West Irian under control of the union had upset Indonesian feelings. Indonesia had always showed no more than minimal interest in the union and had only 'tolerated' it because of its ephemeral nature. Acceptance of the offer of union sovereignty over West Irian would have made the union a much more formidable force making its dissolution far more difficult for Indonesia. Lamping further pointed out that the Natsir cabinet could be forced to exert a harder line to take the wind out of the sails of the leftist opposition parties and would push for the dissolution of the union. In any case this would neither cause any economic harm nor international repercussions. In fact, apart from Belgium and Australia, the diplomatic corps generally supported the call of the local Dutch community to surrender West Irian. Furthermore, the British and the Americans, who were trying to reinforce their influence in Indonesia both commercially and politically, were naturally not too distressed to see a further deterioration occur-

ring in Dutch-Indonesian relations. The high commissioner stressed that Dutch policy and actions should be based on more understanding of Indonesian sentiments and should avoid the use of a heavy-handed approach.<sup>61</sup>

In reply the Department of Foreign Affairs agreed that in case Indonesia indicated that it wanted to abandon the union and the RTC agreements the Netherlands government had to agree. In the meantime the Netherlands should quietly await Indonesian reactions.<sup>62</sup>

In fact, on 2 January 1951, all Indonesian parties had accepted a resolution demanding the abolition of the union and changes to the other clauses of the RTC agreements. The Natsir government, to avoid an abrupt break with the Netherlands, tried to defuse the matter by referring the issue to a commission of inquiry under the leadership of the legal expert Professor Supomo.

Natsir's cabinet was replaced on 20 March 1951 by the Sukiman cabinet, forming a Masjumi-PNI coalition. The more moderate Mohammad Roem was replaced in the foreign affairs portfolio by Subardjo, a radical nationalist with a somewhat colourful and intriguing career. Subardjo was a highly ambitious and chameleon-like politician.<sup>63</sup> Another appointment foreshadowing trouble for the Netherlands was that of the maverick Mohammad Yamin, a leftist, nativist-inclined, radical nationalist preaching the message of the return of Indonesia to the power and splendour of the Mojopahit empire of the 14th century, which supposedly had ruled most of the South-East Asian area including West Irian.<sup>64</sup>

The Sukiman cabinet took a less conciliatory line towards the Netherlands as PNI members insisted on the adoption of a more radical nationalist hard line, causing the more pragmatic Masjumi Ministers to lose some influence. According to Feith, it was during the Sukiman cabinet that the 'solidarity makers', strongly supported by Sukarno, were able to make their first gains against the 'administrators'.<sup>65</sup>

On the Dutch side too an increasingly inflexible position was

noticeable in the decision of the new cabinet, formed on 13 March 1951, to 'freeze' – *ijskast* formula – the West Irian issue. This pushed Indonesia into a 'freezing' act of its own by showing less willingness to compromise.

The *ijskast* formula, although carrying the strong support of the Dutch right and a reluctant acceptance by the left, was condemned by High Commissioner Lamping, the Department of Foreign Affairs and also the Secretary General of the Dutch-Indonesian Union, Idenburg.<sup>66</sup>

In reply to Indonesia's demand for the abolition of the union statute and other changes in the RTC agreements, in June 1951 the Second Chamber of the Dutch parliament agreed that changes in the relationship with Indonesia were necessary. Public opinion was far less amenable to this idea and Prime Minister Drees was not disposed to give in to the ostensibly more anti-Dutch Sukiman government. Finally, on 21 September 1951, the Netherlands government issued an official communiqué indicating its support for the reversion of the union relationship.<sup>67</sup> The matter continued to drag on and early in 1952 Indonesia insisted on connecting the union discussion with the New Guinea issue. At this time Rijkens, director of the vast Unilever group, had succeeded in gaining Sukarno's acceptance of his plan for the shared responsibility of West Irian, with the Netherlands holding the main accountability of administration and economic exploitation. This found a deal of support in The Hague, but the cabinet rejected it mainly because of the refusal of Prime Minister Drees to discuss the proposal just before the elections in June 1951.<sup>68</sup>

In any case the negotiations had abruptly stopped due to the fall of the Sukiman cabinet on 23 February 1951. So far, negotiations had been proceeding at a painfully slow rate, managing to produce only a rough plan for the dissolution of the union. The economic clauses of the RTC had not yet been touched upon and the only results were the scrapping of the foreign affairs cooperation and agreement on the replacement of high commissioners by ambassadors after the demise of the union.

The new Wilopo cabinet included mainly moderate figures such as Roem, Leimena, Djuanda and the Sultan of Yogyakarta, who were less sanguine on the West Irian question and emphasised the importance of internal peace and order.

Still, massive problems caused by the deterioration of living conditions and the serious balance of payment deficits caused widespread dissent and popular unrest with the blame for their problems being heaped upon the shoulders of the Dutch-owned economic sector. The masses, disappointed by the absence of the socioeconomic gains promised by the revolution, were being manipulated by the populist ideas of Sukarno, the PNI and the PKI. The moderate element in the Indonesian political configuration, always proportionally small, was now being gradually pushed further towards the outer bounds of power. The Wilopo government was thus forced to put more emphasis on the Indonesianisation of the economy and was unable to stem the growing anti-Dutch mood in a nation demanding the cutting of all vestiges of former colonial ties and power. The first victim of this anti-colonialist offensive was the Netherlands Military Mission.

### **The Dutch military mission**

The main source of Indonesian support for Dutch military aid came from the Sultan of Yogyakarta, then holding the portfolio of Defence, and the high command, consisting mainly of Dutch-trained officers.

In the Dutch armed forces the imperial idea still remained alive and the Dutch navy, for example, argued that by cooperation in union terms with the Indonesian navy the Netherlands would still remain an international military power rather than being reduced to a small, insulated nation on the North Sea. It continued to press for a permanent naval base in Surabaya after the surrender of sovereignty.<sup>69</sup> Another important objective was to create an effective Indonesian navy able to protect national se-

curity and to deal with the increasing problem of piracy. Safety of passage in Indonesian waters would of course also benefit Dutch shipping and trade. As such, the Netherlands in 1950 had transferred four corvettes and one destroyer to the Indonesian navy, in order to take the wind out of the sails of other Western nations, especially the United States, in their attempts to monopolise the training and arming of the Indonesian armed forces.

The Dutch army saw its main task as assisting in the construction of a modern, disciplined, and well-trained defence organisation that would be able to provide external security and internal peace and order. Of course, this would be of great benefit to the vast Dutch economic sector as well as being absolutely essential to keep at bay the ever-increasing threat of communism.<sup>70</sup>

The Netherlands was clearly interested in maintaining a strong military presence in Indonesia, but its proposal for a 5000-strong military mission was resolutely refused by the Hatta government. Agreement was reached in the end on an 800-man force to train all sectors of the armed forces for a period of three years.<sup>71</sup>

In fact, the NMM took a considerable time to start its operations. One problem was the difficulty in finding officers willing to serve in the military mission. Officers of the expeditionary Dutch military force showed little interest in training their former enemies, while many KNIL officers were worried about possible Indonesian retaliation. An offer of a higher duty bonus proved only a partial success and higher officer ranks in particular had to be recruited from the Netherlands, causing a depletion in the higher echelon staff of the Dutch NATO forces.<sup>72</sup>

The NMM finally started its operations in May 1950. Its acceptance by the Indonesian military varied. Some commanders such as those in the PETA-dominated East Java province ignored the NMM completely, while in other areas contact, although often initially reserved, was made. Most of the Indonesian demand was for technical help and training, while Dutch attempts to advise on operational and tactical matters were generally resisted. Moreover, the NMM found it difficult to establish regu-

lar contacts with the Indonesian upper military hierarchy as a whole. Indeed the relationship with Nasution, Simatupang, and the sultan were cordial, but day-to-day contacts were almost exclusively restricted to middle and lower echelons. Still, the head of the mission, former KNIL Major General Pereira, who incidentally was on good terms with Sukarno, a former schoolmate, told Simatupang that he was struck by the general spirit of cooperation found in the Indonesian armed forces. Unwilling to lose Simatupang's support he took a cautious approach and gently pointed to a number of problems such as a general lack of discipline in the rank and file, a cavalier attitude regarding lecture attendance, a great incidence of unapproved leave, the use of arms for private use, and impunity for insubordination. In despatches to The Hague, Pereira stressed that in reality these abuses were far more serious.<sup>73</sup>

In 1951 the situation was gradually improving and more positive reports about the operations of the NMM were reaching The Hague. In March 1951, the high commissioner wrote that he considered the military mission as the most successful venture resulting from the Round Table agreements and stressed that the success of the mission was important in supporting the Dutch position in Indonesia and the world at large. The creation of an efficient and reliable defence force would not only serve the Indonesian state but also the vast Dutch interests. It seemed that the NMM was gaining more acceptance from the Indonesian government and the Indonesian high command. High Commissioner Lamping dismissed as short-sighted and damaging to the vast Dutch interests in Indonesia the objections raised in Dutch political quarters about the costs of maintaining the NMM and the argument that in view of the scarcity of Dutch resources, precedence should be given to the requirements of NATO. He attached a copy of an article by the Indonesian Chief of Staff, Colonel Simatupang, in which a strong plea was made for the continuation of the military mission, arguing that the objections raised against a Dutch military mission, because of its previous

enemy status, should be put aside and the matter should only be considered in a rational vein and free from linkage to the West Irian problem. Of great importance to military cooperation was the language question. After all Dutch was the *lingua franca* of the Indonesian modern elite from which the future base of the officer corps would have to be drawn. In addition to these concerns, there was the consideration that the Netherlands was a relatively small nation without the power to influence the official Indonesian policy of self-reliance in foreign affairs. Training in the United States and other powerful nations would pose serious problems in this respect.<sup>74</sup> The Indonesian military attaché at The Hague, Lieutenant Colonel Harjono, also expressed his appreciation of the operations of the NMM seeing it as an important counterweight to the expected growth of Japanese influence in South-East Asia. Similarly to Simatupang he argued that Indonesia preferred Dutch assistance to that of the United States out of fear of the loss of some freedom of movement in foreign affairs. General Nasution also declared that the NMM was absolutely necessary in setting up a modern, disciplined defence force and issued instructions setting down the perimeters of its operations. This included the transfer to the NMM of full responsibility for his plan for the retraining of twenty-four battalions. Initial problems occurred in the cadet training courses caused by the lack of necessary educational qualifications of students and control of commanders.

Regarding the navy (ALRI), the NMM was involved in the setting up of an officer training college, the establishment of the marine corps and the provision of technical courses. In 1951 a few Dutch naval vessels, including the Dutch destroyer *Tjerk Hiddes*, renamed the *Gadja Mada*, were transferred to the Indonesian navy. Indonesian commanders were to be assisted by Dutch instructors, an arrangement that caused nationalist resentment and was sometimes not maintained. In June 1951 the *Gadja Mada*, without a Dutch instructor on the bridge, ran into serious trouble suffering heavy damage, causing a big dent in na-

tional pride and sarcastic comments in the Netherlands press.

The NMM involvement in the air force (AURI) was less intensive and was restricted to technical training. Pilot training was in the hands of private American instructors.

As a whole the relationship between the NMM and the Indonesian armed forces personnel was, in Dutch reports, seen as being from reasonable to good. The NMM, however, soon became enmeshed in the bitter dispute within the Indonesian armed forces (ABRI) between the modernisation and *semangat* factions. This in turn caused the ABRI to be used as a political football in the power struggle in parliament between the 'administrator' and 'solidarity makers' factions. Deeply involved in this process was President Sukarno, who, through his populist and radical-nationalist speeches, managed to bring the existing widespread anti-Dutch sentiment closer to the boil.

The first radical nationalist attack in parliament on the military leadership and the Wilopo cabinet was mounted by Zainal Baharuddin of the NU and chairman of the parliamentary defence committee. The high command was accused of having lost its revolutionary rapport with the people; and its modernisation policy and reliance on emergency regulations to deal with peace and order problems, were dismissed as ineffective and reeking of the colonial past. This parliamentary attack encouraged the large *bapakist* faction in the armed forces to intensify their opposition to the rationalisation policies of the high command. The key figure was Colonel Bambang Supeno, a former PETA officer from East Java and a distant relative of Sukarno, who strongly backed the president's call to save the nationalist impetus from being toned down by Western rationalist policies. To put it more prosaically, the vast majority of the officer corps had gained their rank and position by *semangat* rather than by higher education and training and were unwilling to lose their position and socioeconomic status and prestige. Nasution reacted by closing down the Chandradimuka Military Academy of which Colonel Bambang Supeno had been commandant and where Sukarno,

as guest lecturer, had tried to fill the minds of cadets with his supernationalist ideas. A new staff college, SSKAD, later renamed SESKOAD, modelled along Western lines was founded.

This attack on the army headquarters intensified, leading, on 17 July, to the sacking of Bambang Supeno by Nasution. This caused an uproar in parliament where the whole of the military rationalisation policy was attacked including the role of the NMM. The army training and educational programs conducted by the NMM were seen as proof of the pro-Western attitudes of the high command and their attempts to demote and get rid of former PETA officers. The fracas ended with Zainal Baharuddin tabling a motion of no-confidence in the Minister of Defence, an amended version of which was passed overwhelmingly on 16 October. The chances of reaching a reasonable and workable compromise were evaporating and the high command and its supporters responded on 17 October by staging an armed demonstration in front of the presidential palace to reinforce the demands of a delegation that included Wilopo, Hatta, the Sultan of Yogyakarta, and Simatupang, for general elections. Sukarno was still able to win the day by defusing the situation through mesmerising the demonstrating masses and obliterating any political advantage the organisers might have had. The 17 October affair broke the hold of Western-oriented officers on the high command and the Department of Defence. Nasution and some of his close supporters were suspended from active duty on 15 December and the sultan was pushed aside and the Prime Minister, Wilopo, took charge of the Department of Defence. General Simatupang resigned in 1953. The 17 October affair also proved to be the death knell of the Dutch military mission.<sup>75</sup>

With the loss of power of its major supporters in government and the military, NMM was doomed and it was now drawn squarely into the anti-Dutch maelstrom that was gaining momentum. During the 17 October demonstration, the Dutch flag at various offices had been pulled down and torn to shreds by the mob. Lamping, referring to the Wilopo cabinet's struggle to re-

tain good relations with the Netherlands, dismissed these incidents as the actions of some hotheads, forgetting that in parliament and in the nation as a whole the government was actually losing the battle to keep the forces of the Left under control and a reasonable Dutch-Indonesian relationship alive.<sup>76</sup> Accusations in parliament and the press against the NMM as a fifth column endangering Indonesian national security were intensifying. The West Irian question was also pulling the two nations further apart and was used especially by the Indonesian radical left to accelerate the demise of the remaining Dutch economic power and any continuing political influence in the country.

This growing anti-Dutch agitation in turn acted to harden public opinion in the Netherlands against Indonesia causing parliament and the cabinet to dig in even more deeply on West New Guinea. Matters deteriorated even further when the Dutch ships *Blitar* and *Tallee*, with a consignment of arms for West New Guinea on board, were impounded in Indonesia.

Nasution had been replaced by Colonel Bambang Sugeng, an officer moving in Sukarno's ideological orbit and a supporter of an Indonesian revolutionary army, and opposed to the creation of a modern force on the Western model. He agreed with Sukarno's idea that the armed forces were a people's army and as such had the right to take part fully in political life. It was a stance that received majority support in the officer corps. As a result this caused a major objective of the NMM to fail, namely to help in the creation of a professional, non-political, and disciplined Indonesian armed forces, able to withstand political pressure and interference. Also wrecked was another prime target of the NMM to have the TNI adopt the model of the former colonial Army (KNIL) and thereby raising substantially its ability to deal more effectively with the maintenance of internal peace and order. This had been seen as vital for the smooth operation of the vast Dutch business interests in the country.

For the NMM the writing was on the wall and the Wilopo government was forced to decide on its withdrawal. In March

1953, The Hague was informed accordingly. An accord was signed on 21 April for the NMM to be dissolved on 1 January 1954. Ruslan Abdulgani, Secretary General of the Department of Information and co-signatory of the accord, considered the demise of the NMM as an important prelude to the liquidation of the RTC accords as a whole.<sup>77</sup>

### **The rule of Indonesian 'law'**

The anti-Dutch agitation, which had been steadily growing since 1950, had accelerated to a high pitch during the period of the Ali Sastromijoyo cabinet that, in July 1953, had replaced the Wilopo government. The new cabinet was a coalition of the PNI, other minor nationalist groupings, and the NU. The PNI, enjoying the support of Sukarno and the PKI, was the dominant partner. The new cabinet leader, Ali Sastromijoyo, and also his Foreign Minister Sunario, were far more radical than their predecessors with their political views dating back to their activist student days in the Netherlands in the 1920s when they had played a prominent role in the affairs of the Perhimpunan Indonesia and its dissemination of the entirely new idea of Indonesia as a free nation. They had been men of the first hour, who were still moved by the original PNI ideals of self-reliance and radical nationalism. They rejected the dallying of the previous governments with the former colonial power and the West and strove to have foreign influences removed from the Indonesian scene as speedily as possible. Thus, the Ali Sastromijoyo cabinet put in motion a new policy designed to speed up the nationalisation of the economy.

At the same time the anti-Dutch agitation took on a much more threatening tone. Whether, as Ali Sastroamijojo<sup>78</sup> insisted, this was not officially encouraged, is difficult to prove. One thing is clear, that in order to remain politically viable the government could do little to keep this popular anti-Dutch upsurge within reasonable bounds. As it was, the Ali cabinet had seriously mis-

judged the strength of public opinion when, on 23 August 1953, it decided to free six Dutchmen who allegedly had been involved in the Westerling affair. This caused a furious reaction particularly in leftist circles and the armed forces. In the Indonesian media the Dutch were pictured in the darkest colours, as bent to reclaim their colonial hold on Indonesia and being responsible for the existing economic and social malaise. The Netherlands was used as a convenient whipping post for all the country's evils and numerous stories were churned up by the rumour mills (*kabar angin*) of Jakarta and other cities that were eagerly devoured by a public driven to anger and frustration by their continued deteriorating living conditions.

In the press Dutchmen and their families living in luxury were compared with the abject poverty of the Indonesian masses and this was snapped up readily as an explanation for the lack of social justice and inequality for the people. Yusuf Ronodipuro, at the time an official government spokesman, told the Dutch scholar Hans Meijer in 1992:

We used the Netherlands as a scapegoat to hide our own failures. There even were scapegoat jokes circulating. At a crossing two Indonesian cars collided and of course the blame was heaped on the Dutch. The mood in Indonesia was an expression of rancour and a retribution of the colonial period ...<sup>79</sup>

The general fear caused by the Westerling affair had never been allowed to die down fully. The radical nationalist press in 1951 portrayed the tribute Dutch plantations in West Java were forced to pay for protection to the Darul Islam as actual support for the rebels. The very small number of Dutchmen that had joined the Darul Islam were made out to be agents of the Netherlands government, which was accused of being involved in the supply of arms in order to cause further security problems. The Dutch government of course strenuously denied these allegations pointing out that Dutch planters were forced to take action as the Indonesian armed forces and the police were unable to provide

sufficient protection. So far as deliveries of arms were concerned Dutch official reports pointed the finger at the large smuggling operations in Indonesian waters and the fact that some supplies originated from the TNI itself.<sup>80</sup>

Generally the Indonesian government had ignored this agitation and played dumb to Dutch complaints. But by 1953 public anger had reached such a high pitch that the Ali Sastromijoyo government was forced to act and in October a law was passed leaving local authorities with considerable arbitrary power to deal with foreigners suspected of posing a national security risk.<sup>81</sup>

This resulted almost immediately in the mobile police brigade arresting thirty-four Dutchmen accused of being members of the Nederlands-Indische Guerrilla Organisatie (NIGO), which was supposedly trying to create the largest possible outbreak of disorder in order to pave the way for the Netherlands to reimpose its colonial rule over Indonesia. The Indonesian newspapers were flooded with stories of the NIGO, often serving up the most improbable details. On 5 January 1954, the Indonesian news bureau Antara announced that the leader of the NIGO had not only close connections with the NMM but also had frequently been seen in a Netherlands High Commission car. The daily *Berita Indonesia* argued that there was sufficient evidence available to charge the NIGO of acting as an agent between the Darul Islam and the Netherlands government. Again the Dutch business sector was accused of financially supporting the robber bands in order to secure its hold on the Indonesian economy. An almost unanimous cry rose up for an immediate abrogating of the RTC agreements, while some newspapers were demanding the immediate breaking off of diplomatic relations. The new high commissioner, van Bylandt, dismissed letters received supposedly from Dutch Darul Islam fighters asking for financial help, as probably originating from Indonesian ultra-nationalist quarters. Apparently similar letters had been received by the high commission earlier, one at the end of 1951 from former KNIL Captain W.P. Bosch, and in March 1952 from C.H. van Kleef,

former police inspector in Bogor and a close confidant of Westerling. In this case also the high commissioner left the requests unanswered.<sup>82</sup>

The mesmerising speeches of President Sukarno provided an imprimatur to these wild and totally unsubstantiated stories put forward in the press. In a speech during Heroes Day on 10 November 1953, Sukarno, referring to the Darul Islam and the recent outbreak of Islamic rebellions led by Daud Beureuh in Aceh and Kahar Muzakar in South Sulawesi, exhorted Indonesian patriots to immediately douse the fire in the national house and build a grand house to accommodate the whole of the people. The president then quoted from an intercepted letter of the Darul Islam leader, Kartosuwirjo, dated 9 April 1952, in which the abovementioned van Kleeef was put on the stage as a new Dutch recruit and a number of points were highlighted to show official Netherlands' collusion with the Darul Islam cause.<sup>83</sup> Through his high national profile and magnetic personality Sukarno's outburst could only push the popular anti-Dutch agitation even further, and in this frenzied state the question of the veracity of these allegations did not even enter the mind of most Indonesians. The few who saw through this charade were too frightened to raise their voices.

A visit by van Bylandt to the Indonesian Minister of Foreign Affairs, Sunario, to obtain an official explanation drew a blank and a request to visit the prisoners was refused.

On 17 January 1954 an official Indonesian communiqué was issued tersely stating that the Dutchmen were arrested on suspicion of being members of a criminal organisation and that owing to the present stage of the investigations no further information could be released. But the necessary evidence, however, was expected to be handed by the police to the prosecution shortly. Attempts by the high commission to gain information were in vain. A note sent on 13 February 1954 by the Netherlands government to the Indonesian government, complained that, since 29 December 1953, seven requests had been left unanswered and

that normal diplomatic usage had been ignored and consular assistance to the prisoners and legal aid had been refused. In its reply the Indonesian government continued to refuse permission for legal aid and consular visits. Another Dutch protest on 8 April about a contravention of consular practice and expressing concern about ill-treatment of the prisoners finally resulted, in May, in a high commission official being allowed to visit the prisoners. In the actual official Indonesian reply to the April note, that took two months to arrive, the Indonesian Department of Foreign Affairs charged that the allegations of ill-treatment were deeply hurting the feelings of the Indonesian government and its officials. Still, consular assistance was now approved.

Soon after, the Netherlands authorities managed to provide tangible evidence of serious maltreatment, contained in letters smuggled from prison with the help of some Indonesian policemen, who were appalled at the inhumane interrogation methods being used. In another note, on 14 July 1954, the Netherlands government strongly condemned this inhuman conduct and included a list of atrocities committed. This included cases of prisoners being knocked unconscious with fists, clubs or bayonets. Some were submerged in a pond in the grounds of a villa near Bandung to the point of drowning in order to extract confessions. There was the matter of a prisoner who had been tortured and his genitals kicked by a Bandung police inspector, Enduh, and another case of a confession being forced at the point of a gun. Some fellow-prisoners were apparently used by the police to assist in these tortures.

Again, a stern protest was lodged in which a speedy release or trial of the prisoners was demanded and the use of testimony obtained by torture declared invalid. The Indonesian Minister of Foreign Affairs, Sunario, in the Netherlands at the time, was also confronted with these charges and promised to conduct a thorough investigation.

Unwilling to drive the issue to the brink, the Netherlands government decided to take a low public profile. But when the

Indonesian government took three months to merely deny all charges and put aside another protest about further abuses, The Hague, in October and November, issued communiqués castigating the Indonesian authorities for procrastinating with its legal proceedings. After ten months in prison only six of the accused had been charged. Furthermore, prisoners were held in atrocious conditions. A number of them were physically and mentally weakened by continuous isolation, bad ventilation, and lack of exercise, and three had to be hospitalised and one transferred to a mental asylum.

It seems that the prisoners were also forced by beating, torture, and blackmail, to confess to having been involved in the NIGO and to testify against their supposed main leaders, fellow prisoners Schmidt and Jungschläger. Those prisoners, who had managed to have their plight made known to the outside world in their letters revoked these confessions as having been obtained by force.

The most frequent names cropping up during the interrogations of the supposed Darul Islam members were of Smit, Bosch, and van Kleef. It was van Kleef who had been mentioned in Sukarno's speech in November 1953. Bosch had returned to the Netherlands in 1949 and was still living there in 1953. No Smit could be found so for good measure J.G. Schmidt, a former KNIL officer and then a businessman in Bandung, was conveniently re-baptised into the alleged renegade Smit, who was accused for years of having provided the Darul Islam with weapons and food and having joined the rebellion with his own armed followers. An attempt was also made by the police to 'fabricate' Bosch. Another Dutchman wearing a beard, part of the description of Bosch, was arrested in Jakarta in January 1954 and transferred to Bandung and found good enough to fit the part. When this unfortunate man was asked about the NIGO and denied any knowledge of such an organisation he was beaten with a piece of wood and received blows on the back of his head. Kicked in the face and abused he was taken to the infamous pond and tor-

tured and his life threatened. In the end he 'confessed'. Later he was 'recognised' by a number of Indonesian witnesses as the legendary Captain Bosch and was interrogated by the police for twenty-eight hours at a stretch. There is no record of a trial of a Captain Bosch and apparently even the Indonesian prosecution found the evidence too flimsy. In a letter, a Dutch prisoner painted the situation as:

... bewildering in its indescribable violation of justice and its hatred against the Dutch. The whole issue has become so chaotic through this forced lying, that is now almost impossible to condense events into a short account ... Some sort of underground activity had to be alleged and that is how the NIGO was thought up. The whole NIGO does not exist and all of us have only first heard of the NIGO during the investigation. Sometimes one became a member 'automatically' without having knowledge of it. Sometimes the initials were taken to mean Netherlands Indies Guerilla Organisation and sometimes Netherlands Indies Secret Underground. Complete stories were invented, and on the strength of this, the proceedings had to be fabrications ...<sup>84</sup>

Further Netherlands protests continued to be ignored and allegations denied. A declaration of a prisoner attesting good treatment and a statement that the alleged pond did not exist were tended as evidence. The Netherlands replied that it had ample information to prove that the Indonesian police had destroyed hard evidence by having the pond filled in November 1954. Furthermore, the Indonesian position was even more weakened by an interview on 1 March 1955 with the public prosecutor, Sunarjo, admitting that the police had used force to obtain confessions when arguing:

There are naturally different definitions of maltreatment. When somebody tries to keep statements from the police and after a few blows he would be willing to tell the truth, those blows of encouragement have little significance if it appears that his statements

bring out the truth. In such a case it is difficult to speak of mal-treatment ...<sup>65</sup>

The trial of Schmidt started on 23 September 1954 and the Indonesian press immediately tried him as guilty and the radical nationalist papers demanded the death sentence. The belief of the Dutch defence counsel, H.A. Bouman, that the charges could be easily unmasked as spurious, causing the prosecution case to fall down like a house of cards, was not realised. It soon became apparent that not justice but political gain was the objective. Not the accused but the Netherlands was on trial, accused of a neo-imperialist plot in concert with the Darul Islam to regain its former colonial power. The hard facts brought forward by Bouman demolishing the charges had no effect on the prosecutor, Sunarjo, and the judge, G.K. Liem, trying to ensure that the normal procedure of law would be followed, worried about later reprisals, decided in December 1954 to retire for 'health reasons'.

The hearings of the Jungschläger case started on 13 January 1955 under G.A. Maengkom, a judge who soon proved to have far fewer judicial scruples than his predecessor. The national press again fulfilled its expected role, painting the accused in the most sinister colours. The media circus started with a report of the sighting of a Dutch submarine in Moluccas waters, carrying weapons and food to the RMC rebels. Official Dutch denials, that after 1945 no Netherlands submarines had been operating in the Indonesia area, were merely shrugged off.

Jungschläger had been a reserve captain and had headed the Netherlands Intelligence Service during World War II, and on retiring in 1948 had joined the KPM, the inter-island Dutch shipping company. He was charged with being the head of the NIGO and having been involved in supplying arms to the Darul Islam. The NIGO was also accused of coordinating the efforts of British and American planes in dropping arms and ammunition for the Darul Islam in West Java. It was charged that planes of the Royal Dutch Shell, Standard Vacuum Oil Company, and the

NMM had also been involved in these operations. The evidence produced was so shaky that it was easy for the defence counsel, Bouman, to disprove these charges. The judge, however, tried to push the defence arguments aside. Upset about the trial being shown by Bouman to be a farce and a travesty of justice, the police tried to blacken Bouman's name and accused him of corruption and of buying witnesses.

The Indonesian government by now was getting very perturbed about the averse publicity the country was receiving in the international press. Hence, the trials had to be concluded as fast as possible. The plot constructed to incriminate Bouman seemed to have been taken directly from one of those seedy, second rate, detective films abounding in the popular, cheap Indonesian movie houses. The story ran as follows: Bouman was to be invited by a certain Broeks, a police informer, to meet Manoch, a main prosecution witness, who wanted to revoke all his evidence. All Bouman was asked to do was to pay Manoch's travel expenses and when this transaction was to take place a photo would be taken resulting in his arrest on a charge of bribing a witness. In fact Bouman did receive a written invitation of this kind. But when the Indonesian attorney-general refused his request to accompany him, Bouman, probably having his suspicions, also desisted and instead informed the Indonesian Department of Justice. Not to be discouraged Manoch, during one of the Jungschläger court sessions, interrupted his 'evidence' with a special statement charging Bouman of having tried to bribe him. It was alleged that in September 1954 he had been stopped by a Netherlands High Commission car, number plate CD 61, and asked to get in. In Jalan Imam Bondjol another passenger joined, whom he recognised as Bouman, and offered 150,000 Dutch guilders and an overseas job for withdrawing his evidence against Jungschläger. Manoch further stated that a few months earlier he had been approached by a certain Cohen, an official of the Netherlands High Commission, offering the same money as a bribe. This resulted in Bouman being subjected to fifty hours of

interrogation by the prosecution. His house was ransacked by the police but no evidence could be found. His Indonesian co-defender, Mrs Nani Razak, was attacked in the press and harassed by police. At the end of March 1955, Bouman was accused by another witness of being a member of the NIGO, and his request to be granted immunity from prosecution during the current trials was refused by the Minister of Justice.

The court sessions were pervaded by a Kafkaesque spirit<sup>86</sup> with the defender's arguments being constantly pushed aside by the bench as irrelevant. The Netherlands press compared the proceedings to the Dreyfus affair and the Nazi trial of van der Lubbe in the Reichstag fire case.

Intimidated, and even fearing for their lives, both Bouman and Mrs Nani Razak withdrew from the case. Bouman was refused an exit permit and a request for asylum in the high commission was not granted by van Bylandt out of fear of creating serious repercussions. He was, however, issued with a diplomatic passport and took the first possible opportunity to flee the country. Apparently he bought a ticket to Medan and left the boat at Singapore under the assumed name Bosman, arriving in the Netherlands on 13 May 1955. The Indonesian press was of course incensed, arguing that this clearly proved Bouman's guilt. The high commissioner was accused, as in the case of Westerling, of being instrumental in Bouman's flight.

The cases against Jungschläger and Schmidt continued without any defence counsellors being present. A request by van Bylandt for a halt of proceedings until a defence attorney could be found was dismissed by Judge Maengkom under direct orders from the Department of Justice.

In order to thrust this mock trial towards wide international media attention the Netherlands government hired the services of D. Curtis Bennet, a well-known British barrister. This was rejected by the Indonesian government using the pretext of language problems and the further argument that as enough qualified Indonesian lawyers were available, foreign practitioners

would not be allowed. As a last resource, Bouman's wife, Mieke S. Bouman-van den Berg, was appointed. She was not a lawyer but a classical scholar, who had closely assisted her husband during the trial and had mastered most of the details. Mrs Bouman turned out to be a tenacious adversary in court.

The case against Jungschläger closed on 23 February 1956 with the prosecution demanding the death sentence. On 19 April, before sentence had been pronounced, Jungschläger, fifty-two years old, suddenly died from a stroke preventing the radical Indonesian masses from having their revenge.<sup>87</sup> Fifteen years of imprisonment was demanded against Schmidt. The masses were in uproar.

Mrs Bouman, after making her final plea on 17 September 1956, managed with great difficulty to escape the rage of the multitude milling around the building, first hiding in a cupboard and later scaling a back fence, and she was taken to safety in a waiting car. Mrs Bouman, fearing for her life, departed for the Netherlands at the end of September, where she was given a hero's welcome.

On 15 October 1956, the court confirmed the fifteen years' jail term demanded by the prosecution. It seems that Indonesia had obtained its pound of flesh and the other prisoners were quietly released during 1957. Schmidt was freed on 18 March 1959.<sup>88</sup>

### **Moves toward nationalisation**

In 1950 Indonesia, although politically independent, was still to a large extent Dutch controlled in economic terms. The successive Indonesian cabinets of Hatta, Natsir, Sukiman, and Wilopo, were mainly moved by economic rationalism, pursuing policies in which the maintenance of the Dutch economic sector formed a cornerstone of Indonesian economic rehabilitation and development. Nationalistic and anti-imperialist aspirations were, for the time being, put on hold and nationalisation

was given a low priority.<sup>89</sup>

The only nationalisation that occurred was that of the privately owned Javasche Bank, the bank of circulation of the Nederlands Indies, which, after independence, continued in this role. This politically untenable situation was rectified in May 1951 by an Indonesian government takeover. In close consultation with the Netherlands a two-year bridging period and financial restitution was agreed upon. It was renamed Bank Indonesia and continued as the bank of circulation, while previous other banking activities were transferred to a new institution: the Bank Indonesia Negara.

At the conclusion of the Jungschläger and Schmidt trials in 1956, the anti-Dutch offensive had reached full momentum and the leftist Ali government was closer to the realisation of its major platform; the nationalisation of the Dutch-owned business sector. In this the Ali cabinet sharply veered away from the policies of the previous governments which, as much as possible, had left untouched the foreign – mainly Dutch – owned business sector as it was seen as the indispensable motor driving the national economy.

An important factor that put the support of the Indonesian masses behind the PNI and communist economic policies was a fall of living standards of wage earners that had been occurring since the end of 1951. In 1950, Indonesia, as a result of the Korean War boom, enjoyed a sizeable balance of payments surplus. These extra funds, however, were mainly used to pay for a vast expansion of the civil service rather than being invested in productive projects. To the great majority of Indonesians the hope of a better life kindled by the revolution remained not only unfulfilled but in fact living conditions were deteriorating. In the period June 1950 to December 1951, the price of rice in Jakarta rose by 350 per cent and the index for nineteen food items nearly doubled. According to the Javasche Bank, the cost of living for working-class families rose by more than one-third during 1951 alone.<sup>90</sup> In Jakarta, the prices of twelve food items increased 158

per cent between 1953 and 1958; the percentage increase for nineteen food items in the same period was 145 per cent in Ujung Pandjang, 159 per cent in Medan and 189 per cent in Pontianak.<sup>91</sup>

By the middle of 1952, as a result of the waning Korean War boom, the balance of payments situation steeply reversed owing to sharp falls in the prices of export products. The balance of payment changed from a surplus of 627 million rupiah in 1951 to deficits of 2947 million in 1952, 1620 million in 1953, and 757 million in 1954.<sup>92</sup> As a result of the close links between export earnings and tax revenue, the budget deficit also increased, in turn resulting in inflationary pressure.<sup>93</sup> The gold and foreign exchange reserves had decreased from a high of 6.1 billion rupiah in December 1951 to 4 billion at the end of September 1952.<sup>94</sup> Until the end of 1954 inflation had been steadily increasing and starting to speed up in 1955, getting out of control after 1958. The weighted index of twenty food items in Jakarta increased by 117 per cent between 1955 and 1958; and by 126 per cent between 1958 and 1960.<sup>95</sup>

The fundamental cause for this situation was too much money chasing scarce goods. And the initial increase in purchasing power caused by higher wages had not been followed up with the same rate of production of local goods and services. An attempt was made to close the gap with budget deficits and excessive lending by the bank sector. Price increases, firstly cushioned by high rates of imports, broke the barrier after 1952 when the government tried to reduce imports in order to check the degree to which the country's reserves were shrinking. This, together with extravagant budget deficits in 1953 to 1954, formed a major inflationary force. Government attempts to induce production came to nothing as a result of proliferating public service interference and large-scale corruption. The situation improved somewhat as a result of the Sumitro reforms in 1955 that removed market controls and prices generally remained stable in 1956. But in 1957 inflation increased again as a result of the vast deficits incurred to overcome the regional rebellions. After 1958 the

problem was magnified by export levels falling by about 20 per cent after the nationalisation of the Dutch estate and industrial sector.<sup>96</sup>

Real wages generally did not keep up with price increases, and even the additional income provided in kind by some industries in the form of rice, oil and sugar, suggested that living conditions were falling.<sup>97</sup> By 1953 the growth of real national income had reached a plateau, and by 1955 showed a downward trend. After an upward movement again in 1956 the rate tumbled down sharply in 1957, reaching its deepest point in 1958. The country seemed to be on the verge of bankruptcy. In contrast Dutch and other foreign business concerns were, as a whole, making profits.

### **Indonesian government measures to reduce Dutch economic prominence**

To reduce the foreign dominance in the modern economic sector national governments, from the beginning, had tried to encourage and support Indonesian traders and firms. Indonesians were given preference in government contracts, and private Indonesian banks were founded with government support in order to strengthen Indonesian competition against foreign banks and to finance the development of small-scale indigenous industries reducing dependence on foreign imports.

Under the Natsir government the so-called *benteng* system was introduced ensuring a monopoly of Indonesian traders for certain goods such as cottons for the batik industry, which had been produced by Japanese and Dutch textile mills and imported by Dutch trading houses. This initiative, however, produced meagre results. Many Indonesians procuring these import certificates lacked the necessary business acumen and drive and often left the day-to-day running to Chinese partners thereby defeating the real intent of the program. These so-called Ali-(Indonesian)Baba (Chinese) arrangements in business in fact have continued to

flourish to the present day. Tradition, particularly in the highly socially stratified Java, which accorded trade and manual labour a low place on the social ladder, certainly played a role. The vast majority of Indonesians with modern educational and training qualifications were obsessed with obtaining employment in the public service that conferred the highest possible social prestige. Lower and middle echelon officials earning pitifully low salaries surpassed successful businessmen on the social ladder.<sup>88</sup>

In addition, corruption was rife, reaching a zenith during the Ali cabinet, when a PNI member's card and a party contribution did wonders in obtaining an instant *benting* certificate. The Netherlands High Commissioner reported in February 1954 that, according to reliable sources, the PNI funds had passed the 600 million rupiah mark. He pointed out that since the advent of the Ali cabinet an official sponsored process had become clearly visible intending to systematically eliminate foreign import firms. Trade Minister Iskaq had decreed that only firms incorporated in Indonesia were allowed to import and all transactions had to take place through nationally recognised importers. Furthermore, large firms, such as plantation companies, the KPM, Unilever, and Philips, were curtailed in importing directly, being now forced to obtain their raw materials through Indonesian middlemen, who of course profited by such commissions. The regulation – circular P 41 – allocating the import of some goods to Indonesian nationals, although rescinded owing to the pressure from the governor of the Bank of Indonesia, Sjafrudin, was still enforced by Minister Iskaq. It seemed that, in addition to the use of the norm 'national', quite often also 'membership of the PNI' was a criterion, causing bitter criticism from Masjumi supporting *santri* traders. Measures were also taken regarding exports. Exporters of indigenous produce, for example rubber, were granted a special subsidy, and Indonesian firms were granted a monopoly on sugar exports and the national distribution of sugar, the latter worth an estimated 700 million rupiah. Clearly, a more biting anti-Dutch offensive on the economic front was

waged by the Ali government. As the high commissioner put it:

This whole process is evolving not silently, but quite openly. Each 'national' measure is applauded in the nationalist and communist press often causing diatribes against imperialism, capitalism, foreigners, and especially against Dutchmen. All labor troubles in factories and plantations, decisions taken on labor demands, provide opportunities ... to make nationalistic meaning often anti-Dutch – propaganda. And there is no doubt that this partly inspires the Communists, the state of unrest, and the press commentaries. As my American colleague [Ambassador Cummings] recently remarked, so long as the government remains sustained by conscious or unwitting support of fellow travellers the Communist can lay low ...<sup>99</sup>

During 1954, two Dutch-owned public utilities, OGEM and ANIEM, producing 70 per cent of Indonesia's electricity, were nationalised. On 24 March 1954, a new accord was concluded with KLM, the Dutch national airline, by which the Indonesian government acquired all KLMs shares in Garuda, thereby in fact nationalising the national carrier. Until that time Garuda had been almost totally Dutch run. There were no Indonesian pilots or flight engineers and Indonesians were only employed on lower levels. A contract for Dutch cooperation was reduced to six years and could be revoked after a six-month term. Garuda would have a Dutch director until 1956, who was responsible for technical aviation matters. On the other hand a push to transfer Dutch stevedoring firms into Indonesian hands did not, in fact, come to fruition until the second Ali cabinet in 1956. New fiscal pressure was also applied to Dutch businesses with company tax exceeding 50 per cent, profit transfers being charged by another 60 per cent, and the remission of pensions and personal savings were also targeted.<sup>100</sup>

Some Dutch enterprises had heeded the RTC requirement to train and appoint more Indonesians to higher and top positions. Others had only paid lip service and staff positions had remained

a near-Dutch monopoly. In 1952 the Wilopo cabinet had tried to push the issue by the reduction of work visas for new European (mainly Dutch) personnel. The Ali government followed suit by even further lowering the quota for visas for Dutch work permits.

Owing to the serious fall in the foreign exchange reserves further restrictions were applied in the granting of import licences to the point that the stock of raw materials and machine parts were rapidly being depleted, drastically effecting the efficiency and productivity of the industrial sector. A number of textile, cigarette (*kretek*) firms and bakeries had to close and other factories had to reduce production. The tyre and rubber-dependent industries employing 10,000 workers and using 15,300 tonnes of rubber each year were forced to scale down operations. The Goodyear factory in Bogor reduced production by 50 per cent, the Bata shoe manufacturer by as much as 70 per cent and the paint manufacturer Renault in Jakarta by 60 per cent. A lack of solder caused stagnation in tin plate production, and in turn the food industry and also the production of cast iron was affected. The Talens factory reported a fall in the supply of chemicals and paper, resulting in a drop in the production of stencil carbon paper.

The high commissioner commented that representations to the Minister of Finance had resulted in some temporary relief to some of the firms concerned and he further pointed out that the new policies announced by the government were not consequently executed. Self-importing Dutch concerns still received foreign exchange certificates under their own name without any trouble and he commented that the few cases where Dutch firms tried to go through Indonesian firms and traders had ended up in failure. Firstly, Indonesian firms generally showed little interest, but in the few cases where they did they proved unable to comply with the Dutch firm's requirements. The government's national industrial plans, widely trumpeted in the media, proved largely to be a product of official wishful thinking. Nothing had hap-

pened to the loudly hailed plan for a Norwegian fish plant in Ambon, a new shipping yard in Surabaya (partly German financed), a paper factory in central Java using rice straw as raw material, and the projected new textile, tyres, glass, and hard-board factories. The only project that seemed to have passed the drawing board stage was a cement plant to be built at Grisee.<sup>101</sup>

The opposition attacks on Iskaq's policies and his favouring of PNI interests resulted, in April 1954, in a motion of no-confidence in the Minister, which was defeated with some difficulty. Rumblings amongst the coalition partners continued and when, in July, the NU demanded a cabinet reshuffle, replacing the Ministers for Economic Affairs, Finance, and Interior, the resulting boilover led to Iskaq being replaced by Professor Rooseno as Minister for Economic Affairs on 18 November 1954.<sup>102</sup>

It seemed that, thus far, rather than trying to control corruption the whole exercise had been for the coalition parties to get their hands on part of the spoils. A Dutch report of early August mentioned a promise by Minister Iskaq that 76 million rupiah worth of import licences were shared by the government parties, which would then make contact with national importers, who in turn, after approval by the Department of Economic Affairs, would pay an amount – normally 10 per cent – for licenses to the particular political party involved.<sup>103</sup>

As a result of the official policy of Indonesianisation the preponderant Dutch position in trade was gradually being whittled away. The lucrative Dutch transit trade was also being affected by Indonesian efforts to establish a direct trade relationship with the rest of the world, and as little as possible use was made of the so-called A-Account by which the rupiah could be exchanged via Dutch guilders for currencies of member countries of the European Exchange Union. In fact efforts had been made to join this union through West Germany, which, together with the United States and Japan, had been able to make considerable inroads into the Indonesian market. To the consternation of the Western powers Indonesia had also opened embassies in Mos-

cow and Peking in order to emphasise its non-aligned foreign policy.

### **The abrogation of the Round Table Agreement**

Despite the souring of relations The Hague agreed to restart negotiations on the abolition of the Dutch-Indonesian union statute and its replacement by a normal diplomatic relationship between the two countries. In reality the union, strongly felt by Indonesians to be a colonial legacy limiting true independence, had never found effective support. It was also generally recognised in the Netherlands that the union was a stillborn construction. The first high commissioner, Hirschfeld, wrote in April 1954 to Minister Luns:

It is generally felt in the Netherlands business community that the Union is a handicap. According to my own experiences in Indonesia it soon became [apparent] that in fact the Union was an obstacle ... It soon became clear that the Union secretariat practically meant nothing. It never was important before the short interval when the great tensions caused by New Guinea and the Indonesian unitary state appeared ...<sup>104</sup>

He believed, however, that it would be a mistake to include negotiations on the RTC financial and economic agreements in the conference agenda as this would only result in Indonesian attempts to reduce their significance for Dutch interests. The only way to solve this problem was to deal only with the union issue and leave the financial and economic matters, if necessary, to later separate talks.

A similar stand was taken by Prime Minister Drees. But in the end the cabinet adopted the recommendations of a departmental advisory committee which proposed that the union should be discarded providing that, in any new arrangement, Netherlands economic interests at least would remain protected as much as possible and the Netherlands would be granted most favoured

nation status. In a report emanating from the Department of Foreign Affairs the more realistic view was taken that after all it was reasonable that Indonesians wanted to gain a greater say in the running of their economic affairs by reducing Dutch preponderance. This was an unremitting process and the only possibility for Dutch business to secure their future existence was to set up joint ventures with Indonesian firms.<sup>105</sup>

High Commissioner van Bylandt though was far more pessimistic about the outcome of negotiations and pointed out that the Ali government would never be willing to leave the RTC financial and economic (FINEC) clauses intact. It was a prediction that, in view of the ugly anti-Dutch mood in the country, was realistic.

The conference started on 29 June 1954 in The Hague. The Netherlands wanted to avoid national embarrassment by a unilateral Indonesian abrogation of the union, while Foreign Minister Sunario was keen to reach an agreement that would increase his own prestige and score points against the Masjumi in the coming Indonesian election campaign. Still the negotiations were proceeding rather slowly. Luns refused to accept the Indonesian demand for the abolition of the union, the RTC agreement and the surrender of West New Guinea. To set a conciliatory tone Sunario put the West Irian question aside and acted on Luns's complaints about the ill-treatment of the Dutch prisoners that resulted in a considerable improvement in conditions. Another major obstacle caused by the Indonesian refusal to accept international arbitration in disputes, was finally resolved by the acceptance of the provision that each party would be allowed to appoint one judge in a five-member court. Only minor changes were made in financial and economic RTC clauses and the most important guarantees protecting Dutch business interests remained in place.

The accord caused great fury in the Indonesian press that accused the government of sacrificing fundamental national interests and screamed for the abolition of the FINEC. Nevertheless

the Luns-Sunario protocol was finally signed on 10 August.

In reality the abrogation of the Dutch-Indonesian union was only a symbolic act, ending something that in fact had never fully existed and had exerted no impact on affairs. Seeing another vestige of colonial rule being put to rest did provide Indonesians with a considerable emotional uplift. On the other hand, it became an issue in the press and parliament where the Masjumi and other more moderate factions tried to obtain the support of the communists to force the Ali government to resign. The move failed, although the government in the end refused to ratify the agreement making it even more worthless than it was already.<sup>106</sup>

The Luns-Sunario protocol, rather than serving to abate, in fact intensified the anti-Dutch campaign. During his Independence Day speech on 17 August 1954, Sukarno castigated the Netherlands for its uncompromising colonialist-imperialist stance on West New Guinea and announced that Indonesia would submit the issue to the next UN General Assembly meeting. By the internationalisation of the problem Indonesia tried to break up the 'refrigerator' formula adhered to by The Hague since 1951.

The anti-Dutch mood in Indonesia, already growing ugly during the concurrently staged NIGO drama, was further pushed to hysterical proportions by the manipulation of the West Irian question by the communists and PNI. A special official body was established to coordinate the liberation of West Irian and a few small Indonesian military units raided parts of the west coast during which a Dutch policeman, van Krieken, was captured and taken to Indonesia. Constant, unruly demonstrations in the main cities and a ferocious onslaught by the leftist press caused an explosive situation and made the Dutch community fear for its safety. A great deal of anxiety had crept into the high commission despatches particularly after a statement by Dr Abu Hanifah, chairman of the Indonesian delegation to the UN in New York, pointing to a possible anti-Dutch pogrom:

There are ten thousands of Dutch hostages in Indonesia who are completely defenceless and helpless. Netherlands interests are open to attack from all quarters. For the last few months diplomatic contacts between the two countries have become a mockery. None of the numerous protests, requests ... have led any reasonable dialogue or real solutions ...<sup>107</sup>

Furthermore, the Luns-Sunario protocol was dismissed as irrelevant as it had been completely ignored by Indonesian Ministers since their return from The Hague. The high commission condemned both the Indonesian and Dutch media for their undisciplined behaviour and the issuing of outrageous allegations, and stressed that the situation had deteriorated to the point where measures for total evacuation should be prepared.

Foreign Affairs agreed that the mass agitation put in motion by the Reichstag fire-style trials could well lead to another '*bersiap*' onslaught on the Dutch population. In fact, sporadic attacks on Europeans were already occurring such as the attempted murder of an Englishman in Jakarta by an Indonesian '... who was upset about the high living of the Blandas [Europeans] paid for by the exploited people ...', and a similar incident occurred in Surabaya. Then there were the instances of Dutchmen having recently received threatening letters in which daggers had been enclosed. In view of these concerns the high commission asked that plans for evacuation be prepared, such as the pooling of all ships operating in Indonesian waters, alerting the Red Cross, to start a gradual evacuation of economically non-essential Dutch citizens, and even to set up an underground refugee organisation.<sup>108</sup>

The KPM assured the high commission that it had sufficient tonnage available to transport thousands of persons to Singapore in a matter of a few days. The main problem would be the transport of refugees from the interior to the ports for which the help of the Indonesian armed forces would be essential. An important factor favouring the Dutch position was that in the case

of Indonesian recalcitrance a KPM withdrawal of all its vessels from Indonesian ports would cause widespread economic dislocation and ruin, driving the already shaky national financial situation into bankruptcy.<sup>109</sup> Even the American Embassy, as a good Netherlands 'ally' that had recently been instructed to distance itself politically and socially from the beleaguered Dutch, was disturbed by events and was having second thoughts. It was the argument of American business concerns such as Stanvac that in the case of an outbreak of popular violence all Europeans, whatever their nationality, would be in danger that had caused this American change of heart. Still, the American chargé d'affaires, Steeves, proved to be pessimistic as all American pleas to the Ali government to abandon, for the time being, the New Guinea campaign and direct its full attention to national economic and social development had failed. He dismissed Sunario as a 'nice fellow' with impaired vision, but had harsh words for Ali Sastromijoyo, dismissing him as a chameleon and opportunist who, during his term in Washington, had sported great friendship for the United States and now revealed himself as an anti-Western leftist.<sup>110</sup>

In reply to a request by van Ittersum, Councillor in the High Commission, the Minister of Foreign Affairs, Sunario, guaranteed the safety of the Dutch and other foreigners and of their economic interests. He emphasised that his statements and those of Abu Hanifah had been misrepresented. There was no intention to threaten, but only to point out that the government's preference for negotiation would be bypassed by the will of the people to obtain West Irian by force. Sunario complained bitterly about the Dutch attitude to Indonesia:

You Dutchmen have never understood us nor were you ever willing to understand us. You have always dismissed our national ambitions and have always tried to put them aside by vague answers, following a policy of procrastination. In 1952 it was clear to us Indonesians that you were unwilling to talk about Irian. We

can not wait until finally a change occurs in the Netherlands. We must act because the people will no longer wait ...

Trying to turn the table around Sunario constructed anti-Indonesian comments in the Netherlands parliament into a threat of Dutch aggression:

It is not you Netherlanders who are threatened, but we are! This threat is felt by the whole nation and also the opposition is taking the same line and any attempts to help the opposition into the saddle will fail. Public opinion in the Netherlands towards Indonesia has been poisoned; and nobody wants to talk to us any more ...<sup>111</sup>

In reply, van Ittersum tried to put the Dutch version of events stressing that Indonesian public opinion towards the Netherlands was also negatively affected by the media and official pronouncements and actions. In particular the treatment of the Dutch prisoners and the trial procedure had enraged the Netherlands people. He closed his dispatch by remarking that the meeting had been conducted in a cordial atmosphere, but it had failed to ease the deeply strained relations between the two countries.

The outcome of the UN Assembly meeting of 10 December 1954 proved to be very disappointing for Indonesia as the two-third quorum of votes was not reached. Most of the Third World and the communists supported Indonesia, while the Netherlands gained most of its support from Western Europe, while significantly the United States abstained.

This failure did not cause the Armageddon so feared by the Dutch community. The situation remained generally calm, as if an invisible hand had put the highly explosive mood temporarily into a low gear.

Nonetheless, it was in foreign policy that the Ali government scored its most spectacular success by staging the Afro-Asian Conference at Bandung in April 1955. It brought together for the first time most of the Third World countries, including India,

China and North and South Vietnam and it laid the foundation for the later organisation of non-aligned nations. It was a response by the new nations recently liberated from colonialism to what was perceived to be a new colonial threat to their independence by the Cold War, as experienced in the Korean War and the Vietnamese conflict, and as such it was a reaction to the American engineered SEATO treaty of September 1954.

Ali Sastroamijoyo had been one of the prime movers in getting the idea of the conference off the ground. The event went off without any major problems providing Indonesia with a great deal of public pride and self-confidence. An important result for Indonesia was the strong support engendered by the conference for its claim on West Irian. Undoubtedly the Bandung conference put Indonesia on the international map.<sup>112</sup>

The Ali government, however, proved less successful in Indonesian internal affairs. Political strife between the government and the armed forces caused a temporary lull in the anti-Dutch campaign.

The divide and rule policies of the Ali government and parliament and the inadequate budget allocations for defence were causing a serious deterioration in the living conditions of soldiers. This, together with considerations of national prestige, caused the warring military factions, divided by the 17 October 1952 affair, during February 1955, to bury the hatchet and issue the Yogyakarta Charter to form a united front against the government and its interference in military affairs. Political parties and politicians were generally seen within the military as corrupt and incompetent economic managers and traitors to the ideals of the revolution. The army commander, Bambang Sugeng, severely criticised for a lacklustre performance against an anti-armed forces government, resigned on 2 May 1955. Demands by senior officers that his replacement must be chosen on the basis of seniority and skill and not for political considerations were blandly ignored. Instead Ali appointed a relatively junior officer, Bambang Utoyo, who had close relations with the PNI. The

Yogyakarta Charter leadership rebelled and refused to accept the Ali cabinet decision and the united resolve of the armed forces was demonstrated during the inauguration ceremony of Bambang Utoyo when only a few junior officers were in attendance and recourse had been taken to a fire brigade band, causing a huge loss of face to the government.

The political mill continued to grind on and the Masjumi urged the government to accept the Yogyakarta Charter resolutions. When also the other coalition partners turned tail Ali Sastromijoyo was forced to resign on 24 July.<sup>113</sup>

### **Moves of the Burhanuddin Harahap government**

Attempts by the succeeding more moderate Burhanuddin Harahap government to improve relations with the Netherlands, in the end, failed. The perimeters within which the new government was able to move were constrained to some extent by its caretaker role as it awaited the outcome of the national general elections set for 29 September. A more essential obstacle to a fundamental change in Indonesian policy towards the Netherlands was posed by the emotionally charged political situation in the country engendered by a nationalist upsurge against what was seen as the continuing Dutch colonial economic preponderance and its continued hold on West Irian. It would have been suicidal for any political party to try to effect a substantial easing in Indonesian-Dutch relations by offering concessions. Hence, Dutch reactions were cautious in response to Indonesian feelers intended to reduce tension and reopen negotiations on the RTC agreements and New Guinea.

In order to boost Dutch confidence the new Indonesian government decided to release a number of Dutch prisoners, who had not played any essential a role in the Schmidt and Jungschläger trials. In addition, the diplomatic status of The Hague, lowered by the Ali government in favour of Bonn, was restored again with the appointment of a higher-ranking representative.<sup>114</sup>

Dutch business was impressed by the Harahap government's measures designed to return the country to sound economic management after the disastrous impasse created by the Ali government's policies. The governor of Bank Indonesia, Sjafrudin, assured the chairman of the Ondernemersraad that the new government was keen to improve relations, indicating that a small overture by the Netherlands on the West Irian problem would not only create better mutual understanding but would also strengthen the position of the government and the Masjumi in the coming election struggle. He realised that the West Irian question would not be solved in the short term but a great deal of prestige would accrue to the Indonesian government by a mere indication on the part of the Netherlands to a willingness to restart talks. Sjafrudin also intimated that Indonesia on its part would possibly move to have West Irian removed from the agenda of the next UN meeting. As part of the government's economic rehabilitation policy the *benting* import system, that had caused huge losses to the treasury and the Indonesian foreign exchange reserves, would be stopped and the Dutch import-export firms would be allowed their traditional allocation of the trade. Finally, the import system would be simplified and its control transferred from the Department of Economic Affairs to Bank Indonesia, a move that would greatly enhance the foreign exchange position and taxation receipts.<sup>115</sup>

In fact, during the following months Dutch firms reported a considerable relaxation in their treatment by Indonesian officials and departments. In Holland, profit transfers were regularly received, reasonable allocations for foreign exchange for imports were coming forward and the granting of immigration visas had much improved.<sup>116</sup>

The Dutch government agreed to the Indonesian requests for talks. The Indonesian Minister for Foreign Affairs, Anak Agung, met with Ministers Luns, Beel and the prime minister, but was squarely told that negotiations about a transfer of sovereignty over West New Guinea remained out of bounds. Anak Agung

promised that van Krieken, the Dutch policeman kidnapped from West New Guinea, would be released soon and that he would take up the question of the imprisoned Dutchmen, and agreed to a gradual return to Indonesia of former KNIL Ambonese soldiers and their families. He requested that the Netherlands government would clearly announce that West New Guinea would not be used as a base for aggression against Indonesia, and secondly, that the RTC financial and economic clauses should be replaced by a new general agreement about economic cooperation. Luns strongly opposed the Indonesian plan to place West Irian on the UN Assembly agenda again and remained unmoved by Anak Agung's argument that to desist would cause the Indonesian government to lose too much political goodwill.<sup>117</sup>

The results of the general elections held on 29 September did not show a clear winner. The PNI and the Masjumi won fifty-seven seats each and the NU obtained forty-five. Causing consternation and fear was the spectacular rise of the Communist Party (PKI) from seventeen to thirty-nine seats. The Socialist Party (PSI), its mainstay being provided by the more Western-orientated Dutch-educated elite, was devastated with its seats being reduced from fourteen to five.<sup>118</sup>

In consequence the Harahap government, still remaining in a caretaker capacity for another five months, had no mandate to effect fundamental policy changes, particularly in regard to the highly sensitive dealings with the Netherlands. But it was exactly because of the distinct veering towards the left that the Masjumi and its other moderate coalition partners became even more determined to achieve a spectacular breakthrough in Indonesian-Netherlands relations, including the West Irian impasse, in order to improve their chances of forming the next government.

But it was the continuing Dutch obstinacy on West Irian that had ruined any chances for the projected negotiations to be successful. In Indonesia, President Sukarno and the left (PNI and PKI) were strongly opposed to negotiations, although the Harahap cabinet persisted.

Minister Luns, as well as the Netherlands parliament, was not impressed by the weak power base of the Harahap government and the continuing power play between the government and the armed forces, that resulted in the reappointment, on 27 October 1955, of General Nasution as army chief of staff. Another feud in the air force occurred, leading first to the resignation of Air Vice-Marshal Suryadarma that was followed later by his reappointment as chief of staff by Sukarno against the wishes of the cabinet.

Nevertheless, Luns decided, although reluctantly, to agree to talks. Anak Agung, and other spokesmen including Abu Hanifah in New York, pushed by the volatile internal Indonesian political situation, kept on trying to have the West New Guinea question included in the negotiations. Again Luns emphasised that any discussion regarding the sovereignty of the territory remained out of the question, but as a compromise Prime Minister Drees agreed that in case West New Guinea would be discussed none of the parties should be expected to withdraw from their positions.<sup>119</sup> On 7 December it was agreed jointly that West New Guinea could be discussed, but only to allow for both sides to explain their positions.

The negotiations opened in The Hague and were moved, on 10 December, to neutral territory in Geneva. Initially, quick progress occurred. The earlier Luns-Sunario protocol of 1954 was re-adopted without any difficulties as were new arrangements on financial and economic matters, including Indonesian legal guarantees protecting the Dutch plantation industry.

A great obstacle still proved to be the matter of the dispute settlement, which the Netherlands insisted should occur by international arbitration. This was felt by Indonesians to be a slur on their legal system. On the other hand, to the Dutch this seemed a reasonable request in view of the concurrent juridical charade taking place in the Schmidt and Jungschläger trials.

The negotiations, having been suspended for deliberations to be held with the respective governments, started again on 5 Janu-

ary 1956. Now Luns, despite the precondition agreed to on 7 December, announced that the Dutch delegation refused to discuss the West New Guinea question and that no agreement would be signed unless a satisfactory solution could be found regarding the Dutch prisoners on trial in Indonesia. Anak Agung tried to find mutually acceptable formulas. But the suggestion of simply announcing that West New Guinea had been discussed and that no agreement had been reached was pushed aside by Luns as unacceptable. Similarly, the Dutch cabinet seemed unable to reach a decision on a proposal for some of the Dutch prisoners to be exchanged for Indonesian soldiers captured in West New Guinea. In addition Luns's usual practice in negotiations, to break the ice by adopting a jovial tone and telling jokes, often risqué ones, upset the Indonesian delegation, who dismissed him as uncivilised – *kasar*. Finally, Mohammad Roem failed in his attempts to move Luns to agree to a statement by the Dutch government that West New Guinea would be discussed at a later stage, thereby leaving the question of sovereignty still open. Luns told Roem that he could not be expected to be drawn into internal Indonesian political matters and by making concessions to help to advance the political future of the Masjumi and the Harahap cabinet. He pointed out that on the basis of hard-learned previous experience he no longer believed in Indonesia's integrity and its willingness to stick to agreements. This made it clear to Roem that Luns had closed the door to any concessions. On 7 January, at the request of the Dutch, negotiations were prorogued in order to enable consultations to be held with the respective governments.

Luns's report to cabinet caused lively discussion. Prime Minister Drees accused Anak Agung of duplicity and dismissed him as untrustworthy, stressing that no essential change should be allowed in the position of the Netherlands. A number of other Ministers took a less sanguine stand and, although aware that the days of the Harahap government were numbered, preferred to give it a confidence boost. Luns therefore was requested to

consult again with Anak Agung to construct a formula to be used in discussions on the West Irian question.<sup>120</sup>

In Indonesia, where from the beginning the Geneva negotiations had been severely criticised by Sukarno and the leftist parties as being too conciliatory to the Dutch demands, the position of the Harahap cabinet went from bad to worse. On 11 January, two coalition partners, the NU and the PSII, put up a motion in parliament demanding the abandonment of the Geneva talks and when the government refused they decided to resign from the coalition. After the loss of its parliamentary majority the Harahap cabinet was no longer in a position to have the Dutch-Indonesian agreement ratified.

The high commissioner signalled The Hague that in his view the Harahap cabinet now intended to cause the negotiations to fail and for internal Indonesian political consumption to heap the blame on Dutch intransigence.<sup>121</sup> Luns agreed with this view and decided on a strategy designed to put the blame of the failure on the Indonesian side. In fact, during the whole period of negotiations, Luns had been able to exactly anticipate the moves of the Indonesian delegation through intercepted telegrams from Jakarta to Anak Agung. Apparently an Indonesian official in Geneva had been bribed to transfer daily to Blom, a high Dutch Foreign Affairs official, photocopies of all incoming telegrams from the Jakarta government. Only very few people knew about this arrangement and even Prime Minister Drees did not know how this information had come to hand.<sup>122</sup>

The Indonesians tried to start the ball rolling again by issuing a statement to the press on 26 January declaring that the last meeting had ended with an interim accord which, in regard to West New Guinea, each party had agreed to hold its own position and that the Dutch delegation had accepted the Indonesian arbitration demand. The Dutch had as yet not signed this accord and were now told that any revision was out of the question and were given the choice to either accept or reject it. This ultimatum, in an attempt to railroad through the Indonesian demands,

caused confusion and resentment in the Dutch cabinet. Luns completely denied the Indonesian assertion that an interim accord had been achieved, as the questions of West New Guinea, the Dutch prisoners, and arbitration were still defying a solution. Cabinet decided to allow Luns to play his own game and continue the negotiations during which advances were made on most points. The main obstacle remaining was the arbitration question. Luns knew from an intercepted telegram from Natsir to Anak Agung that the Masjumi were unwilling to allow any concessions and saw that failure was looming large. Prime Minister Drees remained unconvinced about the independence of the Indonesian judiciary and informed Luns that the cabinet was unanimous in maintaining the demand for international arbitration. Luns imparted this decision during the 11 February session, but, in a further private meeting with Anak Agung, he rephrased the Dutch demand by insisting that recourse to international arbitration would only be taken as a last resort.

Earlier Luns had told Drees that Anak Agung had received a telegram from Sukarno ordering him to end the negotiations whether Dutch concessions were forthcoming or not. According to Luns the Indonesian government was so constrained by the internal political configuration that the only solution was to ensure the failure of the Geneva negotiations. The end came on 13 February with the joint communiqué announcing the collapse of the conference.<sup>122</sup>

The role of Luns in this affair has caused considerable controversy. Anak Agung has constantly denied the existence of a telegram from Sukarno ordering him to abort the Geneva conference:

One thing I can declare with certainty: neither I nor other members of the delegation have ever received instructions from whatever quarters in Jakarta to have the Geneva negotiations fail. This would after all have been illogical as the Burhanudin cabinet's first objective was to normalise Indonesian-Netherlands relations by

peaceful means, notwithstanding the strong opposition of the radical groups in Indonesia and even from the late President Sukarno ...<sup>123</sup>

Luns stuck to his description of the course of events during negotiations and kept repeating that after having read the intercepted telegram from Sukarno he had acted in tune with his foreknowledge of Indonesian moves at the talks.

Anak Agung insisted on his reading of events causing some Dutch interviewers to raise the question as to whether the so-called Sukarno telegram only existed in Luns's imagination. In an interview with the Dutch scholar Hans Meijer, an emotional Anak Agung called Luns a liar.<sup>124</sup>

In fact a search for this telegram in the Rijksarchief and the archives of Buitenlandse Zaken by Hans Meijer, and also by this author, proved fruitless. Luns was never willing or able to show a copy and argued that a great part of his dealings during the conference had been written on pieces of scrap paper and no records had been kept. It all sounds a little too glib. The truth only came out in 1971 in a letter from Drees to Anak Agung, published posthumously by request, in which he frankly confessed that Luns had been mistaken and that there had been no telegram from Sukarno.<sup>125</sup>

Still the support for Luns from Drees and the cabinet did not waver. Luns was a Realpolitiker who, when necessary, saw truth as a malleable commodity. There is further ample evidence for this in his subsequent diplomatic dealings regarding the West New Guinea question. To put all the blame on Luns would be too harsh. After all his machinations would be put into the shade when compared with players in the great league like Foster Dulles, Krushchev, and even Sukarno. But to the Indonesians he became *persona non grata* having lost all credibility. On the other hand, in view of the existing overwhelmingly anti-Dutch temper in the country and a tottering Harahap cabinet, even a successful outcome in Geneva would have been short-lived.

The Harahap cabinet went immediately into damage control and on 14 February told High Commissioner van Bylandt that it unilaterally repudiated the union, and on 21 February informed the Netherlands government that the union as well as all other RTC agreements were null and void.

The Netherlands parliament and the Dutch community, almost as a whole, accepted as gospel truth Luns's explanation that the Indonesian government had orchestrated the demise of the Geneva talks in order to create an excuse to demolish the RTC agreements and the last special bond between the two nations. The only dissenting voice came from the Netherlands Communist Party.

In Indonesia this discarding of the last colonial ties with the Netherlands set off general applause and enraptured eulogies, particularly in the leftist press. Still, Sukarno accused the Harahap government of having, as a caretaker cabinet, overstepped its mandate and refused to sign the order. The honour of officially annulling the RTC agreements was allotted to the second PNI-led Ali Sastroamijoyo cabinet that took office on 20 March 1956. Both the Masjumi and the NU had been allotted Ministerial posts, but power was leaning toward the PNI, causing a difficult and labile political situation.

### **The final curtain: 1956-1958**

Antagonism against the Dutch grew more intense and diplomatic contacts in Jakarta were further polarised and kept by the Indonesians to a minimum. For the first time the Indonesian government was not represented at the Netherlands Queen's birthday reception. The Ali government, trying to put the thumbscrews on the Netherlands regarding West New Guinea, refused an exchange of ambassadors and lowered diplomatic representation to consular level. With this slap in the face Jakarta wanted to show The Hague that it no longer held a special place in Indonesian affairs and had been reduced to a minor player. To put

salt in the wounds, the Dutch acting chargé d'affaires was told by Foreign Minister Abdulgani that he must change his title simply to diplomatic representative to indicate the absence of a normal diplomatic relationship.<sup>126</sup> All this, of course, was intended to cause the Netherlands as much embarrassment as possible, no doubt leaving an indelible impact especially on the Javanese feudal psyche and resulting in an even greater loss of respect among the masses for their former colonial masters.

The demolition of the Dutch economic position continued and, on 4 August 1956, the Indonesian government repudiated the large debt burden it had been bequeathed in 1949, arguing that it was unwilling any longer to repay debts incurred by the Dutch to stage their military campaigns during the Indonesian freedom struggle. In fact, Indonesia had already paid back substantial amounts: 450 million guilders of a total of 743 million guilders of 1935 and 1937 loans; 3.3 million guilders representing the whole of the Indonesian portion of the 1896 Netherlands state debt; and 26 million from a total of 44 million in loans from the Nederlandsche Bank and the Javasche Bank.<sup>127</sup>

The anti-Dutch campaign was continued, although it lost some of its momentum as the government was forced to direct most of its attention to deal with a number of extremely serious political, economic and military problems besetting the country. The factional troubles in the armed forces that had erupted into the open during the 17 October 1952 coup against the government had never been fully healed. The Piagem Yogyakarta of 1955 had only plugged the fissures temporarily.

Owing to its bad record in civilian-military relations the return to power of the Ali government in 1956 was received with open hostility in most of the officer corps. Ali's decision to take over the Defence portfolio himself was felt to be an affront by the military hierarchy as the earlier debacle caused by his handling of the army commander appointment was still fresh in the mind. To make matters worse the Ali government continued on its earlier happy way committing corruption as a matter of

course. So the takeover of Dutch and Chinese stevedoring firms, envisaged in 1954 and put into effect in May/June 1956, resulted in the division of the spoils among the main coalition partners and also encouraged corruption in the allocation of other government grants of funds and credits.<sup>128</sup> Moreover, the disastrous economic policies of the Ali government and the insufficient funds allocated to armaments, army housing, together with deteriorating living conditions of soldiers, caused widespread resentment and a threat of rebellion in the armed forces.

The anti-government action started in the Siliwangi division with the arrest of the Minister of Foreign Affairs, Ruslan Abdulgani, on a charge of corruption. It was only due to the intervention of the army commander, General Nasution, that a release could be effected. It was not only corruption but also the Javanese hold on national affairs that had motivated a number of Sundanese high Siliwangi officers to move against the Ali government. Implicated in the plot was Colonel Lubis, moved from his post as deputy army commander to replace Colonel Simbolon in North Sumatra. General Nasution was able to outwit the main plotters and the plan to move rebellious units into Jakarta failed. Still, Colonel Lubis had been able to escape and remained on the run pushing for the Ali government to be replaced by a Hatta-Sultan-led business cabinet and the armed forces command to be put in the hands of younger officers.

On 1 December 1956, Vice-President Mohammad Hatta resigned in protest of the ever-growing impact of Sukarno's anti-democratic actions. Long seen as the champion of the interests of the areas outside Java, this action was also seen as support for the grievances of islands such as Sumatra and Sulawesi about being deprived of the use of their export income for their own economic development by the policies of the corrupt and wasteful Jakarta government. The long-simmering ethnic resentment against Javanese imperialism since the abolition of the federal system was now reaching boiling point. In November 1956, the military in West Sumatra established a Banteng Council which,

on 20 December, announced it was taking over the government of West Sumatra, Riau and Jambi. Without wishing to secede from the republic it would now export its produce directly. Similar revolts occurred in North Sumatra and South Sumatra.

This situation of general unrest and growing discontent, with falling living conditions and ever-increasing corruption touching all layers of society, provided President Sukarno with the opportunity to break out of his constitutional cage by blaming the country's ills on the Western system of parliamentary government and calling for its abolition. On 21 February 1957, Sukarno revealed to a large gathering of political party leaders his grand plan for fundamental constitutional change and in this *Konsepsi* proposed to replace the unworkable, and unstable Western democratic model, bestowing power on the basis of 'fifty per cent plus one' of votes, by a system of 'guided democracy'. As the name suggested this was a travesty of democracy as it was partly a Javanese-coated version of the ideal of the corporate state of the 1920s and 1930s. Political participation was to be diffused over all political parties, including the PKI, and functional groups of workers, intellectuals, artists and military personnel. Towering above all this stood Sukarno himself, possessing dictatorial power, 'guiding' the nation towards a millennium of milk and honey (*zaman emas*) in which prosperity and social justice for all would prevail. He gained most of his support from the PKI which, through Sukarno, tried to protect its ever-increasing popular support since the 1955 elections, and from the PNI which, being attacked from all sides, tried to secure presidential support to shore up its position. Strongly opposed by the Masjumi, PSI, and the other political parties and portions of the armed forces, the fundamental changes proposed by Sukarno, particularly the legalisation of and accommodation with the communists, led, in 1957 to 1958, to open rebellion against the Jakarta government.

In direct response to Sukarno's *Konsepsi*, Lieutenant Colonel Sumual, the army commander of East Indonesia, declared a state

of emergency cutting all ties with the Jakarta government and issued a Piagam Perjuangan Permesta (Charter of Common Struggle), which demanded far-reaching regional financial autonomy, and a fair share of development funds and Japanese war reparations. Moreover, the centralist and Javanese imperialist policies of the Jakarta government had to be abolished with more powers to be transferred to regional and provincial governments. Sukarno's proposed National Council would only be acceptable in the form of a senate, with 70 per cent of members being regional representatives. Finally, a Sukarno-Hatta-led cabinet, with a guaranteed five-year term, was to be formed and the army leadership be passed on to younger officers selected according to the principles laid down in the Yogyakarta Charter.<sup>129</sup>

On 14 March 1957 the Ali government, unable to act effectively in this anarchical situation, resigned after having first declared a state of emergency and putting the country under martial law. This left the army commander, General Nasution, to deal with the rebellion unimpeded. Sukarno was now also provided with much more leeway to pursue his political ambitions. On 14 April 1957, as 'private citizen' Sukarno, he formed a business cabinet under Djuanda Kartawijaya, a non-party Sundanese politician. Dr Subandrio, a career diplomat and former PSI member, was appointed Minister for Foreign Affairs, and Chaerul Saleh, a follower of Tan Malaka under the Revolution, was allotted the portfolio of Veterans' Affairs. Military officers were appointed respectively to head the departments of Health and Navigation. The communists were represented by the BTI, the Peasants Front. Full national participation, however, was not achieved owing to the refusal of the Masjumi and the Partai Katolik to join, thereby leaving a large opposition bloc intact particularly in the Outer Islands. A major task imposed by Sukarno on the new cabinet was to put his plans for constitutional remodelling into motion and on 12 July 1957 the National Council, as envisaged in the Konsep, was set up. It was headed by Sukarno and the second in charge was the PNI stalwart Ruslan

Abdulgani, a former high school classmate of the president, who later, during the heyday of the guided democracy period in his capacity of Minister of Information, masterminded and directed the vast Sukarnoist indoctrination program. One of the first acts of the National Council was to call a *musyawarah nasional*, a vast meeting of all political parties in order to reintroduce sanity into the political and economic morass. It resulted into a grand talkfest that, apart from some vague general resolutions, did not come up with any meaningful breakthroughs.

On his part, General Nasution, with his support based mainly on the ethnic Javanese Diponegoro and Brawijaya divisions and a far less enthusiastic Siliwangi division, initially desisted from using force and pursued a strategy of diplomacy, trying to talk the various rebellious warlords and their units back into the fold. Nasution's hopes of finding a solution through patient negotiations were shattered on 30 November 1957 by an assassination attempt on Sukarno when he was leaving a prize-giving ceremony at a school in Cikini (Jakarta) where his eldest son and daughters were pupils. Sukarno escaped unhurt but eleven people, mainly children, were killed and others badly wounded. The blame was put immediately on the Darul Islam, and later a group of Muslim fundamentalists from Sumbawa, one of the Lesser Sunda Islands, were charged. Nasution pointed the finger at the rebel Colonel Lubis, whose machinations, he charged, were the main source underlying the rebellions.

The whole conflict was further aggravated by the actions of PNI and PKI affiliated unions which, in December, supported by Sukarno, seized Dutch firms and plantations in protest at the failure of Indonesia's bid in the UN to force the Dutch to hand over West New Guinea. The alleged Dutch support for the Darul Islam, the supposed assassins of Sukarno, the father of the nation, so strongly pushed in the recent Jungschläger and Schmidt trials, still remained deeply engraved on the popular mind. This leftist inspired takeover of Dutch assets was countered by the central army command under General Nasution, who appointed

military caretakers of plantations and industries. Still, many politicians were taken by surprise with the speed of the Labor union actions. Even Ali Sastromijoyo admitted during an interview that although nationalisation was part of his government's policy its execution had been planned to occur more gradually to avoid economic and social dislocation.

### **Dutch profit and loss account – 1950-1958**

The financial contribution of Indonesia to the Netherlands home economy had remained substantial, although in percentage terms it had, by 1957, been reduced by more than half. This lowering of the rate at which Indonesia helped to fill the Netherlands coffers was not only due to the Jakarta government's attempts to weaken the Dutch hold on the national economy, but should also be seen in the context of the fact that in the period 1949 to 1955 the Dutch national income itself had almost doubled from 13.6 billion guilders to 24.6 billion guilders at current prices, as a result of increased intra-European trade and a very successful industrialisation policy.<sup>130</sup> Hence, by 1957, the strength of the Dutch home economy was far less dependent on its former imperial ties than had been the case in the immediate aftermath of World War II. So Indonesia's nationalisation of the vast Dutch economic sector, although no doubt painful to Dutch investors did cause, to the great chagrin of the Indonesian left, less damage to the Netherlands than to Indonesia itself. In 1948, Indonesia had accounted for 6.3 per cent of the Netherlands national income, as compared to 7.4 per cent in 1938.<sup>131</sup> This ratio, however, increased again until 1953 and then began to fall until it reached 2.9 per cent in 1957.

The data opposite are based on calculations from the Netherlands Central Bureau of Statistics. Owing to duplication in the figures the value of exports was reduced by 50 per cent, the actual total value of exports to Indonesia being represented by part of factory profits, trade profits and freight. The figures under

### Indonesian contribution to Netherlands National Income <sup>132</sup>

In million Guilders

	1950	1951	1952	1953	1954	1955	1956	1957
1. Exports from the Netherlands	150	200	220	146	116	129	157	137
2. Processing of Indonesian Products	121	153	107	125	133	116	117	128
3. Transit Trade	55	106	50	38	36	48	52	52
4. Profits, dividends, interests, and other capital incomes	82	116	118	141	99	107	42	32
5. Freight (ship and air), cash surpluses	68	59	65	57	62	59	47	46
6. Pensions (government and private), insurance premiums, assignments, office costs	223	202	174	149	98	98	77	56
7. Savings of Dutch employees	68	58	43	34	37	39	25	26
8. Oil Industry	20	24	38	40	43	25	22	23
9. Customs Duties	23	21	16	17	19	19	17	18
10. Added Income (70% of items 1 - 9)	567	675	582	523	450	448	389	363
11. % of Netherlands National Income	7.8	8.2	7.0	5.8	4.6	4.1	3.3	2.9

category 2 represent the value added to imported Indonesian primary produce, estimated at 30 per cent of the import value. Category 3, transit trade, consisted of goods transported via both the Netherlands and non-Dutch ports through Dutch trade channels. In the case of Dutch ports of call considerable income was engendered through, freight, insurance, port costs, commissions, and trade profits. In foreign ports income consisted mainly from trade profits, and bank and freight charges. The added (secondary) income under category 10 was calculated from 70 per cent of primary income from Indonesia.

In essence an important trading relationship between the Netherlands and Indonesia continued. Indonesia exported almost totally untreated primary produce to be processed in Holland and other industrial countries. Most of Indonesia's exports, however, were destined for other countries. In 1949 the imports of Indonesian produce into Holland was as follows:

	<b>Tonnes</b>	<b>% of Total Imports</b>
<b>Copra</b>	177000	98.0
<b>Palm Kernels</b>	9900	72.0
<b>Tin Ore</b>	24200	100.0
<b>Cinchona Bark</b>	1619	100.0
<b>Palm Oil</b>	60356	87.0
<b>Rubber</b>	9615	97.8
<b>Tobacco</b>	3150	16.5
<b>Kapok</b>	2957	74.0

In 1952 more than 50 per cent of imports into Indonesia went via the four biggest Dutch trading firms and eight Dutch export firms accounted for 60 per cent of export.<sup>133</sup>

Despite all the problems caused by the lack of security, wage demands, squatting on plantation lands, and government engendered obstacles, as a whole the Dutch business sector had managed to make considerable profits. As a result of the Korean War the prices of oil and rubber, and to a lesser extent other prod-

ucts, showed a steep increase enabling most firms to cope with the doubling of wages. In 1950, many larger estates started to pay out dividends, varying between 4 per cent and 9 per cent, and in case of the *Nederlandse Handelsmaatschappij* reaching 10 per cent and in 1951 even 12.5 per cent, accounting for half of the 400 million guilders transferred to the Netherlands in 1950.<sup>134</sup> Also the 'the big five' Dutch trading concerns, *Borsumij*, *Internatio*, *Jacobbergh*, *Geo-Wehry*, and *Lindeteves*, which controlled most of the import and export business, were making profits. It was generally recognised in Dutch industrial circles that, despite great difficulties, many Dutch firms had been able to make more profits and to transfer more foreign exchange than for many years previously.<sup>135</sup> For example, in East Sumatra in 1953, tobacco, rubber and palm oil production had increased by 50 per cent compared to 1949 and dividends were higher than in 1938 to 1940. In 1954, profits transfers to the Netherlands were 100 per cent higher than in 1953.<sup>136</sup> Dutch business in Indonesia in the period 1953 to 1956 is estimated to have made a profit of about 1 billion guilders, and between 1954 to 1957 close to 800 million guilders were transferred to the Netherlands.<sup>137</sup>

It was yet again the remaining small family-run plantations, already reduced in number in the late 1940s after their inability to rehabilitate their holdings from war damage and attacks by robbers, which were now hard-hit by the wage explosion and were forced to sell or even abandon their properties. Most of these ended up in the hands of Chinese and Indonesians or larger Dutch concerns.<sup>138</sup> As a result, the Dutch control of the estate sector had declined from 63 per cent in 1929 to 51.3 per cent in 1951, and down to 43 per cent in 1952.<sup>139</sup> In the period 1950 to 1957 in Java alone, 120 Dutch plantations were sold.<sup>140</sup>

Nonetheless, new Dutch company investment in Indonesia in the period 1946 to 1957 still amounted to the sizeable sum of 892 million guilders, consisting mainly of profits made in Indonesia. This preference for ploughing back profits rather than drawing from overseas sources had to do with an overvalued

rupiah rate, and further surcharges and taxes that pushed the effective foreign rate to the point that money transfers lost their attraction. Most of this investment was used to rehabilitate existing plantations and other industries ravaged during the Japanese occupation and the Revolution.<sup>141</sup>

In 1947 the Department of Finance estimated private Dutch investment in Indonesia globally at between 5 and 6 billion guilders, representing 11.4 per cent of the Netherlands national wealth, a fall of 1.6 per cent compared to 1938.<sup>142</sup> Van Esterik, however, mentions a large total of 1.5 billion guilders of Dutch investment during 1950 to 1957 alone, which probably included government loans.<sup>143</sup> The accumulated stock of Dutch investment in Indonesia has been estimated by van der Eng at 3.1 billion guilders for 1947 and 4.5 billion for 1957.<sup>144</sup> A Dutch official calculation in October 1955 put the stock accumulated of investment in Indonesia at 4.9 billion guilders, consisting of 4.01 billion guilders of private capital investment and 902 million guilders of public debt owing to the Netherlands state and private bond holders.<sup>145</sup>

In 1966 the Netherlands government claimed 4.5 billion guilders of compensation for the Dutch business interests nationalised in 1957 to 1958, consisting of 3 billion for private companies and 1.5 billion for outstanding government loans and public debentures. All the Indonesian government was able and willing to agree to was a payment over a thirty-year period of 600 million guilders leaving the Netherlands with a massive loss of close to 4 billion guilders.

Total losses were incurred by the Netherlands treasury, as well as smaller plantations and industries that were short of capital and therefore unable to move their operations outside Indonesia. Affected this way, for example, were mining firms and public utilities (electricity, gas, water, and tramways). On the other hand, most of the larger plantations, banks, and trading firms had been able to take precautionary measures by creating emergency funds, and from the early 1950s had been moving most

of their new capital investments offshore, mainly to Africa, and South America. The large inter-insular Dutch shipping company KPM had, in 1950, decided to stop long-term investment in Indonesia; the existing fleet was not being renewed and necessary extra ships were chartered. Capital was transferred as much as possible offshore and new ships were only used for new international routes. In fact the attempt to nationalise the KPM vessels largely failed as most of them managed to escape, while those ending up in Indonesian hands had finally to be released as the Indonesian government was presented with an enormous insurance compensation bill which it was unable to pay.<sup>146</sup>

After the transfer of sovereignty in 1949 all the trading companies had started to internationalise their operations. For example, Borsumij had, by 1957, managed completely to reverse its dependence on Indonesia from 70 per cent to 30 per cent. Large plantation concerns had reduced their pattern of replanting from the normal 4 per cent to 2 per cent, and the largest producer of rubber and tobacco, N.V. Deli Maatschappij, had reduced its stake in Indonesia from 53 per cent in 1947 to 31 per cent in 1956. The air carrier KLM, although hurt by the loss of its Indonesian operations, as a large international concern was able to weather this storm comfortably, paying out in 1958 the same 7 per cent dividend as in 1957. Other firms tried to save their skins by paying out high dividends, such as the Escompto Bank, which increased its rate from 7 per cent in 1955 to 25 per cent in 1956. But not all estate companies had taken measures in time to prevent their total ruination.<sup>147</sup> Dutch firms were also allowed by the Netherlands government to compensate their losses by taxation concessions.<sup>148</sup> The 4.5 billion guilders loss account presented by The Hague to Jakarta in 1966 in reality only showed the nominal worth of Dutch assets in 1957 to 1958. In fact, it has been argued that this had only theoretical value as a number of large concerns such as the Nederlandsche Handel Maatschappij, since 1950, had been writing off their total Indonesian investment down to 1 guilder; and it is suggested that the

real loss lay closer to a sum between 500 to 750 million guilders.<sup>149</sup> In addition, in 1966 the actual value of former Dutch plantations, factories, offices, and housing had seriously decreased through neglect and mismanagement to the extent that most former owners showed no interest in reclaiming them.

Nationalisation proved to be a two-edged sword. In 1953 and 1954, Dutch firms paid 1233 million guilders to the Indonesian treasury, accounting for about 65 per cent of the total Indonesian taxation revenue, and oil exports created 25 per cent of the nation's foreign exchange income.<sup>150</sup> After nationalisation, Indonesian exports of main commodities, including oil, fell from \$955.1 million in 1957 to \$696.4 million in 1963,<sup>151</sup> causing serious financial and economic repercussions which, together with increasing corruption and Sukarno's economic mismanagement, pushed the nation into bankruptcy.

In human terms, on the Dutch side the hardest hit groups were many Eurasians and those Dutch families born and bred in Indonesia, who considered the country as their fatherland, and as victims of the colonial debacle were now forced to leave. Most of them ended up in the Netherlands, but a sizeable number also migrated to Hawaii and California. Australia, relatively speaking, took only a few Dutch refugees from Indonesia as admission largely depended on skin colour.

The Dutch policy on West New Guinea was certainly responsible for speeding up the final destruction of the Dutch economic preponderance in Indonesia. But on the other hand, in view of the radical, leftist, political forces at work at the time, an earlier handover of the territory to Indonesia would not have stopped the nationalisation process.

### Notes

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  6. De Moor, 1990, p. 46.
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  8. De Moor, op. cit., p. 47
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