CHAPTER XIV

Adjusting to economic warfare

In the first days of the war it had been predicted that Dutch shipping would benefit from the disappearance from the seas of German and Austrian freighters. That such ships no longer ventured out was seen as a good opportunity for Dutch shipping to expand its business. A neutral flag could also be an advantage in other respects. To the indignation of the British press, in Europe and in Asia at least one shipping company, a firm in Rotterdam, tried to exploit the situation by sending a circular to British trading firms on both continents in which the message was driven home that because the Netherlands was a neutral country, it could still trade with Germany. As an additional bonus the circular mentioned that mail carried by Dutch ships was free from Allied censorship.¹

Advertising was not necessary. During the war freight prices rose steeply. A combination of factors was at work: the shortage of tonnage caused by the disappearance of the German and Austrian mercantile fleets; the damage inflicted to the Allied merchant fleet by German U-boats and mines; the requisitioning of part of the Allied merchant fleet for war purposes; and, temporarily, the withdrawal of ships from cargo traffic to repatriate pilgrims. Shipping lines eager to exploit a world-wide shortage of tonnage were not the only reason for rising freight prices. The rising price of coal contributed to the inflation, as did higher premiums for insurance against the risk of war. Extra costs were likewise incurred by longer sailing times if alternative routes had to be sought or if speed was reduced to economize on coal. Yet another cost-increasing factor was the shortage of labourers in Allied ports because of the war. Neutral freighters often had to wait in French and British ports until Allied warships and merchantmen had been taken care of, with all the delays and the running up of harbour dues this entailed.

Nevertheless, the Rotterdamsche Lloyd and Nederland, made good use of the shortage of tonnage, which turned cargo trade into a very profitable business. Between August 1914 and January 1915, freight prices for colonial wares

¹  De Locomotief, 3-11-1914.
increased by fifty per cent. In that same month Lovink, the Director of the Department of Agriculture, Industry, and Trade, noted that ‘some of the traders do business with hope in their hearts and consider the trade as a lottery fraught with plenty of bad luck – another group just throws in the towel and dares not undertake anything’.\(^2\) Worse was to come. By August 1916, freight prices were four times as high as at the outbreak of the war. The Nederland and Rotterdamsche Lloyd also upset traders by departing from the custom of concluding shipping contracts with exporters of colonial wares with the freight price being fixed for five months. They reduced this period to two months. The change was a serious setback for exporters. They used to buy up and trade products at the beginning of the harvest, which started in June and ended in October for sugar, shipping the commodities off in portions in the subsequent months.

Throughout the whole of the war people in the Netherlands Indies and in Holland attacked what they were convinced was selfish policy pursued by the Rotterdamsche Lloyd and Nederland. As the two shipping companies (and the Koninklijke Paketvaart Maatschappij (KPM, Royal Packet Company)) worked in close concert under the aegis of their major shareholder, the Nederlandsche Scheepvaart Unie (Netherlands Shipping Union), they were accused by their critics, whose numbers swelled as the freight prices soared, of acting as a trust. There were even accusations after the war that their ‘freight usury’ had caused more damage than many of the measures imposed by the belligerents.\(^3\) The Nederland and Rotterdamsche Lloyd denied such charges. They defended their price policy by pointing out their critics were unaware of the great difficulties encountered in maintaining sea traffic between Holland and the Netherlands Indies. They also maintained that, compared to non-Dutch shipping companies their prices were still moderate.\(^4\)

Criticism by the colonial trading sector was especially harsh. It was claimed that the shareholders of the Nederland and Rotterdamsche Lloyd were making war profits hand over first at the expense of exporters and producers of colonial wares. The main sin for which the companies were attacked was calculating excessive freight prices. Another accusation levied at them was that they selected sailing routes which produced the highest profits and that by doing so disregarded the interests of colonial trade. The Nederland and the Rotterdamsche Lloyd fuelled indignation still further by cancelling contracts and raising tariffs unilaterally any time when the circumstances of war forced them to change the route of their ships or cancel shipping entirely. It also hap-

---


\(^3\) Bataviaasch Handelsblad, 3-11-1917 cited in Koloniale Studiën 1917:242; Helfferich 1918:480.

pened that when for reasons of safety it was decided not to call at Marseille, contracts for goods to be shipped to Marseille were annulled, disregarding the fact that the exporters concerned had their own contractual obligations they had to meet.\(^5\) These were isolated incidents but as they cost the exporters money, not easily forgotten. No one bothered to point out that British lines in Singapore behaved in exactly the same way.

When shipping opportunities grew increasingly scarce, some critics of the Nederland and Rotterdamsche Lloyd even argued that the Dutch government should not leave the vital sea links between the Netherlands Indies and its overseas markets in the hands of private companies which did not have the interests of the colony at heart. Two arguments were especially favoured to demonstrate how ‘anti-colonial’ the two companies were. One was that they had their head-offices in Holland. The other was that before the war, the Nederland and Rotterdamsche Lloyd had worked in close tandem with British and German shipping companies in the Batavia Vrachten-Conferentie (Batavia Cargo Conference), to regulate cargo and passenger transport between the Netherlands Indies and Europe.\(^6\)

The commercial community in the Netherlands Indies reacted so excessively because colonial trading houses felt trapped. Their managements believed that they had no other choice but to use the services of the Nederland and the Rotterdamsche Lloyd; even when an alternative presented itself, which in fact was few and far between. The bone of contention was the deferred rabat system which had been instituted by the Batavia Cargo Conference in 1900. Export firms which shipped their cargo exclusively with the Rotterdamsche Lloyd and the Nederland were entitled to a discount of ten per cent on the freight costs they had paid in a six-months period. The money, which could amount to a considerable sum, would be restituted afterwards, but only on the condition that during the following six months an exporter would continue to ship his ware on vessels of the two companies. Opponents took every opportunity to drive home that a rabat system had been forbidden by British authorities in Singapore and South Africa.

Exporters staged meetings to end what they called the monopoly of the shipping companies created by the rabat system as early as March 1915. They asked the Ministry of the Colonies in The Hague to mediate. Its civil servants were well aware that there was not much they could do. They lacked the expertise to pass judgement on the arguments advanced by the companies to justify their actions. They had to limit themselves to presenting a ‘warm recommendation’ the companies would take the interests of colonial exporters to

---

\(^5\) *De Locomotief*, 6-3-1917.

\(^6\) *Schepenworderingswet* 1917:86-7.
heart.Probably Pleyte and his staff would have liked to do more. They were not pleased with the policy of the Rotterdamsche Lloyd and the Nederland. Pleyte even hinted that if their directors did not take the interests of colonial trade into account and continued to force prices up, a time could well arrive thoughts would turn to foreign competitors. Pleyte’s criticism was shared by the Javasche Bank. In its report for 1916-1917, the bank warned that ultimately the selfish attitude of the shipping companies could force exporters to turn to rival companies, which in the long run might have disastrous consequences for the Dutch lines concerned. The following year, the bank complained about the ‘phalanx of the shipping companies’, for which exporters were no match. Resentment swelled to such proportions others speculated that traders would turn to Japanese lines after the war had ended because they had become so enraged by the war-time policy of the Dutch shipping companies (Van Heekeren 1919b:140).

In the Netherlands Indies, the commercial community led by the Batavian Director of the Nederlandsche Handel-Maatschappij staged a large protest meeting in the middle of 1917. Among the persons present were H. de Kruyff, the then Head of the Department of Trade and Industry and one of the most important civil servants in the colony, and a representative of the Javasche Bank. Frustations spilled out freely. One of those present stated that trade was at ‘the mercy’ of the KPM, the company the Nederland and the Rotterdamsche Lloyd had jointly established in 1891, and of Burns Philp, a Sydney-based company and the agent of the Imperial Japanese and United States Mail Line. A statement read out on behalf of the shipping companies was jeered. There were boos when it was argued that the great demand for cargo place showed that freight prices were not too high, and that even with existing tariffs there still was a market abroad for colonial products. The promise of the Nederland and Rotterdamsche Lloyd that they would foster the interests of colonial exports aroused only disbelief.

A new Dutch government had to be sworn in before at last measures were taken and the colonial administration enlisted a shipping expert to investigate the freight prices demanded by the shipping companies at the end of 1918. By then war was already over.

The estates in Sumatra began to recruit labour in Java again in early 1915. This is a pretty good indication that in the first two years of the war export firms and producers of colonial wares suffered less than the wave of criticism of

7 De Locomotief, 2-3-1915; Note Department A3, NA, Kol. Openbaar, Vb. 15-3-1915 72.
8 Koloniaal verslag 1917:xix-xx.
9 De Indische Gids 1917, II:1428; Koloniale Studiën 1918:477.
10 De Indische Gids 1917, II:1189.
the Rotterdamsche Lloyd and the Nederland had suggested. Prices of most export products of the Netherlands Indies remained high. Many benefited from this: the estates, indigenous producers, Chinese and Arab middlemen, and the export houses. In 1912 the value of the export of the private sector had been 533 million guilders, in 1915 the figure had risen to 758 million guilders.\footnote{Handelingen Tweede Kamer 1918-19:2061.} The increase coupled with decreasing imports also worked favourably for the colony’s balance of trade.

The export of a number of colonial products exceeded that of previous years.\footnote{See for detailed production and export figures before, during and after World War One Changing economy 1975, 1991 and 1992. See for an analysis of trends in imports and exports in the first three decades of the twentieth century Lindblad 1994.} The most important of these were sugar and tobacco.\footnote{Koloniaal verslag 1917:223-6.} Referring to economic performance in 1915 it was stated that also industry had not performed as badly as had been predicted in the closing months of 1914. A notable exception had to be made for the batik industry. This cottage industry threatened to disappear and was forced to cede to large-scale industry.\footnote{Koloniaal verslag 1916:233-4; Report Javasche Bank, cited in De Indische Gids 1917, II:1432; Helfferich 1917.} Except for the first weeks of the war, import firms also experienced a halcyon period. At the outbreak of the war their warehouses had been packed. With fresh imports diminishing and rising prices they could sell their stock at a good profit. Among the firms which profited was Behn, Meyer and Co. Sales of stocks of imported goods was one of the factors which contributed to its relatively good performance during the war (Helfferich 1967:153).

The war had a number of positive consequences for the colonial economy. As an unexpected bonus the obstacles put in the way of unrestricted export to Europe meant that economically the Netherlands Indies was less dependent on Holland. A number of products were no longer sold on the commodity markets in Holland, but at newly established markets in Batavia. Huge sums in commissions and insurance were saved, and, for trade with countries in the Pacific, freight costs dropped considerably because goods no longer had to be shipped to Europe first. Representatives of foreign trading companies, who had bought the colonial products in London or Amsterdam in the past, now travelled to the Netherlands Indies to buy their commodities. Tea, sugar, rubber, tobacco, and tin were traded in the Netherlands Indies, and no longer, or to a much lesser extent, in Holland.

Boosting to the qualified optimism was the fact that exporters, and to a lesser extent importers, had adjusted themselves to the obstacles they encountered. New export markets were sought and found: first among them in the
Governor General J.P. graaf van Limburg Stirum as trade mark of an export company in Amsterdam (Javasche Courant 1916 Trade mark 8088)
United States, and to a lesser extent in Japan, Australia, and South Africa. The report of the Ministry of the Colonies for 1916 noted, that

under the constraint of circumstances trade departed from the old, long-sailed ways, looked for and found new markets and freed itself from long existing ties. [...] A complete restoration [after the war] of the old links, which mostly passed through the mother country, has to be considered impossible, as the realization gradually dawns that the Netherlands Indies in many instances can do without that link and on its own can and should look after its own interests.15

The reallocation of the export markets stimulated the Javasche Bank and commercial firms to establish offices in the United States and Japan. In The Hague the Dutch government reacted by strengthening its consular network in the two countries in an effort to stimulate trade even further. Conversely, American and Japanese companies opened branches in the Netherlands Indies to make the most of new opportunities in foreign trade. Some Dutch firms did the same in the United States. The Bank of Holland was set up in San Francisco in 1917.

The colonial government and the Javasche Bank supported the shifting of the markets for colonial wares to the Netherlands Indies. In the Netherlands Indies, Van Limburg Stirum considered the United States to be vital to the economic future of the colony, and continued to hold the opinion that this would also be true after war had ended (Locher-Scholten 1981:65). In The Hague Pleyte was determined to promote the idea that more and more of the wares produced in the Netherlands Indies were traded in the colony itself. He considered such a development would be highly conducive to the growth of the colonial economy.16 To stimulate this M. Kolthoff, a former agent of the Handelsvereeniging Amsterdam was sent on a four-month trade mission to Japan in March 1916 to promote the trade of government companies and private firms with Japan. Before Kolthoff left for Japan, he organized meetings in a number of cities on Java to solicit ‘orders’.

One of the main arguments of those pleading for a greater say by the colony in economic matters was that centre of colonial trade had shifted from Europe to the Pacific. The United States especially formed a new and valuable market for the constantly growing list of articles which were submitted to NOT control, and export of which to Holland had to be limited or had to stop altogether.17 Exports to the United States grew more than tenfold between 1914 and 1917, from 16 to 200 million guilders (Carpentier Alting and De Cock Buning 1928:66). As in the case of trade with Japan, the newly found economic

15 Koloniaal verslag 1917:xix.
16 Koloniaal verslag 1917:xix.
17 Koloniaal verslag 1917:xvii, 211-2.
relationship was lasting and continued after the war. The United States proved a profitable outlet for rubber, cassava, copra (in the form of coconut oil), and tobacco (from Sumatra, not from Java, where the leaves of the plants grown were not fine enough for the American taste). For some products which had not been shipped to the United States or only in small quantities before the war, such as pepper, tin, and kapok, by 1916 the United States already accounted for more than half of the exports. This removed some of the causes of the worries Pleyte had expressed in September 1914 in his letter to Loudon. The ‘fledgling trade with the United States’, as it was sometimes referred to, formed the main reason why, as Pleyte in his report to the Dutch Parliament observed, the colonial economy had not been completely dislocated, and all things considered had shown a rather favourable performance. The drop in the export of cassava to Europe was made good by an expanding American market. On the tin market, the United States had replaced Germany as the largest buyer. A remarkable success was also scored by rubber. Forced to take action by the problems encountered with shipping their produce to Europe, rubber planters had opened up a new market in the United States, which previously had obtained most of its rubber from Great Britain. In 1915 the export of estate rubber had swelled almost twofold, increasing from 6,396 to 11,307 tons; doubling again in the case of exports from Java in the following year.18

The prices paid for the major export products were excellent. Among the products which fetched higher prices in 1915 than they had done before the war were tobacco, coffee, and tea. The sugar industry was still booming and copra fetched good prices; rubber idem. In short, because of its agricultural sector the Netherlands Indies managed to survive the first two years of the war remarkably well. The prime beneficiaries were the estates. The shadow side was that the consequences for indigenous producers were mixed. Some, especially producers of copra, profited from higher prices, but others who grew other products or products of a lesser quality than those grown on the estates suffered.19 An additional factor was that export crops grown by the local population had to take the back seat in the competition for scarce cargo space. Exporters gave preference to sought-after, more profitable products, the so-called fijne lading (choice cargo). Coupled with the rising prices of daily necessities, this meant that the Indonesian population outside Java producing for the export market suffered a steep decline in purchasing power.20 Nevertheless, the excellent prospects for tobacco, coffee, and tea stimulated their cultivation by indigenous farmers.

19 For which export products were grown where by indigenous producers outside Java, see Touwen 2001:167-84.
The change in the flow of exports highlighted the different economic aspirations of the motherland and the colony. Those cherishing the interests of the colony stressed greater independence, even from headquarters in Holland. Many Dutch Residents in the Netherlands Indies shared this view. Free trade had to replace the monopolies and protectionism, which they suspected the leading businessmen in Holland of wanting to maintain. Directors had to take the place of agents as heads of the colonial branches of the Dutch trading houses, shipping lines, and estate companies (Helfferich 1918:482). In August 1917 the Java-Bode wrote that it was a questionable matter to keep the management in Holland simply for the reason that Holland was the source of capital. Changes were in order. Whenever possible, to give the Netherlands Indies real economic resilience jobs should be filled by people living in the colony.21

Commercial circles in Holland and those who earned their living from commodity markets there and from the transport of the products traded to Holland watched the development with concern. The 1916 report of the Ministry of the Colonies hinted at the opposition encountered. It noted that not everyone realized the implication of

the economic awakening that has taken place, and the need to adjust to the new relations, which [...] after the restoration of normal circumstances, demand that due consideration be given to the wishes and the interests of trade and industry in the Indies.22

Opponents had to admit that the new markets in the colony were a success, but they expressed their doubts about whether the success would last once war had ended. They were convinced the old situation had to be restored as soon as possible. They feared that a permanent transfer of commodity markets, or even worse a transfer of markets like that of tobacco to the United States, would be a blow to Holland’s prosperity.23 As had been argued in the days of Onze Vloot: too many interests in Holland were at stake, those of the shipping companies transporting the wares to Holland; the firms engaged in loading, unloading and storage; the Dutch railways: Dutch labourers and so on. Another loser might be the NHM, which, because of what had happened in the colony in August 1914, was not held in high esteem by Pleyte and other politicians. The NHM stood a good chance of having to forfeit part of its trading activities. Its most vulnerable aspect was its function as the agent of the colonial government for goods produced by government companies and estates, which had been sold on commodity markets in Europe in the past. In November 1917 members of the Dutch senate decided that the time

22 Koloniaal verslag 1917:xix.
23 Economisch-Statistische Berichten, 1-5-1918, p. 368.
had come for the government to sever its ties with the NHM. They preferred open competition and championed the establishment of a special body in the Netherlands Indies to look after the economic interests of the colony.\textsuperscript{24}

The focus of discussion was the future location of the tin market. Most tin was now exported to the United States and in 1917 Batavia suggested that the market should not be moved back to Amsterdam after the war. Pleyte was not unfavourably disposed to this idea. He asked the Rotterdam Chamber of Commerce – and not that of Amsterdam, where the interests of colonial business firms was far better represented – for advice. The Rotterdam Chamber of Commerce endorsed the suggestion, taking the side of those who pleaded for a greater independence for the colony. To drive home its advice, the Rotterdam Chamber of Commerce observed that moving the tin market to Batavia had resulted in a large increase in exports. The economic damage to Holland was outweighed by the advantages which had been the result of establishing the tin market in Batavia. The advice occasioned a heated debate. It drew vehement protests from those supporting the economic interests of Holland. \textit{De Telegraaf} called the attitude of the Rotterdam Chamber of Commerce unpatriotic.\textsuperscript{25} It goes without saying, the Amsterdam Chamber of Commerce was opposed to the suggestion.

It was a theme that would resurface time and again during the remainder of the war. The business community in Holland was a fervent advocate of markets and bodies regulating trade in the mother country, where the headquarters of the estate companies were located and from where much of the capital came. Before 1914 company headquarters in Holland had resisted with might and main a reallocation of markets, when the matter had come of for the trading of rubber and tea (Ligthart 1923:432). Shifting control to the colony would only scare off Dutch people and other Europeans with disposable capital from investing. People in the colony wanted to have the commodity markets located where the production took place. One of their main arguments was the change in export markets. They were convinced this was a development which would last, even after the war. People in Holland disagreed. They believed the present extraordinary circumstances had to be taken into account. Trade flows would resume their pre-war pattern once peace had been restored.

Another heated discussion raged in August 1918. In this case the founding of a Vereenigde Javasuiker Producenten-Vereeniging (United Java Sugar Producers Associated) in Holland elicited protests in the colony. These very much strengthened as the move aborted an initiative taken by Batavia a few days earlier to regulate the export of sugar in Java and not in Holland. In the

\textsuperscript{24} Handelingen Eerste Kamer 1917-18:67.

\textsuperscript{25} \textit{De Telegraaf}, cited in \textit{De Indische Gids} 1917, I:692; Report Chamber of Commerce Rotterdam over 1917, cited in \textit{De Indische Gids} 1918, I:447-8; Gerritzen 1917.
Netherlands Indies the opinion was advanced that even before the outbreak of the war the practice of taking decisions about the selling of sugar in Holland had been an anomaly. Decisions should be taken in Java, even more so in a situation in which many of the buyers were no longer Europeans. Conversely, bodies founded in Java to regulate trade in sugar and coffee had failed because of opposition from Holland. At the end of the war it was maintained that such obstructions had occasioned great harm, had paralysed initiative, and had shown how ignorant people in Holland were about what transpired in the Netherlands Indies. The attitude in Holland was ‘petty and ridiculous’, and testified to ‘bragging and vanity’ (Helfferich 1918:479).

Alternatives had also to be found for imports. A major impulse for this was the severed economic links with Austria-Hungary, and especially with Germany, which before the war had been a major, if not the exclusive, source of steel and rails, of machinery and spare parts, of cheap consumer goods bought by the indigenous population, and of surgical equipment. In statistics the volume of trade with Germany was reduced to mere dots. Imports from Germany which had still amounted to 22 million guilders in 1913 dropped almost to zero (Carpentier Alting and De Cock Buning 1928:103). Another reason was the problems experienced in the trade with Holland and the Allied Powers.

The United States, even though its products were considered expensive, emerged as a prime source of steel and iron, which Great Britain and France supplied only in small quantities or not at all. The United States could also supply medical instruments, weapons, and, on a more mundane level, articles of clothing and delicacies for the European community. Orders were placed in America for locomotives and railway carriages. These were urgently needed. Shortages of carriages and locomotives for the transportation of estate products at harvest time to the harbours, the so-called riettreinen (cane trains), had already been a problem for years. Fresh orders for rolling stock had been placed in Europe before the outbreak of the war, but it had soon become patently obvious that the goods would not be delivered. American imports of other commodities grew in importance. American imports increased from 9 million guilders in 1913 to 62 million guilders in 1918 (Carpentier Alting and De Cock Buning 1928:103). The growing importance of the United States as a supplier of imports was reason enough for the Ministry of the Colonies to establish a purchasing office in New York, incidentally located in the same building as Schenker and Co., the company which had tried to send a cargo of weapons to the Netherlands Indies on board Dutch ships.

The replacement of Europe, including Holland, as a main source of imports

\[\text{De Taak, cited in De Indische Gids 1919, I:108.}\]
by the United States provided yet another field in which people saw an opportunity to reduce the supervision by Holland. The colony should have its own purchasing office in the United States. An end had to come to the old system in which Batavia had to submit orders first to the Ministry of the Colonies, which passed them on to New York. Had this suggestion been implemented, it would have meant shifting part of the budgetary responsibilities to the colony. Its proponents saw it as a logical step to take in view of the geographical location of the United States. It would also speed up matters considerably, as the intervention of the Ministry of the Colonies was said to lead to considerable delays (Bryan 1918).

Japan, itself forced to redirect some of its exports and to establish new industries because of the disruption of imports, also figured prominently in Indies trade. The disappearance of German trade from the Netherlands Indies opened the way for Japanese products and Japanese commerce to make their entry on the scene. Japan became a source of cement, coal, sulphur, matches, textiles, beer, rice, cheap paper, and even toys. It could supply the Netherlands Indies with products of which the supply had almost run out. Among these were brass and various chemicals. From a mere 7 million guilders in 1913, the value of Japanese imports reached a value of 114 million guilders in 1918 (Carpentier Alting and De Cock Buning 1928:103). The Japanese were eager to exploit such new export opportunities. Japanese business offices and banks opened up in the larger cities. Japanese trade delegations started to visit the Netherlands Indies. It would be a wild exaggeration to say such Japanese businessmen were trusted people. At times Dutch people could not make up their minds whether the Japanese who visited the Netherlands Indies were bona fide businessmen or spies, and whether information should be withheld from them or not. Suspicions were aroused if Japanese who visited commercial firms or government offices could not give a proper address or if their business cards mentioned a civil servant as their profession and the Japanese Consul could not provide any further information. A highly embarrassing incident was the shadowing and arrest in Surabaya of four Japanese out for a stroll in the spring of 1916. The four were members of a large official eighty-persons-strong delegation of businessmen, government officials, and professors who toured Celebes and Java to celebrate the opening of a Japanese shipping-line to the Netherlands Indies, entertained grandly in all cities they visited. The Assistent-Resident offered his apologies. This did not satisfy the

27 Japanese trade delegations were not the only such groups to visit the Netherlands Indies. As the Americans had done before them, the Japanese thought that perhaps they could learn something from the way the Dutch ran their colony. In November 1917, eight Japanese civil servants stationed in Formosa visited Java to study the colonial administrative and legal systems.

28 Koloniaal verslag 1919:259-60; Neratja, 19-9-1918.
four, all of whom it was reported were noblemen. They hastened to their Consul to lodge a formal complaint. Nevertheless, something good came out of the visit. One of its members, Inazo Nitobe, a professor in colonial history in Tokyo, wrote after he had returned home that the visit had made him change his mind. Talks with the Governor General and other senior colonial civil servants had convinced Inazo Nitobe that Takekoshi was mistaken when he said that the Dutch were in the Netherlands Indies for economic gains pure and simple and did nothing to try to improve the fate of the natives. His words, the *Japan Advertiser* concluded, were an attack on those in Japan who pleaded for an expansion southwards. Inazo Nitobe’s plea for the expansion of trade instead of war did not completely reassure *De Locomotief*. Inazo Nitobe pointed a finger at the Netherlands Indies; Takekoshi raised a fist. Moreover, how much effect would his words have in Japan? Could Inazo Nitobe neutralize ‘the untruthful writing’ of Takekoshi?

What also made Japan special was that it could provide earthenware, peddlers’ wares, and other cheap articles to be sold to the local population. Efforts to find new sources of supply in the United States or Europe for such goods formerly obtained from Germany and Austria-Hungary, had met with failure. Factories in the United States and Europe did not produce for a cheap market. The prices of their products were too high for the population of the Netherlands Indies to afford. In Japan the situation was different. Factories could produce cheaply.

The import of consumer goods from Japan was relatively new. Before August 1914, the European trading houses in the Netherlands Indies had looked down on Japanese products and more often than not had rejected requests from Japanese companies to trade their products. After the outbreak of the war the attitude of the import firms changed drastically. The same companies which had shunted Japanese products in the past now took the initiative to interest Japanese factories in the market in the Netherlands Indies. Often nothing came of it. The commission Japanese exporters were prepared to offer was generally too small to be acceptable to European firms. Trade in Japanese products went almost exclusively to Chinese firms, and in some cities to Japanese shopkeepers, bypassing their Dutch counterparts.

Unfortunately, such new imports did not always meet expectations. Japanese products aroused great disappointment. A much heard complaint was that quality was poor. Confronted with such charges, Tokyo instituted an official inquiry. American imports also do not seem to have always been up to standard. If we may believe contemporary reports, locomotives imported

---

29 *Octoesan Hindia*, 24-5-1916.

from the United States made a great impression because of their huge size, but tended to break down.\footnote{De Locomotief, 16-2-1917; Nieuwe Noordkust, cited in De Locomotief, 17-4-1918.}

Imports from the United States and Japan gave some relief, but were not varied or in large quantities, enough to bring imports back to their pre-war volume. German products, which could no longer be imported, continued to be in high demand. When the cargo of the Roon was finally auctioned in early 1918 European, Chinese, and Arab traders jumped at the opportunity and outbid each other. Bids were made without even knowing what the contents of the crates were. Emil Helfferich recalled how led astray by his eagerness a pious Arab merchant ended up with a sausage machine (Helfferich 1921:15). Scarcity led to acute problems. Since 1916 new telephone connections could no longer be made because of shortage of telephone wire. Railways were another good example. Projects to extend the rail network had to be abandoned, and as early as 1916 the public railways were experiencing a shortage of wagons and locomotives to transport estate products. The reason was that because of the war 3,000 wagons and ninety engines which had been ordered in Europe had not been delivered.\footnote{Neratja, 3-12-1918.} Trains began to run at night to cope with the shortage of rolling stock and the transport of non-perishable goods was temporarily stopped. Much to the chagrin of the public, passenger and freight transport were combined in an effort to increase efficient use of material. The hope that any new rolling stock could be imported evaporated in 1917 when the United States entered the war and had to upgrade its own railway system to cope with the problems the increase in freight traffic posed. Seriously hampered by the lack of rolling stock the state railways company at the end of 1918 and the beginning of 1919 contemplated raising the fares in an effort to decrease the number of passengers, though it was seriously doubted whether this would indeed have had the desired effect. Other measures contemplated were reducing the number of passenger trains and even running more combined passenger and freight trains.

Similar problems threw a spanner in the work of mining companies. Throughout the war mining operations were hampered by a lack of machinery. An act had to be promulgated to allow for the extension of the prospecting period after which an exploration claim was still valid. Lack of capital and even more the dearth of equipment caused considerable delays.

After a long and hard look at the problems experienced, the development of an import substitution industry was broached. The efforts gave the colony some additional independence from abroad. The army and police also made their modest contribution. Alternatives had to be found for the production
of uniforms and the supply of cloth which had been ordered in Holland before the war. Measures had already been taken shortly before August 1914. Expecting that imports could be impeded the army had placed an order for shoes at the prison of Yogyakarta. Later, inmates of a prison in Cirebon were set to weaving the prison garments, which had once been made in Holland. The cotton yarn was imported from Bombay. The uniform of the Armed Police was also produced locally. It was not a great success. Batavia had to admit that the quality of the new uniforms was far from satisfactory. In 1916 the army also considered the establishment of an arms and ammunition factory in Java. After ample thought, the decision was negative. The colonial army was too small to provide a viable market. It would be highly questionable if the products of such a factory could compete with arms factories abroad.

The local metal-working industry profited from the situation. Before the outbreak of the war it had mainly been a subsidiary business of agencies of foreign engineering-works, located mainly in East Java, but there were a few in West Java, to provide the sugar, tea, and rubber estates with their machineries. Confronted with the problems of ordering machinery in Europe and hesitant to place orders in Japan and the United States, an increasing number of orders went to the local metal-working industry.

The colonial government also did its bid. In September 1915 Idenburg installed a special committee for the promotion of the manufacturing industry. The step was later described by Batavia as a ‘spontaneous idea’ of Idenburg himself. The committee was responsible for investigating which goods could be produced locally, or more precisely in Java, and how the government could assist in this. What Idenburg and other advocates of local industrialization envisaged was not just making the Netherlands Indies more independent of abroad during the war, they were looking far ahead. Two other reasons for them to plead for the encouragement of a manufacturing industry was the rapid growth of the population and the need to improve the standard of living of the people. Additional sources of income had to be created. To continue to rely on agriculture would only result in impoverishment. Consequently, types of industry which were still dependent in imports for the input of raw materials were also considered.

When it was founded the committee was hailed as a step in the direction of the industrial emancipation of the colony. It had to tackle a subject which was close to the heart of many Dutch people in the Netherlands Indies: increasing the independence of the Netherlands Indies from Holland. Initial enthusiasm soon faded. Two years later, Van Hinloopen Labberton criticized the commit-

33 Volksraad 1918:71.
34 Volksraad 1918:578.
35 Volksraad 1918:40.
tee for having accomplished almost nothing at all. Van Hinloopen Labberton was also highly incensed by the fact that the committee was made up of people who never had seen a factory from the inside. The authorities had excluded industrialists from the committee for fear that they would advance their own interests.\(^{36}\) Lovink thought differently. He wrote that the committee set to work seriously and pointed to the some seven brochures published (Lovink 1919:8). This sounds impressive but most had been written by one man, the government representative on the committee, J.C. van Reigersberg Versluys. He was its only full-time member, and had been especially employed to do such a job. All other members of the committee were pillars of society with busy jobs, who could not devote much time to the work of the committee.

Despite such good intentions and sometimes halting efforts the World War did not mark the take-off of industry in the Netherlands Indies. Nevertheless, a great variety of experiments were tried or suggested. Among the chemicals that were produced in the Netherlands Indies for the first time or in much larger quantities than before were sulphuric acid, sodium bisulphite, used in the sugar industry, and calcium carbide. Anticipating a serious shortage of iron, the prospects for establishing a pig iron foundry were investigated. Research into the construction of blast-furnaces passed in review. The vulcanization of rubber, and the production of pharmaceutical products, sodium carbonate, silk (requiring the planting of mulberry trees), beer, black ink, beeswax, soap, castor oil, cement, pigments and the like were broached. Forced by a shortage of medicines and bandages the Civilian Medical Service started to experiment with the growing of medicinal plants and native fibrous plants, the latter to provide bandages. The service was pleased with the results.\(^{37}\) A hay committee to study what native grasses were best suited as fodder was instituted. Another committee studied the possibilities of producing fertilizers. This was important because, whether there was a war or not, the growing population and the intensification of agriculture would only increase demand (Van Reigersberg Versluys 1917a:12).

Some were optimistic about the prospects. For a number of new products, immediate profits were high. A prolongation of the war would allow such new industries enough time to develop sufficient expertise to be able to cope with post-war competition. In other cases, the machine industry was one of these, doubts prevailed right from the start about the viability. It was expected that they would not survive peace-time when pre-war international market forces were restored.\(^{38}\)

A number of the projects suggested gave rise to heated debates. One was

---

36 Volksraad 1918:200.
37 Koloniaal verslag 1918:124.
the production of matches. Enormous effort and a wealth of public discussion went into the question of whether the trees which grew in the colony could supply wood with the necessary smoothness and tensile strength for the production of matches; and if this were so, whether the new industry would be economically sound. In the past experiments had failed. Lack of a sufficient supply of the right kind of timber had made the locally produced matches far inferior to those imported from Europe. They had also been much more expensive than Japanese matches which, though of lower quality, had conquered the cheaper segment of the market (see Vervoardigen 1918). The Hague was even asked to send an expert in the field of match production to the Netherlands Indies. By the end of the war no match factory had been founded. A similar story can be told about the production of paper. There were specific problems, such as the absence of a large quantity of rags, a lack of knowledge about the properties of the trees which grew in the colony, and the great diversity in trees in a tropical forest, which had made it difficult to develop commercial woods. Nevertheless, production did not seem out of the question (see Reigersberg Versluys 1917b). No concrete steps were taken. At the end of the war experts were still quarrelling about the feasibility of a paper factory in the colony.

The discussions about the development of an industrial sector in the Netherlands Indies were coloured not only by a conflict of interests between motherland and colony. An issue of equal importance, though the debate had not yet prompted the direct involvement of powerful pressure groups, as that on paper did, was the question of what government support, if any, should be given to the development of an indigenous industry. The colonial government had endorsed recommendations for the development of a big native industry, Van Kol had made after his trips to Japan. Batavia had warmed to the idea that the management of a native industry would be less expensive than industrial projects for which the staff would have had to come from Europe. There was many a slip between the tongue and the lip. Concrete steps had been confined to assisting those industries which existed already, batik, pottery, leather-working, rope-making, and indigenous forges (see also Lovink 1919:9).

In the colony one of the most enthusiastic advocates of a native large-scale industry was the socialist Ch.G. Cramer, an engineer employed by the Department of Public Works. He wanted government support for the establishment of new industries to go primarily – as Van Kol had also suggested – to Indonesian cooperative societies. The government should take the lead. It should select branches of industry in which indigenous big business could develop. It should also stimulate the establishment of cooperative societies eligible for financial support and establish model state factories to teach Indonesians the trade. Cramer was very outspoken in his preference for the development of a native industry. European entrepreneurs should receive
H.H. van Kol, circa 1920 (KITLV 2745)
financial support from the government in exceptional cases only.

Cramer saw good prospects in the textile sector, in the establishment of rice-husking plants, and in the estate sector, especially tea and sugar.\(^39\) He was highly optimistic about the prospects for a colonial textile industry and foresaw that the Netherlands Indies could take over the pre-war role of Holland in providing itself with textiles. Unfortunately, the examples Cramer mentioned to substantiate his view were not the most convincing. He said that in Cirebon there already was ‘a more or less primitive textile company’. He meant the local prison. Cramer praised the products made in the prison and argued that the prison experience showed that ‘the Javanese quickly understands [the art of] weaving with power looms, which requires attentiveness and skill rather than effort.’\(^40\) To lend extra force to his argument, he pointed out that the Director of the Cirebon prison and the inspector of the prison system were both ‘textile experts’.\(^41\) Cramer did not receive much support from his fellow-Europeans. They dismissed his ideas as a utopia. They were convinced that for some time to come industrialization would still have to depend on initiatives from the European community and that native society was not yet ripe for such endeavours. Such a view prompted Cramer to blame the government for having taken no initiatives to develop native industry in the past.\(^42\)

Indië Weerbaar found itself in the spotlight in the discussion about the economic independence of the Netherlands Indies. The war had made people realize that dependency on imports could be a dangerous liability. Abdoel Moeis and Dwidjosewojo and other propagandists of Indië Weerbaar stressed that military force was not the only factor on which a country’s defence should rest. Economic strength and the improvement of educational opportunities were essential elements in the colony’s ability to withstand a foreign threat. Van Hinloopen Labberton argued that resilience was far more than a matter of soldiers and arms, it embraced economic development and the promotion of science. War created some opportunities towards accomplishing this. In exchange for Indonesian support for the establishment of native militia, the Netherlands Indies was not only to be given a People’s Council; it also was granted a technical university.

The appeals for economic development were also voiced by Van Aalst and other businessmen in Holland. In contrast to people in the Netherlands Indies, they only wanted to go a limited way. They did not pay much attention to the implication that the colony should gain a larger degree of economic and political independence from Holland. Criticizing this position, Batavia regularly

\(^39\) Volksraad 1918-19:310, 359.
\(^40\) Volksraad 1918-19:361.
\(^41\) Volksraad 1918-19:361.
\(^42\) Volksraad 1918-19:453.
complained that industry in Holland was very hesitant to invest capital in the
development of industry in the colony or to share its knowledge for this pur-
pose. Nevertheless, one important initiative was taken in Holland. Van Aalst
was convinced of one thing at least: natives should learn how to grow ‘good
sugar and good coffee’ and had to develop technical, agricultural, and com-
mercial expertise. To contribute to this Van Aalst took the initiative of having
members of the Dutch business community collect 3 million guilders for the
establishment of a technical college in the colony. Van Aalst called the college
a token of the sympathy in Holland for the population of the Netherlands
Indies.

The good news was announced by Van Aalst during the visit to Holland
of the Indië Weerbaar deputation. On this occasion he and Abdoel Moeis had
toasted to each other’s health. Van Aalst had a glass of champagne in his hand,
Abdoel Moeis a glass of mineral water. The words spoken reflected a particu-
lar contemporary spirit. Van Aalst had said: ‘We want to be brothers to you,
Mr Abdoel Moeis’. Abdoel Moeis had replied: ‘The Oriental will always grasp
the fraternal hand, Mr Van Aalst’.

Van Aalst’s ‘gift’ did occasion some resentment in Java. Nobody in the
colony had been consulted in advance. People in Holland had again decided
what was good for the colony. What they had in mind could well be unreal-
istic and not tally with the real needs of the colony. Expansion of a technical
middle cadre, of technical schools, might be what was required, not a college
for engineers. Businessmen in Holland, who were suffering from an attack of
remorse had to realize that the sudden feeding of a seriously undernourished
patient who had been neglected for years with toothsome sweets could only
lead to indigestion and a waste of money. The government’s Director for
Education and Religions, K.F. Creutzberg, agreed. Publicly he praised the idea
of a technical university as a ‘generous plan of a number of interested persons
in the Netherlands to make available a substantial sum of money for technical
education in the Netherlands Indies’. Whether he was really pleased was
a different matter. Still a few months earlier Batavia had rejected the estab-
lishment of a technical college and Creutzberg doubted whether it was wise
to establish institutions of higher education in the Netherlands Indies. The
small number of students who graduated each year from Dutch-style second-
ary schools did yet not warrant such a step. These views – illustrative of the
opinion held by Europeans in the colony that indigenous society was not yet
ripe for the establishment of institutions of higher education – did not deter

43 Koloniaal Tijdschrift 1917:797.
44 Volksraad 1918-19:346.
45 De Indische Gids 1917, I:61.
46 Volksraad 1918:262.
others from jumping at the opportunity offered. The inhabitants of Bandung took the most decisive action. They formed an Action Committee. In articles in the newspapers and in brochures, they launched a campaign to demonstrate that Bandung was the most suitable place for the school. Bandung had many technical firms within its urban boundaries and was the centre of a plantation belt where the estates applied new technology. They also made much of the fact that Bandung exuded a European atmosphere. The Javanese educated in the city would certainly benefit from this (Rottier 1917). In July 1920 the Indische Technische Hoogeschool opened its doors in Bandung. Among its first students was Soekarno, the future President of Indonesia, who enrolled the following year.