CHAPTER TWO

PRELUDE TO RAPID EXPANSION (1800–1884)

Private entrepreneurial activity was initially viewed with suspicion by the colonial government and therefore not encouraged. In the eyes of the administration private entrepreneurs were adventurers and fortune-hunters and their presence could not contribute to a profitable development of the colony. Directing the flow of money into the state coffers had absolute priority. As a result, it would take until the demise of the Cultivation System (1830–1870) before private trading business could really take off.

Though facing serious obstacles private entrepreneurship managed to persist. At first, British traders and planters played an important role. Their dominant economic position slowly declined after the advent of economic institutional progress. The establishment of the Nederlandsche Handel-Maatschappij (NHM) and De Javasche Bank (DJB) in the 1820s was crucial in this respect. Both institutions became a major lifeline of the economy. Chinese private commercial activity was just as indispensable by brokering between the different segments of colonial society.

The Colonial State and the Economy

The colonial state in Java came into being after the dissolution of the Vereenigde Oost-Indische Compagnie (VOC) on 31 December 1799. Established in 1602 in order to participate in the lucrative trade in Asian spices, the VOC managed to assert itself in a bustling commercial environment (De Houtman 1603; Van Leur 1955; Vogel 1992: 168–179). Aided by growing political influence the company developed into “a precocious multinational corporation with features of an Asian state.” (Dick et al. 2002: 44).1 The company concentrated its vast resources on

---

1 The literature regarding the history of the VOC is overwhelming, making it difficult to give an accurate overview. A good start are the standard publication of Gaastra (1991), Jonker and Suytterman (2000), and Jacobs (2002). Jacobs (2000) extensively covers the Asian trade of the VOC in the eighteenth century.
maritime trade throughout Asia with the primary goal of maximizing profits. A strong sense of purpose and the efficient methods employed to this end paid off as the VOC turned out to be very successful. Business encouraged the company’s territorial ambitions, as it responded to the need of protecting its trading objectives and possessions. Still, financial considerations kept these territorial ambitions in check.

The VOC organization had a high level of centralization. The company was headed in Asia by the Gouverneur-Generaal (Governor-General or GG) whose orders emanated from Batavia, located on Java’s northwest coast. The company’s influence spread from there, although its territorial sway within the Indonesian archipelago remained limited to Java and the Moluccas (Abeyasekere 1987: 3–47; Dick et al. 2002: 44). The VOC empire went into decline in the second half of the eighteenth century.2 Following the Fourth Anglo-Dutch War (1780–1784) which crippled the company’s business and nearly bankrupted it, financial difficulties proved insurmountable. Despite reorganization attempts the VOC became insolvent and on 1 March 1796 the administration of its possessions was handed over to a government committee.3 A few years later the VOC was formally dissolved (Somers 2005: 81–87).

With the demise of the VOC the Dutch role in Asia contracted to exploiting the economic resources of Java and the company’s complex trading system was replaced by a dominant trading link with the Netherlands. However, changing the VOC-style administration into a modern, rational bureaucracy took much time and effort.4 The new Dutch colonial state inherited an eighteenth century administrative and political structure characterized by corruption, factionalism, and

---

2 A discussion of the downfall of the VOC and the possible causes can be found in Jacobs (2000: 15–17) and Mack (2001: 41–46). Dillo (1992) discusses the final period (1783–1795) of the VOC’s existence at length.

3 At this point the company’s debt totalled f134,701,868. With shareholders being offered a compensation of f6,440,000 the total amount would ultimately reach f141,141,993 (De Bree 1928–1930: II 53).

4 To what extent the administration of the Dutch Republic and/or Kingdom can be characterized as ‘modern’ is questionable. Whereas the Republic’s economy has been characterized as ‘modern’ the administration was only partly centralised after the Napoleonic reforms. It would take the better half of the nineteenth century before the Dutch state had overcome the so-called institutional impotence of the Republic (De Vries and Van der Woude 1993: 789–806; Van Zanden 1987: 116–123).
patrimonialism.5 The transformation of the Dutch colonial state was undertaken by H.W. Daendels and Thomas Stamford Raffles.6

Herman Willem Daendels was Governor-General of the Netherlands-Indies from 1808 till 1811. A supporter of Napoleonic political reform, he was the right candidate for the French who occupied the Netherlands. Daendels swiftly reorganized the central and regional colonial administration. He created the Generale Secretarie (General Secretariat) which formed the centre of his administration and formulated main policy. The Raad van Indië (Council of the Indies) was stripped of its legislative power and became a consultative body. Java’s territory was divided into districts, or Residenties (Residencies), which were headed by a Resident ( Resident) (Cribb 2000: 123). The Resident was a European civil servant, responsible for many tasks from agriculture to the administration of justice. An important improvement was the introduction of fixed salaries and precise instructions to curb the old discretionary powers of colonial civil servants.

With the spilling over of the Napoleonic wars into the Indonesian archipelago, the British took over the Dutch possessions and appointed Thomas Stamford Raffles as Lieutenant-Governor-General (1811–1816). Raffles maintained and refined the principal features of Daendels modernized administration. He introduced a new tax system that would replace the VOC system of compulsory labour services, the levying of taxes in kind (mostly rice and teak), and forced deliveries of monopoly products such as coffee, sugar, cotton, and indigo. In 1813 the land rent system was introduced which taxed the possession of land, obliging farmers to give up two-fifths of the proceeds of their (rice) harvests either in kind, or preferably, in cash (Boomgaard 1989: 32–34; Brown 1997: 96–98).

Daendels and Raffles also curtailed the powers of the Regenten (Javanese district chiefs, known collectively as priyayi) as intermediaries

5 According to Boomgaard, the Governor-General and his advisory council formed “a quasi-oriental court with far-reaching, ‘despotic’ powers, and the pomp and splendour to match.” Emphasizing the parallel between the ‘court’ of the Governor-General and the kraton (palace) of the Javanese princes, he claims that both could be regarded ‘family governments’. The high court nobles and the princes were often related by marriage, while the same applied to the Governors-General and their high officials (Boomgaard 1989: 14). See also Blussé (2000b) for a description of diplomatic ritual at Batavia during the VOC era.

between the European civil service and the Javanese peasantry, while direct contact with village heads was enhanced (Ricklefs 2001: 150; Stevens 1982: 48, 52.) After the restoration of Dutch rule to Java in 1816, the *Binnenlandsch Bestuur* (Interior Administration or BB) was built up around the *Resident*, the *Assistent-Resident* (Assistant Resident) and the *Controleur* (Inspector). Alongside the European hierarchy functioned an indigenous one (*Pangreh Praja*) with the *Regent* at the top, the *Wedana* (district head) in the middle, and the *Lurah* (village head) at the bottom. Colonial policies were implemented sideways by communication between European and indigenous officials of comparable rank (Dick et al. 2002: 60, 115; Sutherland 1973: 54–93, especially 54–63).\(^7\)

Daendels' and Raffles' attempts at reform strengthened the state and contributed to rising costs of the Dutch administration in Java. These increased expenses could not be met by the colony itself for the government's finances in Batavia were in an alarmingly sorry state. The Dutch colonial possessions were causing a large annual deficit,\(^9\) whereas the financial position of the Netherlands in the aftermath of Napoleon's defeat was equally bad, and deteriorating. Profit from Java became absolutely essential. (Creutzberg 1976: 16–17; Ricklefs 2001: 155; Van Baardewijk 1993: 11).

How to achieve this? In line with the reforms, an interventionist state came to replace the personal fiefs of VOC officials, who had depended far more heavily upon the cooperation of the ruling indigenous elite.

---

\(^7\) The *Controleur* was the representative of the colonial civil service *par excellence*. Standing at the lowest level of the European colonial administration he was entrusted with a range of tasks. His workload included police matters, taxes (assessment, collection and payment), cultivations (general condition, irrigation, tests, harvest, sale, market prices), agrarian concerns (exploitation, rights of ownership, lease of land), labour services (maintenance of roads, canals, etc.), live stock (diseases, feed, theft) and the state of public health. To attend to all these matters with equal diligence was an enormous task as the number of duties was excessive while many required specialist attention (Dick et al. 2002: 115; Van Doorn 1996: 106).

\(^8\) See Van den Doel (1994) for a description of the *Binnenlandsch Bestuur* between 1808 and 1942 and De Graaff (1997) for its counterpart in the Netherlands, the *Ministerie van Koloniën* (Ministry of Colonies). Sutherland (1973, 1979) gives an account of the changes within the indigenous civil service (*Pangreh Praja*) showing how the Javanese *priyayi* responded to them.

\(^9\) Between 1816 and 1829 government spending greatly exceeded the revenue derived from Java's export trade which was virtually the only source of public income. Accumulated deficits amounted to ₣37,700,000 in 1829. As a result, the colonial government would keep expenditures within the colony to a minimum for decades to come. According to Fasseur, the administration showed an unbelievable frugality with expenses limited to the extreme (Booth 1998: 138–139; Creutzberg 1976: 17; Fasseur 1975: 37–40).
This powerful position would lead the Dutch to seek the solution to their pressing financial problems in a mobilization of the indigenous economy to their own advantage. But before they could do so, they had to mobilize all their resources following the outbreak of the Java War in 1825.

The increasing intervention by colonial officials in Java's economy and society unleashed a prolonged uprising in Central Java led by Pangeran (Prince) Dipanegara which cost at least 200,000 Javanese lives and saw the population of Yogyakarta reduced by half. To win this war the colonial government spent between ƒ20 and ƒ25 million, constituting the biggest drain on its expenditure and greatly adding to its already severe financial difficulties (Creutzberg 1976: 17; Diehl 1993: 197). After the conclusion of the war in 1830, the Javanese rulers were stripped of valuable territories although their kingdoms – known as the Principalities – remained semi-independent (Bongenaar 2005: 51–53, 685–688). From now on the Dutch could implement their policies in Java undisturbed and with little restraint for the sensitivities of the indigenous population (Cribb 2000: 114; Dick et al. 2002: 57; Ricklefs 2001: 150–154).10

The economy of Java at the beginning of the nineteenth century was no subsistence economy. During the VOC-period substantial production for the market had come into existence. Most of what Java produced was still meant for the island's internal market, but production for the interinsular market and the world market was quite significant. Cash crops such as coffee, sugar, cotton and pepper were cultivated, bought up by traders and transported to the coast (Jacobs 2002: 538–539; Kwee Hui Kian 2006:26, 190–195). As a result, Java's interior had a dense market network with permanent markets at the district level and village markets operating weekly.11 Maritime trade was equally vibrant with the private sector accounting for 60% of turnover in the 1770s against 40% for the VOC (Kwee Hui Kian: 26–28).12

10 The main reasons for the outbreak of the Java War are described in Houben (1994a: 10–14). He also provides an elaborate treatment of the war's aftermath and the serious consequences suffered by the Javanese elite. According to Houben it is doubtful whether the Javanese rulers after 1830 could still be considered serious bargaining partners of the Dutch (Houben 1994a: 17–71).
12 The private sector consisted of Chinese and indigenous skippers (predominantly Javanese) with the former accounting for about 30% of the number of skippers and 40–50% of the volume of shipping. The corresponding figures for the Javanese amounted to approximately 40% of the number of skippers, with 25% of the total shipping volume (Knaap 1996: 174, 177, 208–209).
The labour required to support this economic activity was supplied by Java's indigenous population, estimated at 5.6 million in 1820 and 19.5 million in 1880. Since the level of urbanisation at the time was very modest, the majority of this population – consisting mainly of Javanese and Sundanese – lived in the countryside. The European and Chinese population lived mostly in urban surroundings and constituted only a tiny minority within the larger population. In 1820 the number of Europeans in Java approached 9,000 which would increase to almost 34,000 in 1880. The Chinese population in Java numbered approximately 64,000 in 1820 against 207,000 in 1880. When compared with the indigenous population the European and Chinese presence amounted to only 0.15% and 1%. However, immigration from China during the seventeenth and eighteenth century ensured that in the port towns of Java's north coast (Pasisir) Chinese traders became more numerous than indigenous ones (see Map 3 and 4). With the continuation of this migratory pattern Chinese accounted for no less than 26% of Batavia's and 17% of Semarang's urban population in 1890 (Boomgaard 1989: 166; Boomgaard and Gooszen 1991: 98–110, 122–127, 131–135, 219–221; Kong Yuanzhi 2005: 270).

Like all ethnic minorities within the Netherlands Indies, the Chinese were administered by their own leaders in areas where they lived in large concentrations. These community leaders were appointed by the Dutch and given the military titles of Majoer (Major), Kapitan (Captain), or Luitenant (Lieutenant). Officers – men of power and wealth – were officially vested with executive, administrative and even limited judicial powers within their communities. This system of representation provided a link between the immigrant Chinese communities and the colonial and indigenous authorities.

Mediation of this kind was a product of the indirect rule which the authorities found easiest to maintain. The officer system was placed under the colonial local administration as a counterpart to the system of indirect rule of the indigenous population. The indigenous administration was called the Inlandsch Bestuur, while the local administration over the Chinese came to be known as the Chineesch Bestuur, part of the administration of the so-called Vreemde Oosterlingen (Foreign Orientals). The latter included the Arabs, Moors (Indian Muslims) and the Bengalis, who were also administered by their own headmen. However, the Dutch gave

---

13 Referring to the population of Java, whether indigenous or non-indigenous, the numbers include population figures for the small island of Madura off the north-eastern coast of Java.
considerably more attention to the *Chineesch Bestuur*, since the Chinese presence was of far greater economic significance (Lohanda 1996 and 2001; Wu Xiao An 2003: 20–21).14

Throughout the nineteenth century the Chinese played an important role in the economic sphere, acting as a broker between the Javanese peasant, the colonial sector and the world market.15 Their orientation towards business as well as their access to intra- and extra-archipelago trade networks was vital in this respect (Blussé 1986: 3; Kwee Hui Kian 2006: 27). The Chinese had fulfilled this intermediary role ever since the founding of Batavia by Jan Pieterszoon Coen in 1619. They were in an excellent position to tap the flow of Chinese commodities imported into Java by way of Batavia, and supplied the VOC with Javanese products that had to be bought on the open market.

Their economic position was further enhanced by the fact that within the regions belonging to the VOC the taxation of trade was often left to Chinese entrepreneurs on account of their trading experience and widespread business networks. They were expected to perform better in exacting the obligatory tax percentages than their Javanese counterparts.16 This highly profitable co-operation was intensified in the nineteenth century when other taxes levied by the colonial state, such as the opium and pawnshop tax, were collected by Chinese. It has been estimated that these so-called revenue farms contributed 15–25% of total revenue collection between 1816 and 1885 (Booth 1998: 308; Dick et al. 2002: 73–75; Knaap 1996: 176–177).

**Changing Perspectives: Government and Private Initiative**

The development of colonial economic policy in the nineteenth century can be divided into three phases: a trial and error period in the years...
before 1830, government-led exploitation (with strong regional differences) through the *Cultuurstelsel* (Cultivation System) between 1830–1870 and a period of *laissez-faire* liberalism in the years after 1870 (Dick et al. 2002: 63).

After the British interregnum had come to an end, a period of economic experimentation commenced during which various proposals aimed at improving the colony’s financial state were contemplated (Booth 1998: 137–138; Mack 2001: 50–60; Van Niel 2005: Chapter 8). The establishment of a settlement colony was given careful thought, but ultimately rejected (Van Baardewijk 1993: 12). The Dutch possessions in the archipelago would remain a trading colony and trade would constitute the main element in reforming the colony’s finances. The difficulty, however, lay in transferring money. Silver coinage was scarce and the more common copper coins unusable in the Netherlands. The only way to redress the negative balance of trade was to remit cash crops to the Netherlands of equal value to the burden of the colony’s debt. This entailed the procurement of tropical produce at the right volume and price in order to make a profit (Van Baardewijk 1993: 12; Ricklefs 2001: 155).

The proposals of J. van den Bosch – Governor-General from 1830 till 1833 – formed the basis of the Cultivation System. Its basic notions stemmed from the land rent system which however did not generate sufficient returns in the eyes of Dutch policy makers. Van den Bosch reduced the share of land that had to be ceded for taxation purposes from two-fifths to one-fifth. However, instead of rice the peasant would have to cultivate, harvest and deliver cash crops chosen by the colonial government against a set price. With the payment (*plantloon*) they received, they

---

17 A striking example of this enduring situation can be found in the memorial volume of Reynst & Vinju – one of the oldest Dutch trading companies in the Netherlands Indies. In 1838 an associate of the company, A.A. Vinju, was not able to transfer money to his wife in the Netherlands. His solution was to buy sugar on personal account which he sent to Rotterdam. His wife would receive the required cash upon the sale of the sugar. In doing so, Vinju essentially followed the same procedure as the government (Godée Molsbergen 1935: 13).


19 Although export production did increase before 1830, the returns to the Dutch exchequer were relatively low, partly because public expenditure within the colony was disproportionately high due to the Java War.
could settle their land rent obligations. Producing these export crops for sale at fixed prices eliminated the problem of cash remittances and increased government revenue by profitably marketing these crops. In order to stimulate production European and Javanese officials were paid cultuurprocenten, constituting a percentage of the cash crop value delivered to the government in their districts.

Seen from the Dutch point of view, the Cultivation System achieved immense profitability. Essentially, it was a system of compulsory delivery with Javanese and Sundanese labour as its main input. It required peasants to be tied to their villages and regulations were introduced prohibiting the indigenous population from travelling without official permission (Cribb 2000: 137). What made the Cultivation System a success was the availability of a large labour force fuelled by population growth. The system itself was by no means revolutionary. The agricultural and administrative techniques used were traditional, optimized by the intake of an underutilized natural resource: labour. With the removal of the labour constraint through the brutal but effective use of force this economic deadlock was, at least partially, overcome.

With Van den Bosch, profitability came to constitute the main principle of government. Of all the export crops coffee was consistently the most profitable, closely followed by sugar and indigo, with tea and tobacco at a considerable distance. However, the Cultivation System ran into trouble as early as the 1840s when rice shortages appeared, caused partly by competition of export crops (especially sugar cane) for arable land and the supply of water. The sustainability of the system began to be doubted and arguments in favour of free labour and private entrepreneurship were increasingly voiced (Van der Meulen 2002: 341–350: Wertheim 1956: 235–238). Profitability however remained high, especially after 1850 when

---

20 According to Boomgaard, the basic assumption of the system was that Javanese society generated insufficient incentives for the production of cash crops for the European market. Therefore the Javanese had to be ‘persuaded’ to dedicate part of their land (one-fifth) and part of their labour (one-fifth) to the cultivation of coffee, sugar, and indigo. However, contrary to Van den Bosch’s original plan, the land rent continued to be levied on top of the compulsory cultivation of cash crops and traditional corvée labour services (heerendiensten). Hugenholtz (1994) claims that Van den Bosch disliked the land rent system, but was obliged to maintain it as it proved essential for the smooth running of the system of forced cultivation.

21 Between 1832 and 1852 colonial benefits constituted 19% of Dutch state revenue. Between 1860 and 1866, one-third of Dutch state revenue derived directly from the Cultivation System (Dick et al. 2002: 65).
the world market price for coffee and sugar rose sharply. The Cultivation System was therefore dismantled only very gradually.

The Cultivation System was primarily implemented in Java where it was unevenly distributed. The burden of the system was carried by the inhabitants of East Java, the northern littoral and the Preanger region in West Java. Private plantations in West Java and the Principalities (South Central Java) constituted another parallel system of production for the world market. These estates, with quasi-feudal rights over the resident population, enjoyed virtual autonomy from the colonial administration. Their owners – mainly Eurasians and Chinese – collected land rent in the form of (export) crops and/or labour services. Therefore, two Java’s can be distinguished after 1830: one under the land rent system, and one under the Cultivation System. Until approximately 1855, the latter was the larger of the two. After that, peasants increasingly fell under the land rent system again which amounted to a return of the period before 1830.

The year 1870 marked the switch from a conservative policy of state-run cultivation to a liberal phase with more opportunities for private enterprise (Wertheim 1966: 3–4). The Agrarian Law of that year allowed European entrepreneurs to rent sawah (wet rice) land from the indigenous population on an annual basis, while waste land (woeste gronden) or ‘uncultivated’ land could be leased from the colonial government for a maximum period of 75 years (Idema 1924: 6–10). With the promulgation of this law the Cultivation System officially became a thing of the past, although the process would take decades to complete. The final

---

22 According to calculations by Van Zanden and Van Riel (2000: 223) the Cultivation System’s total net profits during the period 1831–1870 amounted to f 923.3 million, i.e. 1831–1840: f 150.6 million; 1841–1850: f 215.6 million; 1851–1860: f 289.4 million; 1861–170: f 276.7 million.

23 The plantations in West Java were mainly situated in Batavia’s surroundings with the exception of the colossal Pamanoekean & Tjiasem estate, located between Batavia and Cirebon. A map depicting the situation in 1900 can be found in Cribb (2000: 126). See Houben (1994a: 294) for a map of the distribution of plantations in the Principalities around 1837.

24 Eurasians were of mixed European/Asian descent. In the nineteenth century approximately 80% of the European population of the Netherlands Indies was born in the colony, most of whom had one or more indigenous ancestors. In the 1930s this percentage still stood at 70%. The sociologist W. Wertheim has estimated that in 1942, with the colony’s total population at 90 million, 8 million to 9 million inhabitants had one or more European ancestors, even though only 220,000 were officially endowed with European status (Bosma and Raben 2003: 33; Gouda 1995: 165; Groeneboer 1998: 302).

25 It was not until 1919 before the last remnants of the system (the forced cultivation of coffee) were finally eradicated. Sugar was dealt with separately in the Sugar Law of 1870 which saw the forced cultivation of sugar cane gradually phased out between 1878 and 1891.
outcome was inevitable since the colonial state grew stronger towards the end of the nineteenth century. It could now introduce a new system of exploitation which heavily depended upon its ability to guarantee security of land, labour and property to private investors and entrepreneurs. These would henceforth be entrusted the task of growing profits from Java’s soil.26

Infrastructural Developments

The dismantling of the Cultivation System together with the law changes of 1870 were of vital importance to the development of private enterprise. This process was encouraged by a number of revolutionary changes in transport and communication during the second half of the nineteenth century (Jonker and Sluyterman 2000: 194–196; Kallioinen 2004).27 Connections within the archipelago and between the Netherlands Indies and Europe intensified as a result of more reliable and faster communication services. In 1844 the transport of passengers and mail was improved by the opening of the so-called ‘overland mail’, enabling passengers to disembark in Alexandria and travel over land to Suez where another ship would be waiting. The journey from the Netherlands to the Indonesian archipelago was thus reduced from eighty to fifty days. The opening of the Suez Canal combined with the rapid development of steam shipping further reduced travel time to 40–45 days which also benefited the cargo trade (Hogesteeger and Tutert 1995: 27–49; Van der Meulen 2002: 355–361).

In 1870 the Stoomvaartmaatschappij ‘Nederland’ (SMN) started to operate a regular steam shipping service between Amsterdam and Batavia, followed in 1875 by the Rotterdamsche Lloyd (RL) (De Goey 1991; De Goey and Van de Laar 1995: 40, 49). Towards the end of the century it took these companies little over a month to reach their destination. The advent of steam shipping saw a remarkable increase in speed, as well as volume and regularity. The steady improvement in connections inspired

---

27 The impact of steam navigation and telegraphy on the conduct of Singapore’s entrepot trade as described by Wong Lin Ken (1960: 169–175) shows how revolutionary these changes were. He points out that the faster and more reliable transportation of bigger cargoes, in combination with quick transmission of commercial intelligence and orders changed the trading business fundamentally. Goods could now be bought and sold while they were in transit across the oceans and with the same capital firms could now engage in a larger volume of business. See also Tagliacozzo (2005: 77–82, 86–87).
newspapers, in the Netherlands and Java, to start printing mail editions as early as the 1850s in order to keep the general public as well as the business community informed about events in the colony and mother country (Hogesteeger and Tutert 1995: 51–80; Huijts and Tils 1994: 57–73; Termorshuizen 2001: 83–84).

Within the colony the first private steamship lines connecting the islands of the Indonesian archipelago were introduced in 1850. This important service was provided by the British owned Nederlandsch-Indische Stoomvaart Maatschappij (NISM) from 1865 till 1890, after which the company’s operations were taken over by the Koninklijke Paketvaart Maatschappij (KPM) – a joint initiative of the SMN and the RL and strongly favoured by the colonial administration for being a Dutch enterprise (à Campo 1992: 40–74).28 With the support of the government the KPM managed to build up an intricate network of shipping lines covering the whole archipelago. In the process of doing so the company became inextricably linked to the ongoing Dutch territorial expansion and economic penetration of the Outer Islands (à Campo 1992: 215–220, 624–627; Cribb 2000: 141).

Business life in the colony also received an impulse from the introduction of the telegraph. The year 1870 saw the establishment of the telegraph line Batavia-Singapore which hooked up with the already existing connection between Singapore and London. Though expensive, the telegraph was immediately recognized as an invaluable means of information gathering. By sending telegrams important business information concerning import and export data, price movements, market prospects and preferences, political developments, harvest estimates, debtors, bankruptcies, etc. could swiftly be exchanged and reacted upon.29 The ability to transmit orders and receive information in a short space of time also enabled firms in Europe to act more as principals and restrain the freedom of their agents and branch offices operating in Asia (Wong Lin Ken 1960: 173).30

---

28 See also www.theshipslist.com.
29 See Simons and Tophoven (1994) for a description of the detailed flow of information between a Dutch textile manufacturer and its trading representative in the Netherlands Indies during the period 1875–1881. On the same topic and company see Fischer, Van Gerwen and Winkelman (1991: 98–112, especially 101). The account of Fischer and Nordvik on the Norwegian shipbroking firm Fearnley and Eger is equally instructive. It describes how and at what cost information was gathered and, even more tellingly, how bar conversations and gut feelings often took precedence over the hard evidence that had been hunted so keenly (Fischer and Nordvik 1994: 1–29).
30 This was a common problem within colonial business conditions of the time. Effective supervision was difficult because of the distance which contributed to the independent attitude of agents and branch offices.
In 1870 there were as many as 35 telegraph offices spread all over Java. The rest of the colony was less well served with only 5 offices operative in South Sumatra at the time.

The same applied to the postal services with 71 post offices in 1870 throughout Java against a total of 17 offices in the Outer Islands. Railway development during the late nineteenth century was confined to the island of Java and Sumatra. The first railway track was constructed in Central Java in 1873 and by 1894 it was possible to travel by rail between Batavia and Surabaya. With regard to roads Java could boast approximately 24,000 km of roads in 1903 against almost 13,000 km of roads in the rest of the archipelago (Cribb 2000: 140). These figures show that Java’s infrastructure was developing fast during the last quarter of the nineteenth century and it is therefore hardly surprising that the island proved to be the breeding ground of private entrepreneurial initiative after 1870. This is illustrated by the fact that Java accounted for almost 80% of all exports leaving the colony in 1894. Only in the second half of the 1890s exports from the Outer Islands began to grow faster than exports from Java (Dick et al. 2002: 102; Lindblad 1989c).

The Resilience of Private Enterprise

Private enterprise did not operate under favourable conditions before 1870. This does not mean that the government monopolized the colonial economy. Cultivation System and private enterprise did not exclude each other as shown by the astonishing development of Java’s cane sugar industry. Here state initiative and private entrepreneurship complemented each other, making it the second largest in the world after Cuba (Bosma 2005: 3–7, 27; Knight 1993: 7–12; Leidelmeijer 1997: 23–24, 260–261, 276–278). Private enterprise did not disappear, although its progress can be dated no earlier than 1850 (Anderson 1983: 489). Government and private exports already equalled each other in value in 1860, but it would take another 20 to 30 years for the private sector to start pulling the weight of the economy. By 1885, the value of private exports was ten times higher.

---

31 PU/BOW Library 2603.
33 During the period 1875–1905 total colonial expenditure on infrastructural improvements amounted to $181 million on railways, $36 million on harbours and $59 million on irrigation works (Diehl 1993: 198).
than that of the government (Furnivall 1939: 168–169). Still, it was the Cultivation System that put Java on the map as a major export economy. The period 1830–1870 saw increases in both the volume and value of exports from Java. This export growth continued till the 1870s and was accompanied from 1850 onwards by a rapid monetisation of the economy.34

Trading Enterprise Resurfacing

Commercial activity in the colony revived after the administrations of Daendels and Raffles had ended. Apparently there was still an extensive field of operation for the various trading companies. Under the British, and right after the return of the Dutch, several trading companies and a number of plantation companies were established. The former mainly in Batavia, but also in Semarang and Surabaya. The latter primarily in the Javanese principalities. In 1816 Batavia counted ten European (English and Dutch) and three Armenian trading companies,35 while Semarang and Surabaya had three European trading companies each (Booth 1998: 253; Van Enk 1999; Van den Berg 1907: 274, 276).

This initial period involved much pioneering – characterized to a high degree by trial and error – since a more institutionalized environment was lacking. Many Dutch trading-companies were established, but most collapsed after only a few years in business (Mansvelt 1938: 3, 12).36 Especially, since their competitors – above all of British origin – were in a much better position to bargain. After all, the Dutch had been virtually cut off from the colony for about 20 years from 1795 till 1815 (Gaastra & Emmer 1977: 280; Oosterwijk 1996: 35–36, 47). In the meantime, British trading firms

---


35 Unfortunately, the history of the small Armenian (business) community in the Netherlands Indies remains to be written. The National Archive in The Hague houses the collection Joseph which contains the raw material for such an endeavour (NA/Collection Joseph, especially No. 4 and 10).

36 Most Dutch ventures persisted in following the methods dating from the times of the VOC. Thereby, a ship would be equipped with the goods the Dutch had to offer for export; usually victuals, garments and luxury items for the European population of the colony. Once the harbour of destination was reached, the cargo had to be sold and the search for return freight commenced. If competitors had been there recently, demand and supply frequently did not match and chances were great that the partners in these ventures had to take a loss, or were forced to abandon the trading business altogether (Mansvelt 1924: I 43–44).
had acquired great knowledge about the indigenous markets, and established many trading connections.\footnote{For instance, in 1823 the English trading firm Thornton in Batavia invariably succeeded in persuading the Chinese to buy its imported textiles by offering lower prices and longer credits. The head of the company, the widow Mrs. Thornton, was said to have an extraordinary command of dealing with the Chinese. According to the author of these lines, this required intimate knowledge of the Chinese character traits (Godée Molsbergen 1936: 7).}

In the case of Java, British exports were aimed at the indigenous population. This huge market had infinitely more possibilities than the much smaller European one. Backed by a massive industrial output – ensuring a steady supply of cotton cloth to cater for a growing indigenous demand – profits accrued,\footnote{According to Mansvelt, the British managed to make profits of about 100% to 150% on their exported textiles (Mansvelt 1924: I 54).} allowing the British to bid higher prices for return freights. Upon the restoration of Dutch power in Java, British commercial houses commanded the trading business. In addition to English and Scottish trading firms, there were American and to lesser extent Armenian and Arab companies active. In the 1850s, these were supplemented by a number of German traders. Foreign traders would retain their prominent position in the Netherlands Indies at least until 1860, although their relative importance did diminish gradually.\footnote{See Bosma (2005), De Bree (1928–1930: I 79, 145, 168), Mansvelt (1938: 5–6, 10–12), Stevens (1982: 203, 207–215), TNI (1842: I 218–219).}

Tables 2.1–2.4 document the dominant position of foreign trading companies at least until 1840. Between 1817 and 1828 foreign traders on average accounted for approximately 60% of the total number of trading firms active in Batavia.\footnote{Of the 222 Europeans registered as merchant in Java between 1819–1823 only 17% had been born in the Netherlands, whereas 25% originated from England, Ireland and/or Scotland (Bosma 2005: 11).} This percentage rose to 66% of all trading companies operating in Batavia during the period 1829–1840. The situation in Surabaya and Semarang between 1829 and 1840 was more balanced with foreign businesses accounting for 53% and 48% of all trading enterprises. Batavia was the colony’s undisputed centre of trade. On average there were 41 trading companies active in Batavia during the period 1829–1840 against 17 in Surabaya and 14 in Semarang. The Dutch element within the trading business remained significantly smaller (40%) than the foreign one (60%) for the period studied (Mansvelt 1938: 6).

Naturally, the Dutch were not very comfortable with this situation. A number of restrictions were therefore proposed to hinder foreign trade
Table 2.1. Trading companies in Batavia (1817–1828).

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Foreign</th>
<th>Dutch</th>
<th>%¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>1817</td>
<td>14</td>
<td>9</td>
<td>5</td>
<td>36</td>
</tr>
<tr>
<td>1818</td>
<td>14</td>
<td>8</td>
<td>6</td>
<td>43</td>
</tr>
<tr>
<td>1819</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>1820</td>
<td>13</td>
<td>5</td>
<td>8</td>
<td>62</td>
</tr>
<tr>
<td>1821</td>
<td>16</td>
<td>12</td>
<td>4</td>
<td>25</td>
</tr>
<tr>
<td>1822</td>
<td>21</td>
<td>13</td>
<td>8</td>
<td>38</td>
</tr>
<tr>
<td>1823</td>
<td>24</td>
<td>17</td>
<td>7</td>
<td>29</td>
</tr>
<tr>
<td>1824</td>
<td>26</td>
<td>17</td>
<td>9</td>
<td>35</td>
</tr>
<tr>
<td>1825</td>
<td>44</td>
<td>27</td>
<td>17</td>
<td>39</td>
</tr>
<tr>
<td>1826</td>
<td>40</td>
<td>24</td>
<td>16</td>
<td>40</td>
</tr>
<tr>
<td>1827</td>
<td>28</td>
<td>13</td>
<td>15</td>
<td>54</td>
</tr>
<tr>
<td>1828</td>
<td>27</td>
<td>15</td>
<td>12</td>
<td>44</td>
</tr>
</tbody>
</table>

¹ The percentage of Dutch trading companies compared to the total number of trading companies.

Table 2.2. Trading companies in Batavia (1829–1840).

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Foreign</th>
<th>Dutch</th>
<th>%¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>1829</td>
<td>36</td>
<td>26</td>
<td>10</td>
<td>28</td>
</tr>
<tr>
<td>1830</td>
<td>36</td>
<td>26</td>
<td>10</td>
<td>28</td>
</tr>
<tr>
<td>1831</td>
<td>33</td>
<td>24</td>
<td>9</td>
<td>27</td>
</tr>
<tr>
<td>1832</td>
<td>38</td>
<td>24</td>
<td>14</td>
<td>37</td>
</tr>
<tr>
<td>1833</td>
<td>41</td>
<td>27</td>
<td>14</td>
<td>34</td>
</tr>
<tr>
<td>1834</td>
<td>43</td>
<td>28</td>
<td>15</td>
<td>35</td>
</tr>
<tr>
<td>1835</td>
<td>44</td>
<td>29</td>
<td>15</td>
<td>34</td>
</tr>
<tr>
<td>1836</td>
<td>44</td>
<td>29</td>
<td>15</td>
<td>34</td>
</tr>
<tr>
<td>1837</td>
<td>52</td>
<td>35</td>
<td>17</td>
<td>33</td>
</tr>
<tr>
<td>1838</td>
<td>45</td>
<td>29</td>
<td>16</td>
<td>36</td>
</tr>
<tr>
<td>1839</td>
<td>41</td>
<td>25</td>
<td>16</td>
<td>39</td>
</tr>
<tr>
<td>1840</td>
<td>39</td>
<td>22</td>
<td>17</td>
<td>44</td>
</tr>
</tbody>
</table>

¹ The percentage of Dutch trading companies compared to the total number of trading companies.
Table 2.3. Trading companies in Semarang (1829–1840).

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Foreign</th>
<th>Dutch</th>
<th>%1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1829</td>
<td>13</td>
<td>9</td>
<td>4</td>
<td>31</td>
</tr>
<tr>
<td>1830</td>
<td>13</td>
<td>9</td>
<td>4</td>
<td>31</td>
</tr>
<tr>
<td>1831</td>
<td>14</td>
<td>9</td>
<td>5</td>
<td>36</td>
</tr>
<tr>
<td>1832</td>
<td>14</td>
<td>9</td>
<td>5</td>
<td>36</td>
</tr>
<tr>
<td>1833</td>
<td>15</td>
<td>5</td>
<td>10</td>
<td>67</td>
</tr>
<tr>
<td>1834</td>
<td>15</td>
<td>5</td>
<td>10</td>
<td>67</td>
</tr>
<tr>
<td>1835</td>
<td>15</td>
<td>4</td>
<td>11</td>
<td>73</td>
</tr>
<tr>
<td>1836</td>
<td>15</td>
<td>4</td>
<td>11</td>
<td>73</td>
</tr>
<tr>
<td>1837</td>
<td>13</td>
<td>6</td>
<td>7</td>
<td>54</td>
</tr>
<tr>
<td>1838</td>
<td>13</td>
<td>6</td>
<td>7</td>
<td>54</td>
</tr>
<tr>
<td>1839</td>
<td>17</td>
<td>9</td>
<td>8</td>
<td>47</td>
</tr>
<tr>
<td>1840</td>
<td>14</td>
<td>6</td>
<td>8</td>
<td>57</td>
</tr>
</tbody>
</table>

1 The percentage of Dutch trading companies compared to the total number of trading companies.

Table 2.4. Trading companies in Surabaya (1829–1840).

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Foreign</th>
<th>Dutch</th>
<th>%1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1829</td>
<td>14</td>
<td>5</td>
<td>9</td>
<td>64</td>
</tr>
<tr>
<td>1830</td>
<td>14</td>
<td>5</td>
<td>9</td>
<td>64</td>
</tr>
<tr>
<td>1831</td>
<td>18</td>
<td>9</td>
<td>9</td>
<td>50</td>
</tr>
<tr>
<td>1832</td>
<td>18</td>
<td>9</td>
<td>9</td>
<td>50</td>
</tr>
<tr>
<td>1833</td>
<td>18</td>
<td>9</td>
<td>9</td>
<td>50</td>
</tr>
<tr>
<td>1834</td>
<td>18</td>
<td>9</td>
<td>9</td>
<td>50</td>
</tr>
<tr>
<td>1835</td>
<td>23</td>
<td>13</td>
<td>10</td>
<td>43</td>
</tr>
<tr>
<td>1836</td>
<td>21</td>
<td>13</td>
<td>8</td>
<td>38</td>
</tr>
<tr>
<td>1837</td>
<td>15</td>
<td>8</td>
<td>7</td>
<td>47</td>
</tr>
<tr>
<td>1838</td>
<td>15</td>
<td>8</td>
<td>7</td>
<td>47</td>
</tr>
<tr>
<td>1839</td>
<td>17</td>
<td>11</td>
<td>6</td>
<td>35</td>
</tr>
<tr>
<td>1840</td>
<td>14</td>
<td>10</td>
<td>4</td>
<td>29</td>
</tr>
</tbody>
</table>

1 The percentage of Dutch trading companies compared to the total number of trading companies.

Source: Mansvelt (1938: 5).
and encourage Dutch trading enterprise. The principal aim was to favour imports from the Dutch textile industry (including the important Belgian one until the Belgian revolt in 1830) at the expense of the English (Korthals Altes 1991: 28; Van den Berg 1907: 277–279).

From 1818 trade to and from Java was placed under tight control. Batavia became the exclusive port of entry for imports, while exports could only be shipped from Batavia, Semarang and Surabaya. A system of differential duties was levied whereby Dutch imports and/or ships had to pay significantly less than their foreign counterparts. In 1823 the immigration law was sharpened while travel and residence regulations became severely restricted. In addition, land could from now on only be rented or bought by the indigenous population, Dutch citizens and Chinese born in the colony (Bosma 2005: 5–6, 27; Dick et al. 2002: 70; Stevens 1982: 191–195).

Other measures were taken as well. In August 1818 samples of textiles favoured by the Javanese and Sundanese were sent to traders and manufacturers in the Netherlands. The following month a goods exchange (De Bataviasche Beurs) was established in Batavia, and merchants met for the first time in their own building. Slowly, an economic framework started to emerge (Van den Berg 1895: 1599–1604; De Bree 1928–1930: I 129–131; Koch 1916: 15–16).

The Moulding of an Economic Framework: NHM and DJB

It would take the establishment of the Nederlandsche Handel-Maatschappij (NHM) in 1824 and De Javasche Bank (DJB) in 1828 to create an economic institutional framework in the Netherlands Indies. The founding of the NHM was preceded by years of discussion. After the bankruptcy of the VOC the idea of concentrating trade in the hands of one enterprise was never completely abandoned. The strong support of King Willem I – who acted as guarantor and participated for several million guilders – led to the birth of the NHM in March 1824. Amid great public attention $37,000,000 was raised which placed the company on a solid financial footing (Mansvelt 1924: I 64–73; Wijtvliet 1989: 97). Soon, the NHM became a large, Amsterdam-based commodity trading conglomerate.

\[41\] Mansvelt (1924) and De Graaf (2012) are the standard works on the NHM in the nineteenth century. The preamble to the inventory of the NHM archive provides a welcome introduction (in Dutch) to the company (Wimmer and Tempelaars, 1998).
From 1830 NHM operations included the shipment and sale of the Indies government's share of the output of the Cultivation System. This agreement saw the Government acting as a mega-producer and the NHM as its agent and provider of working capital. In return, the NHM was commissioned to transport and sell the yields in the Netherlands (Wijtvliet 1989: 97; Knight 1993: 10). The first decades of the NHM’s existence were dominated by this symbiotic arrangement between the government and the company. This relationship was not seriously questioned until the 1870s and it took another decade to set out a new course. In April 1884, the statutes of the NHM were altered and activities shifted from trading to banking (Wijtvliet 1989: 116).

This marked a deviation from the NHM’s original goals. Its initial purpose was threefold: it would not only take over the government’s trade with the Netherlands Indies, but also act as a general Dutch export/import organization, and – interestingly – serve as an information centre, both domestic and foreign. Two arguments supported the last task. First, inadequate knowledge was generally perceived as one of the most serious shortcomings of the Dutch trading community. Second, Willem I also aimed at a reduction of expenditure and hoped to achieve this by letting the NHM take over the costly task of gathering economic and political information, normally undertaken by the government itself through its consulates (Mansvelt 1924: I 84–85).

The incompatibility of these tasks soon became apparent. When collecting information the NHM would naturally find the different Chambers of Commerce (Kamers van Koophandel) on its path. However, information from these institutions could be doubted since they were headed by entrepreneurs who might well be among the NHM’s competitors in its capacity as a commercial trader. In addition, how plausible was it for the NHM to extend credit to other trading companies? Private traders would love to profit from the financial resources and expertise of their competitor. However, for the NHM to survive as a trading company competition with these same traders was inevitable (Mansvelt 1924: I 104–107). It is not surprising that the NHM failed to fulfil all of its original tasks. But, it soon

---

42 Mansvelt’s comment is misplaced since Chambers of Commerce did not exist in the Netherlands Indies at the time of the NHM’s establishment, although De Bataviasche Beurs (1818–1827) can be considered a forerunner. The colonial government established Chambers of Commerce in Batavia, Semarang, Surabaya, Makassar and Padang in 1863. They represented all those participating in industry and trade, but also acted as an official source of information for the authorities (Koch 1916).
became one of the largest Dutch colonial enterprises in trade and finance under the direction of the Factorij, its head office in Batavia.

The founding of DJB in 1828 had been long overdue. The need for better credit facilities and monetary reform had been voiced frequently (Boomgaard 1996: 492–493). The shortage of cash was a continuous hindrance to all including the NHM (Mansvelt 1924: I 191; Van den Berg 1907: 126). The money circulation consisted largely of copper coins which led to the following outburst by a Batavian businessman in 1827: “[…] just now some cartloads of copper money are stopping in front of my door, the verification of which will keep me busy the remaining six hours of this day. This money is coming from a Chinese debtor, of whom I have demanded payment for a long time to no avail, and who is offering me copper money at this time […] in the hope, that I will reject him, and that he will profit from this rejection later on” (De Bree 1928–1930: I 165).

The trading companies did not have sufficient working-capital at their disposal, and as a result traders tended to vouch for colleagues. In the 1820s, an inextricable mutual dependency had thus evolved which threatened to bring the trading business to a halt (Mansvelt 1924: I 191; De Bree 1928–1930: I 169). Candidus ten Brink, an associate in the Batavian trading company Ten Brink & Reynst,43 would write in 1823: “It is impossible to form an opinion concerning solidity [financial soundness] in a colony, if one has not been there; everyone vouches for one another [...] In this way someone without a penny in the world, buys houses, estates, etc.” (Godée Molsbergen 1936: 6).

Although the urgency of the situation was generally acknowledged, years of fruitless discussion and different proposals went by before anything happened (De Prins 2002: 126–136). In 1825, once again upon the instigation of King Willem I, the first preparations for the establishment of a circulation bank were finally made. This bank would have to put the

43 Ten Brink & Reynst had been founded upon the instigation of the well-known Rotterdam ship-owner and trader A. van Hoboken. After several disappointments with business relations in the Netherlands Indies, Van Hoboken had realized that a more institutionalized form was needed to serve his purposes, in order “[...] to make sure from now on in whose hands my business comes to rest [...]” (Godée Molsbergen 1936: 6). To establish a permanent representation he founded a new trading company in Batavia and sent one of his employees, C. ten Brink, to Java. Together with S.C. Reynst, he would head the trading company Ten Brink & Reynst as of 1821. After the death of Reynst, two new associates, M. Reynst and G. Gijsing, were brought into the company in 1823 which had its name changed into Ten Brink, Reynst & Gijsing. With the repatriation of Ten Brink and Gijsing in 1836 and the inclusion of A.A. Vinju as an associate in the firm, the company was transferred into Reynst & Vinju. Under this name the company became one of the most renowned Dutch trading companies in the Netherlands Indies.
monetary system of the Netherlands Indies on a more solid footing, and ensure its smooth functioning by acting as a banker of last resort and by issuing banknotes. Following consultation with the NHM in 1826, and its subsequent promise in 1827 to participate financially in the new bank these plans came to fruition.

But, unlike the enthusiastic reception of the NHM in the Netherlands a few years before, the plans for DJB were not well received. It was doubted whether DJB would be able to reform the monetary chaos and impose a uniform monetary system within the colony. Raising the necessary money proved difficult. An amount of f 2,000,000 was thought to be needed, but never reached. In the end, high-ranking civil servants and prominent entrepreneurs were more or less coerced (printah halus) into participation by circulars urgently requesting their cooperation (De Bree 1928–1930: I 174–175, 200–201, 205–208; Mansvelt 1924: I 191–192; Van Laanen 1983: 277).

In January 1828 DJB was founded with an initial capital of little over f1,000,000. The government participated for f 500,000, the NHM contributed f 150,000 and the rest was raised for the greater part by the trading sector. The president of the NHM Factorij, A.J.L. Ram, was appointed as one of its Directors (De Bree 1928–1930: I 213–214). Although a circulation bank DJB was allowed to operate as a commercial bank in order to help the trading sector obtain badly needed credit which until then had been obtained through inscrutable mutual arrangements. However, the extension of loans to agricultural enterprise was categorically ruled out. The NHM had made its – indispensable – participation conditional upon this provision. It claimed that a circulation bank could only perform well when its capital was not tied up for prolonged periods (De Bree 1928–1930: I 189, 193, 221). Of course, this argumentation also served to prevent a new competitor from entering the colony’s lucrative export market.

---

44 G. Schimmelpenninck – Director of the NHM in the period 1824–1827 – devised the original statutes of DJB together with J.C. Baud (Mansvelt 1924: I 191–192).
45 In the distributed circulars of November 1827 notice was given that – upon request of King Willem I himself – a specified list would be drawn, disclosing the names of the persons who had contributed to the realization of the new bank, as well as the exact amount to which they had subscribed (Van den Berg 1907: 127).
46 The NHM’s involvement with DJB did not stop at that point. Even before the establishment of DJB, the NHM had acted unofficially as its representative in the Netherlands. After the refusal of De Nederlandsche Bank to take over this position, the NHM would officially look after DJB’s interests in the Netherlands for the period 1829–1891 (De Bree 1928–1930: I 238–239).
Entrepreneurship under the Cultivation System: Djauw Adjiem and Ho Kong Sing

The introduction of the Cultivation System after 1830 boosted the import and export sector of the Netherlands Indies economy. The imports of cotton piece goods from the Netherlands, and to lesser extent from Great Britain, rose markedly. The same applied for the exports of principal commodities grown under the Cultivation System. The government accounted for the lion’s share of the commodity export trade which was almost solely directed towards the Netherlands. The NHM, the exclusive contractor of the colonial administration, enjoyed de facto exemption from paying export duties on government exports, and consequently flourished. The coffee auctions of the NHM became equated with enormous wealth and prosperity (Beekman 1998: 212–260; Van der Meulen 202: 413–438; Korthals Altes 1991: 13).47

Excluded from this profitable arrangement private trading enterprise was put at a disadvantage. However, private traders were not rendered completely powerless, even though they could not take part in the profitable government business. The production of agricultural export commodities was not solely undertaken by the government. The yields of the large private estates were significant and their respective owners were under no obligation to market the cultivated produce through the NHM.

The 1840s saw a clear expansion of the private trading sector, particularly with regard to sugar exports. In the next decade, the government’s share in the export trade fell from around 72% in 1850 to less than 58% in 1859 (Korthals Altes 1991: 14). The NHM became obliged to rethink its strategy,48 and subsequently tried to break into the private trading system. In its annual report of 1853, NHM management unfolded its plans for the near future. Since the main priority was export an important role was assigned to the Factorij in Batavia.49 This office would have to focus more on the steadily developing private sector. Consequently, the company had

47 See also the complete title of Multatuli’s famous novel published in 1860: Max Havelaar, of de koffij-veilingen der Nederlandsche Handel-Maatschappij.

48 Between 1850 and 1860, the company’s share in the import trade of the Netherlands Indies also dwindled, and its relative position was rapidly undermined by the private sector. In the years 1851–1855, the NHM still imported 60% of textiles against 40% of the private sector. The following period 1856–1860 saw a reversal of this situation with these percentages at 31% and 69% respectively (Mansvelt 1924: I 273).

49 According to Mansvelt, the NHM viewed the export trade from the Netherlands Indies as its core activity, although it did not wish to abandon the import trade completely (Mansvelt 1924: I 273).
to pay more attention to its banking activities since profitable contracts could only be obtained by extending loans under more favourable conditions than competitors would be willing to offer.\textsuperscript{50}

\textit{The Lands of Djauw Adjiem}

The NHM would not commit funds without due thought as shown from the handling of a loan request from the Chinese entrepreneur Djauw Adjiem in 1855.\textsuperscript{51} Djauw Adjiem had turned to DJB with a similar request before. On 3 February 1854 this application had been discussed in a meeting of the President and Directors. Djauw Adjiem proposed a \( f 400,000 \) loan against 6\% interest. His land Kedong Gedee – located to the east of Meester Cornelis between Bekasi and Krawang – would act as additional security. This request was considered, but – lacking sufficient funds – DJB could only offer \( f 250,000 \) against 7\% interest. A week later DJB decided not to grant the loan. The decision was justified by stating that it was difficult to ascertain the true value of lands belonging to \textit{Inlanders}. This might have been a mere face-saver, since we also learn that Djauw Adjiem had withdrawn the request himself after hearing DJB’s proposal.\textsuperscript{52}

In 1855 Djauw Adjiem turned to the Factorij. The NHM faced the same problem of valuing the offered security.\textsuperscript{53} However, it was not bothered by a shortage of funds and quite keen on seeing excess capital profitably invested (De Bree 1928–1930: I 430). Therefore it was decided to inspect Kedong Gedee to ascertain its business potential. Th.F. Schill,\textsuperscript{54} senior employee of the Factorij, undertook the assignment and visited the different lands constituting Kedong Gedee from 11 till 14 November 1855. His extensive report of more than 30 pages shows the thoroughness of the attempt and the impossibility of assessing the value of an agricultural enterprise.

Djauw Adjiem had been active as an agricultural entrepreneur from at least 1838. He started out by renting the land Telok Poetjong in the vicinity of Batavia for an annual sum of \( f 35,000 \). According to Schill, his entrepreneurial skills led him to invest in improvements and crops. His success


\textsuperscript{51} The following section is based upon a NHM report: NA/NHM 5279 No. 47.

\textsuperscript{52} BI/DJB 28 No. 32–35.

\textsuperscript{53} At this point, Djauw Adjiem put forward as collateral the expected value of agricultural produce instead of the factories and the lands.

\textsuperscript{54} A description of his career is offered in the following obituaries: G.H. van Soest, ‘Th.F. Schill’ in \textit{TNI} (1888: I 312–317) and ‘Th.F. Schill’ in \textit{IG} (1889: I 433–434).
may be inferred from the steady increase in annual payments. In 1845, the annual rent stood at f52,000, whereas in 1851 – the final year he rented the land – it had already risen to f90,000. Djauw Adjiem must have done well for himself in the intermittent years for in 1852 he became owner of Kedong Gedee, made up of five different lands. How much money was involved in the purchase is not clear. For taxing purposes these lands had been judged to be worth f400,000. In the mean time Djauw Adjiem had worked zealously to develop his property. Schill was of the opinion that Kedong Gedee should now be valued at f800,000, if not more. According to him such an amount had been offered by another Chinese land owner, but Djauw Adjiem had not been willing to sell for less than f1,000,000.

Kedong Gedee was first and foremost sugar land and parts of it had been so for over 40 years. In this sense, Djauw Adjiem continued a tradition of Chinese entrepreneurial activity in sugar manufacturing in the vicinity of Batavia (Leidelmeijer 1997: 69–94). Schill devoted a substantial part of his report to agricultural considerations. A severe drought had recently plagued all farmland, but the lands of Djauw Adjiem compared favourably with any other. The area managed to retain water well, while being capable of quick drainage during the wet monsoon. Still, the western part of Kedong Gedee – near the river Cikarang – was less suited for the growing of sugar cane. The less fertile soil required irrigation in order to achieve higher yields. Djauw Adjiem therefore planned to build a dam in the Cikarang river which might serve as an auxiliary power supply for his sugar mills. While waiting for official permission he had already spent money on building the necessary sluice. More money had been invested in ensuring the regular transport of the produce of his lands and improving the navigability of the river.

The planned dam would add to the profitability of his enterprise, but an investment of this size required financial backing. For this reason, Djauw Adjiem turned to DJB first and then to the NHM. Unlike his proposal to DJB, a consignment contract – with the sugar factories and the lands serving as additional security – formed the basis of negotiations with the Factorij. Schill took a close look at the revenues of Djauw Adjiem’s enterprise. The economic activities he discerned, show the complexity of an agricultural undertaking of the size of Kedong Gedee.55 Central to

55 Kedong Gedee was located between two rivers: the Tjicarang (Cikarang) to the West and the Tjitaroem (Citarum) to the East. To the South and Southeast, a road (Heerenweg) plus a forest, called Loewong, constituted the border. To the North, the remainder of the
Djauw Adjiem's entrepreneurship was the exploitation of two sugar factories. When the ownership of the lands was transferred to Djauw Adjiem in 1852 both factories were already in existence, but running under rather old-fashioned and primitive conditions. The sugar mills – known as Kedong Gedee and Tjicarang – were driven by cattle, producing respectively 4,000 and 2,000 picols of sugar annually.\[^{56}\]

Djauw Adjiem had improved the existing factories and the warehouses. Within four years he had erected new stone buildings covered with tiles and subsequently enlarged them. The sugar mills were now powered by steam engines of 12 horsepower each installed in 1852. The one in operation at Tjicarang had been used by Djauw Adjiem on his rental land Telok Poetjong, but had been recently serviced. The other machine was brand-new, imported from England with the help of the manufacturer's agent and the Batavian trading company Pitcairn Syme & Co. Djauw Adjiem had employed the agent – Buchanan – to guide and supervise the changes in the production process. Schill's investigation showed that Buchanan was still on the payroll for £200 a month, and that he offered his services to other landowners in the neighbourhood. The improvements and simultaneous development of new land for cultivation had resulted in a 100% production increase. In 1854 total sugar production had amounted to 11,255 picols. Because of the drought, Schill calculated an output of about 12,000 picols for 1855, but reckoned with a potential production level of 14,000 to 15,000 picols under more normal circumstances.

Manufacturing sugar required the cultivation of sugar cane. Next to the input of land – of which Djauw Adjiem had assured himself at the date of purchase – input of labour was needed for that purpose. The resident population totalled approximately 700 people, not counting the women and children who also worked the fields. Next to this free labour, Djauw Adjiem employed a workforce of about 1,000 men recruited from the Bantam, Krawang, and Priangan area. During the operating period of the factories 200 of these labourers would work in the factories. Hired labour

\[^{56}\] 1 picol or pikul = 61.76 kilo (Van Schendel 2000: 110).
would be paid in cash supplemented with rice. Since a steady population
growth was of the utmost importance for the flourishing of Djuw
Adjiem’s business, he tried to stimulate the migration of people to his
lands. First of all, by putting the obligated rice delivery of the population
on 1/6 of the harvest, instead of the customary 1/5\textsuperscript{57} and by providing the
necessary seeds and/or seedlings, to be paid for in rice after the harvest.
He also operated a pawn shop through which money was advanced to the
indigenous population. In another attempt to draw people, a new pasar
market place) had been built at the bank of the river Tjicarang.

According to Schill, Djuw Adjiem’s reward for providing these
facilities – i.e. advances either in cash, seed(lings), and/or cattle needed
to work the field – was an interest charge of 200\%\textsuperscript{58} Besides that rice
production had increased and was now more than sufficient to provision
his workforce. The remainder was processed by six new rice mills. The
finished product was transported to Batavia and sold in commission or in
shops. Another source of income was the sale of the by-product of
sugar manufacturing: molasses. This was used to produce arak (an alcohol
distillate) and profitably sold to the distilleries in Batavia. Additional
income came from the rent of several warung (small shops) and the pasar,
while the sale of forest products also saw a modest profit.

Schill claimed that total revenue of Djuw Adjiem’s lands for 1855
amounted to \( \text{f} 181,000 \). General expenses were estimated at \( \text{f} 84,000 \),
whereas commission fees and mortgage rent charges came to \( \text{f} 37,000 \).
This left a profit of \( \text{f} 60,000 \) which had been invested by Djuw Adjiem in
further development of land, advances made to the population, the pur-
chase of rice, and preparations to dam the Cikarang river. The threatening

\textsuperscript{57} The delivery of this so-called tjoeke was one of the semi-feudal rights exercised on
private lands which had been regulated in 1809 and again in 1836. These arrangements
stipulated, among others, that the landlords’ tithe should not exceed 1/5 of the rice pro-
duced (Lohanda 1996: 207–208, 217).

\textsuperscript{58} Contemporary opposing views of such practices can be found in Tijdschrift voor
Nederlandsch Indië: ‘Een bezoek op eene Javaansche markt’, TNI (1850: I 440–442),
Chinezen als geldscheters der Javanen beschouwd’, TNI (1859: II 58–61) and ‘De Chinezen in
three publications can be found in Fernando and Bulbeck (1992: 19–25). Lohanda offers a
more balanced view of Chinese landlords’ usury practices. She claims that the indigenous
population preferred to settle on private lands belonging to Chinese landlords since they
were more lenient in dealing with their tenants and tended to accommodate their domes-
tic needs. The Dutch themselves admitted that Chinese landowners were more flexible in
dealing with the local population than Europeans, who strictly adhered to the stipulated
legal arrangements and always kept their distance from their tenants (Lohanda 1996: 200–
208, 216–223).
shortage of funds had compelled Djauw Adjiem to turn to the NHM, or abandon his ambitious plans. He offered to consign the agricultural produce of his lands to the NHM in 1856. Schill envisaged a profit of f30,500. He did make several reservations, but concluded positively by stating that the NHM would benefit greatly from the contract with interest amounting to f10,000.

Although the report does not tell us whether the NHM actually closed the deal with Djauw Adjiem, it shows the considerations both parties had to make. The trader – in this case the NHM – had to weigh the pro’s and cons carefully. One of the tools at his disposal was a thorough investigation of the undertaking. In doing so, he would be able to find out what kind of working methods were used. At the same time, the client could be met, enabling a better assessment if and how much trust should be placed in him.

This is exactly what Schill did. Conforming to the general opinion of Europeans in the colony, his attitude towards Chinese businessmen was ambivalent. In his report, Schill expresses a genuine sense of admiration for Djauw Adjiem’s entrepreneurship. He characterizes him as an experienced landowner, a man of diligence, equipped with a spirit of enterprise and in possession of exceptional drive. Djauw Adjiem is praised for his tenacity and sobriety when compared with the lavish life styles of other Chinese. However, Schill also expresses substantial critique. He comments for instance on the lack of tidiness, neatness and – above all – orderliness around the living quarters of Djauw Adjiem and his Chinese employees.

Other shortcomings and weaknesses of Djauw Adjiem’s business manifest themselves most clearly in the administration of the enterprise. No statistics concerning the cultivated areas and the sugar production are available. Djauw Adjiem cannot say how much sugar cane is planted since the cane fields are of unequal size. Likewise, no records are kept of the amount of cane milled every year. Schill regrets the fact that Buchanan is not present at the time of his visit to the factory, depriving him of the chance to learn more about the efficiency of production. Like his Chinese supervisors Djauw Adjiem can only give him either partial or unclear answers to his questions regarding the quality of the syrup, the speed of the process, etc. Again, no records whatsoever are kept.

Nevertheless, Djauw Adjiem was not an absentee landowner. He took charge of business himself and supervised the work of his lands on a routine and daily basis. He would leave for Batavia once a month, to see a head administrator in charge of the arrival and delivery of the products. He would stay for two days to conduct his business and then return home.
Djauw Adjiem resided in his house at the sugar factory Tjicarang. This western part of his lands had been in cultivation for a short time. The development of new ground was still in process and in constant need of his attention. Djauw Adjiem had therefore split the supervising structure of his enterprise. Both parts centred around one of the sugar factories and were of identical make-up. These two structures consisted solely of Chinese whose upkeep was taken care of by Djauw Adjiem. A head supervisor was in charge assisted by Chinese subordinates, who were supervisors in their own right. Below the supervising level there were mandur (caretaker or overseers), both Chinese and Javanese. The latter were needed to maintain contact with the population and worked closely together with the indigenous heads of the different villages. However, the mandur supervising the work on the fields would be Chinese again.

Besides these supervisors, there were bookkeepers and clerks present at each factory. Schill did not think very highly of them. The specifications he was given by them lacked clarity, and did not contain the information to compile much needed statistics. The administrators just focused on the totals and neglected the details. Schill summarized his critique in the following lines:

[…] both in cultivating and manufacturing the sugar, there is a lack of a systematic working method, the observance of which combined with a European management, would soon see these lands a source of treasures.

We will never know how far Schill's judgement was removed from the realities of Djauw Adjiem's business life. He spent only three days collecting the necessary information for his analysis. Lack of time usually turned any decision or recommendation into a blend of rational decision making and gut feeling. Caution and prudence would therefore have to be key words in the mindset of the trader.

In general, the growth of inland villages followed the foundation of plantations and was actively promoted as Djauw Adjiem did. This led to a rising demand for imported goods. From the middle of the nineteenth century an increase in the number of markets within the vicinity of plantation and village accompanied these developments. The landowner – as personified by Djauw Adjiem – took an active part in this process, in order to tie more people to his land for labour recruitment purposes, while at the same time recognizing the new business opportunities accruing from providing facilities to them (Lohanda 1996: 206; Suhartono 1994: 180).

This process gained momentum by the rapid monetization of the economy encouraged by the plantations' wage system (Booth 1998: 19, 85;
Suhartono 1994: 180–184). The establishment of an export industry in rural areas led to an increasing commercialization of country life. The insufficient money supply, however, was a severe hindrance (Booth 1998: 24). Schill wrote that the future development of Djauw Adjiem’s business ventures depended on his ability to acquire sufficient cash, enabling him to give advances to the people living on and from his land.59 Schill’s calculation of Djauw Adjiem’s cash needs for 1856 clearly shows the urgency of a steady money supply. f120,000 (approximately 75% of the total amount of f161,500) was booked under the heading advances.60 With the years going by, it was increasingly difficult to balance rising demand with the money in circulation (Suhartono 1994: 180).

The solution for the indigenous population was to pay for goods in instalments. The pedlars and hawkers roaming the country side were prepared to sell goods on credit (minderin g in the vernacular of those days), since they realized that a constant flow of money to the villages was guaranteed by the payment of cash wages on a regular basis. Of course, they would charge heavily for this service. Printed cotton and cloth were consistently in highest demand with the Principalities among the biggest consumers. The distribution of merchandise was overwhelmingly in the hands of Chinese middle men traders. The textiles in Central Java were marketed via Chinese traders and/or shop-owners in Semarang and would pass from retailer to retailer in the smaller towns, until they arrived in the smallest of villages to be sold in shops (so-called warung) and by Cina klontong (Suhartono 1994: 179–181).61 The Dutch and indigenous side of the economy were linked by this long chain of Chinese tradesmen. The resulting relationship between the Chinese and Dutch – fostered by both sides – had been a common feature since the days of the VOC (Knaap 1996: 141, 176–177; Nagtegaal 1996: 232). So common, that it gave birth to the expression ana Landa ana Cina, to be translated as: Where there are Dutchmen, there are Chinese (Suhartono 1994: 179).

For decades the NHM had been at the beginning of the textile import chain, thanks to a highly artificial construction. The company was aided by heavy import duties on foreign textiles62 and the establishment of a

59 NA/NHM 5279 No. 47: 25.
60 NA/NHM 5279 No. 47: 32.
61 Cina klontong was the common name used for pedlars of Chinese descent. Together with their Javanese counterparts their activities constituted the end of the distribution chain.
62 25% in the case of British textile imports imposed as early as 1824/25, and 50% for Belgian imports after the country became independent in 1830 (Mansvelt 1924: I 201, 289).
textile manufacturing industry in the Twente region in the Netherlands after the Belgian secession from the Dutch kingdom in 1830. The government supported the fledgling industry by creating an artificial outlet for its products in the Netherlands Indies. At a stroke of the pen, the decision was made to double the export of textiles to the colony, and the NHM was granted the first contract in 1835 (Mansvelt 1924: I 201–203, 284–290; Wijtvliet 1989: 97).

In December 1854 the last contractual arrangements of this kind between the government and the NHM came to an end. From 1855 onwards, the NHM traded textiles in competition with private enterprise (Mansvelt 1924: II 271, 173). This was hardly considered a shock as the NHM had revised its strategy a few years before. As a result the company had come to focus more on the export trade. However, it did not abandon the import trade altogether. The protected export of textiles from the Netherlands by the NHM had been very lucrative for decades. It took the NHM some time to come to terms with this new situation. Serious difficulties were encountered along the way, as shown by the following example of the Semarang agency which ran into trouble in 1856.

**The Default of Ho Kong Sing**

In August 1856 Th.F. Schill travelled to Semarang to help solve the problems of the local NHM-agency after the default of the Chinese textile trader Ho Kong Sing. When confronted with the situation, his verdict of the agent’s behaviour was harsh:

> To my mind, the agent has acted in this matter against all the rules of caution & good order, contrary to the principle upheld by the Factorij [...] not to extend any more credit to debtors before their arrears are settled.

Before sailing to Semarang Schill had studied the monthly debtors’ survey of the Semarang agency and the correspondence regarding Ho Kong Sing’s payments schedule. In Semarang he analyzed the agency’s books and questioned the NHM-agent thoroughly. After his return he wrote a detailed account of thirty pages which related the downfall of Ho

---

63 Initially, private enterprise had the upper hand. The textile manufacturers in Twente turned away from the NHM since private traders managed to market their products more profitably because of their expertise and better knowledge of local circumstances ([Internatio] 1938: 15; Brugmans 1963: 72).

64 The following section is based upon a NHM-report: NA/NHM 5279 No. 50.

65 NA/NHM 5279 No. 50: 12.
Kong Sing, and was equally informative on the import trade in general. His description supports the commonly held view that Dutch and Chinese traders were condemned to each other. From a business perspective, they were not able to live with or without one another.

The first sign of problems with the Ho Kong Sing account dated from July 1855. It remains unknown when Ho Kong Sing had become a client of the NHM, or how long he had been active in the trading business. Considering his reputation within the Semarang trading scene, it must have been a substantial period. This seems all the more likely, since it was his son Ho Tiang Tjay – acting under his name and on his behalf – who conducted the family business. Ho Kong Sing, old and blind, had originally ventured into the rice and gambir trade, and had invested part of his profits in real estate. But, the fortunes of the family had dwindled considerably in the recent past. According to Schill the property had already been put up as security and the outstanding assets hardly possessed any real value.

Ho Kong Sing’s trade in gambir and rice was directed towards the interior. In the last quarter of the eighteenth century the economy of Central Java had come to specialize in agricultural production. Its produce was destined for the internal market of the island, or perhaps the interinsular trade (Knaap 1996: 174). Although the advent of the Cultivation System had transformed both the production and trading system, a substantial portion of Java’s agricultural production was still intended for internal consumption. With a population of approximately 9.5 million around 1850 (Boomgaard 1989: 166) demand for all sorts of products was high. This market seems to have been served almost exclusively by Chinese merchants travelling into the interior. According to Knaap the Chinese presence in trade and shipping was felt particularly strongly in West and Central Java (Knaap 1996: 130, 176). Ho Kong Sing’s business operations thus fitted a well-established economic pattern.

Schill’s informative account allows a closer look at the ins and outs of Chinese business. Ho Tian Tjay, granted power of attorney by his father Ho Kong Sing, had associated himself with his brother Ho Tiang Yam and his uncle Ho Kong King. In the customary fashion of Chinese business

---

66 It can be assumed that he must have been in business some time before 1845. Around that time, he donated f 2,000 for the building of the first Chinese Council office in Semarang: Kong Tik Soe. The large amount, and the fact that he is listed among the main donators out of a total of 123 is indicative of a respected position within Chinese business life and society (Liem 1933: 107).
entrepreneurs they had formed a kongsi\(^{67}\) which served the purpose of pooling resources and spreading the risks of trading enterprise. Other business schemes were left untouched by this agreement. Schill’s report does not provide specifics, but makes it clear that all three were indeed involved in other business ventures.

The Ho kongsi could only thrive by having enough capital at its disposal. The kongsi’s clientele in the Javanese heartland – smaller retail traders, hawkers, and/or the Javanese population – would all buy on credit, as we have seen from the case of Djauw Adjiem. As a result income and expenses did not match and required time to balance out. Capital was needed to cover the intermittent period. This problem was solved by shifting the burden to the supplier. Intermediate traders would ask for credit when purchasing goods. Since the wholesaler wanted to get rid of his stock, he usually had no other option but to consent.

The Ho kongsi applied two strategies to maintain a sufficient level of liquidity. It made use of the opportunities offered by the colonial government with regard to the import of gambir. The law allowed for payment of customs duties at a later stage which gave the kongsi more financial scope. The three members had each been awarded a credit of f 30,000 by the Semarang customs office. (On average the Ho kongsi had been indebted for amounts of f 50,000 to f 60,000.) Unfortunately, this arrangement was gradually phased out and abandoned in September 1855. This left the kongsi with only one way of meeting its cash requirements, i.e. by using the cash advances of the NHM.

The main reason for the associates to purchase cotton cloth from the NHM had been the flexible delivery conditions which required payment after only 2 to 4 months. Lacking connections and expertise, the NHM had no intention of entering the intermediate trade. As a wholesale organization it could not be bothered with small sales on the local market, and it preferred to entrust Chinese middlemen with the sale of the product. The NHM could afford to offer generous payment conditions because of its special position in this particular trade. The contracts concluded with the government not only exempted the company from tax levies,\(^{68}\)

\(^{67}\) The term kongsi is used to indicate a business partnership, i.e. a co-operative organization in which arrangements have been made for the pooling of resources for business purposes only (Somers Heidhues 1992: 37–39; Wu Xiao An 1999: 24; Yuan Bingling 1998: 3–7). According to Vleming kongsie in a more literal sense means the management (sie) of the common property or common cause (kong) (Vleming 1926: 56).

\(^{68}\) This decision was not given much publicity. There was no secret clause regarding this provision, but it was deliberately drawn up in rather obscure and vague terms to avoid attention (Mansvelt 1924: I 296–297).
but also stated that possible losses would be redeemed by the Ministry of Colonies on annual basis to a maximum of 12% of the invoiced value (Mansvelt 1924: I 288–289).

NHM’s generous credit extension and the opportunities this offered, had been recognized early on. The NHM, neither willing nor capable of competing in the local trade, put out its merchandise to Chinese middle-men in the expectation that they had access to the consumer market. The Ho kongsi, among many others, reacted by purchasing large quantities of textiles on credit. The entire supply would then be sold immediately, often below its market value. The cash earned could be used for other purposes before having to pay back the first instalment (Blussé 1986: 71). Thus, the trade in textiles did not constitute the core business, but enabled more profitable speculations in gambir and rice.

The amount of cash needed to keep the kongsi’s business going depended first of all on the conditions upon which it had extended credit to its own customers. These conditions had been too generous and on too large a scale in the case of the Ho-kongsi. Caution and prudence should have ensured that close attention was paid to these credit conditions. However, the kongsi had fallen into what Schill considered the pitfall of Chinese business mentality. It had operated too speculatively and not exclusively on the basis of perceived profit. Keeping a high profile to uphold a distinguished status and reputation within (Chinese) society had clouded the judgement of the kongsi members, and made them act without thinking.

There was no consequence as long as the ready procurement of capital was guaranteed. But with the ending of government credit facilities at the customs office, the availability of capital was curtailed. This hurt the traders’ ability to pay the instalments upon their expiry dates. Ho Tian Tjay as well as his uncle Ho Kong King immediately ran into trouble. With the gradual reduction of their import credit in the months before September 1855, they experienced difficulty in meeting their obligations at the NHM-agency. The problems were aggravated by the scale of their commitments. From July to September 1855 each was indebted to the agency for over f 100,000. The agent was reluctance to act immediately, since both men were his biggest customers. Convinced of their solidity he waited until October before deciding to suspend credit until the arrears had been settled satisfactorily. This was achieved by both in the first months of 1856.

---

69 Van Soest describes how Dutch traders in Semarang exploited these opportunities to the detriment of the NHM. It was supposedly Schill that put an end to these practices (Van Soest 1888: 314–315).
However, Ho Kong King went bankrupt in April 1856, offering his creditors a settlement of 70%. Ho Tian Tjay managed to stay in business by associating himself with his brother-in-law Tan Tjong Thoen.⁷⁰

In doing so, he assured himself of the help of the powerful Tan family. The Tan and Be clans were the most prominent in business in Central Java, while wielding considerable power and influence in parts of East Java as well.⁷¹ The stronghold of the Tan network was Semarang, where they had assumed social and political prominence in 1761 and retained the most important positions for over a hundred years. In Surabaya they had to content themselves with playing second fiddle to the Han family that dominated the local Chinese communities in East Java till the end of the nineteenth century (Rush 1990: 93; Salmon 1991: 78–80; Willmott 1960: 150).⁷²

Tan Tjong Thoen was the black sheep of the family. Schill did not mince words, when he contrasted him with his very successful younger brother Tan Tjong Hoay (to be appointed Mayor of the Chinese in Semarang in 1860).

Tan Tjong Huay is a solid Chinese, who appears to be doing the work alone, whilst Tan Tjang Taen does little or nothing, is addicted to opium and consequently more or less stays under the discipline of his family.⁷³

The NHM-agent in Semarang nevertheless continued forwarding textiles to Ho Tian Tjay as long as Tan Tjong Thoen acted as guarantor which he did for a total amount of ƒ 210,000. The agent was encouraged by the Factorij, who wrote at the end of 1855 that it would leave matters gladly to

---
⁷⁰ His name was found spelled in a variety of ways, e.g. Tan Tjang Toen, Tan Tjong Toen, Tan Tjang Taen, etc., but most commonly as Tan Tjong Thoen (NA/NHM 5279 No. 50).

⁷¹ Traces of individuals with the family name Tan can be found in Java as early as 1737, where they were active as professional seafarers and/or itinerant traders (Ng Chin-Keong 1991: 373–377; Hoetink 1917: 371–372; Hoetink 1922: 90). The ‘Tan network’ in the production and trade of salt in Central and East Java from the 1760s till the 1790s offers an interesting example of ‘Tan presence’ in this area. Acting as captain of Semarang (Tan Janko, Tan Leko and Tan Jokko), Surabaya (Tan Tinlo) and Gresik (Tan Singko) these men successfully managed to monopolize profits accruing from this commodity (Knaap 1996: 76–77, 124, 142; Knaap & Nagtegaal 1991: 142–143, 154; Liem 1933: 48–53; Kwee Hui Kian 2006: 164–165; Ong Tae Hae 1849: 23–24). Somewhat later in time, the Be family attained an extremely powerful position as well which owed a great deal to their connection and eventual partnership with the Tans (Rush 1990: 93).

⁷² The first member of the Han family to be appointed captain of Surabaya in the eighteenth century was Han Bwee Kong (1727–1778). The help of his future father-in-law – who happened to be a Tan – might have contributed to his achievement. The rise to power of both families in their respective bulwarks Semarang and Surabaya came about at more or less the same time (Kwee Hui Kian 2006: 165–166; Salmon 1991: 62).

⁷³ NA/NHM 5279 No. 50: 3.
his discretion because of his better knowledge of local circumstances. Besides, it was feared that the agency’s most important customers – i.e. Ho Kong Sing and Ho Kong King – would leave when restricted in their purchasing. This would have been problematic since NHM-sales of textiles in Semarang had come to a near standstill.

The NHM-agent thereupon decided to allow Ho Tian Tjay credit after he had settled his arrears in January 1856. By April 1856 Ho Tian Tjay was again in debt for f94,000. From February onwards rumours started to circulate in Batavia about the unhealthy Semarang trading business. In the eyes of both DJB and the Factorij too much credit was being extended to Chinese retailers. Warnings were issued to be careful and not to deviate from the existing rules and regulations.74

As said Ho Tian Tjay’s kongsi partner Ho Kong King defaulted in April 1856. This had its repercussions for Ho Tian Tjay’s reputation of reliability. Rumours circulated that he was in desperate need for money to sustain his business. He usually obtained ready cash by buying textiles on credit and selling them cheaper when paid for in cash. Apparently this method no longer sufficed. Merchants became more and more wary about their commitments with Ho Tian Tjay and slowly started to restrict his credit. Except for the NHM-agent who trusted the connection with the Tan family. This connection seemed even more solid after 19 May 1856 when Tan Tjong Thoen formed a kongsi with Ho Tian Tjay.

In May and July the agent allowed delivery of textiles worth over f50,000 on credit, although the kongsi had already failed to pay two accounts upon their expiry dates. More worrying was the omission of Tan Tjong Thoens signature on the contracts from 1 July onwards. In all likelihood Tan Tjong Hoay had discovered his brother’s irresponsible commitments and had forced him to refrain from any further commitments. On 29 July he took possession of the undivided inheritance of their father and dissolved the business association between himself and his brother. Tan Tjong Thoen sought refuge in all kinds of delaying tactics; even pretending to suffer from an illness after 29 July. In the first week of August a creditor of the Ho kongsi – the Semarang-based trading company Veeckens & Co. – threatened to take legal action unless the required signatures were given. No positive response followed. Deprived of his brother-in-law’s financial backing Ho Tiang Tjay defaulted.

74 BI/DJB 28 No. 113: 315.
The result of all this was the immediate introduction of a system of payment by cash only. Schill strongly approved of this measure and saw its justification in the likelihood of other defaults. In his view Chinese were often so deeply involved in each others businesses that other parties could turn out to be implicated in the Ho Kong Sing case. He acknowledged that a temporary decline in sales might occur, but was convinced that the more reputable traders would keep coming since textiles would remain in demand.

Schill’s arguments proved to be right. Without credit sales the Chinese textile trader Tjoa Gian had to suspend payment. Although his business had been relatively small the accumulated debt was considerable: f14,000 in the case of DJB and f28,000 in the case of the NHM. He had also based his speculative trade in rice and other products as well as his commercial activities in the interior upon the cash flow realized with textiles bought from European traders. The credit facilities had allowed him to stay in business for years. Again, the prolonged trust of the NHM-agent in his creditworthiness had sufficed for a continued extension of credit.

In the end Schill was not very hopeful that satisfactory settlements could be reached. He reckoned that Ho Tian Tjay might repay 60% of his debt at the most, whereas Tjoa Gian could probably do no better than 35%. After reassessment the latter’s outstanding assets – though looking quite promising on paper – proved to be worth only 20% of total debt. The only positive aspect were two mortgages the NHM-agent had demanded as additional security in 1849. On paper, these were worth approximately f7,000. Schill was in favour of allowing Tjoa Gian’s friends time to pay for them since he feared collusion by the Chinese at a public sale whereby the houses would be sold at giveaway prices. If the amount of f7,000 could be retrieved, 50% of Tjoa Gian’s debt to the NHM would be repaid. The remainder, however, could not be counted upon and would have to be written off.

Djauw Adjiem’s and Ho Kong Sing’s business cases show that private enterprise during the Cultivation System was very much alive. Entrepreneurial activities crossed ethnic divides since they were governed by principles of profit and driven by competitive strength. However, private enterprise in Java in the middle of the nineteenth century faced numerous

---

75 Not counting the other creditors, whose likely existence could not be ascertained (BI/DJB 28 No. 141: 336).
76 Tjoa Gian had been a client of the NHM in Semarang well before 1849 (NA/NHM 5279 No. 50: 20–21).
obstacles. The experience of the NHM in Semarang provides just one example of this. The myriad credit flows and tangled personal ties prevented transparent business conditions. The trader's position in general was a vulnerable one. Lack of capital, information and security forced him to take risks and venture into deals which common sense would normally rule out. Within a couple of years he could be rich (again) or poor (again). It is telling that according to Nieuwenhuys a merchant in the Netherlands Indies had only made it after three bankruptcies (Nieuwenhuys 1963: 98).

The Chinese – realizing their vulnerability as a minority group – understood these basics perfectly well. But, Chinese entrepreneurship in itself did not ensure success. Of prime importance was the interplay between the Dutch, Chinese and indigenous forces at work as witnessed by Djauw Adjiem’s efforts to stimulate the migration of the indigenous population to his lands by building a new market place. Or his attempts to persuade the administration to grant him a license for building a dam. The successful combination of these three factors alone could guarantee success. This delicate balance was difficult to achieve and equally difficult to maintain. The participants were all forced to walk a tightrope amidst conflicting interests and shifting allegiances.

**Finance in Transition: Internatio and De Javasche Bank**

Private trading enterprise continued to expand in the 1860s. In this decade most export commodities saw an increase in the share of private export trade (Korthals Altes 1991: 14–15). The insufficiency of the existing credit facilities remained a serious problem. The demand for credit increased steadily during the 1850s and early 1860s, as the Cultivation System with its forced deliveries was dismantled and the government ceased to act as a provider of credit. (Van Laanen 1990: 254; Brugmans 1963: 69–75). The NHM started to develop its banking activities and rapidly expanded its engagements with the agricultural sector from 1855 onwards. Six years later, the Factorij had already committed itself to 26 private enterprises. In 1857, the Nederlandsch Indische Escompto Maatschappij (NIEM) was founded by the Batavian trading company Tiedeman & Van Kerchem. This private bank would confine itself throughout its existence to short-term commercial loans only, and successfully resisted the temptation of long-term engagements in the agricultural sector.
In the following years it became evident that the credit needs of private enterprise could not be serviced by the NHM and/or NIEM. There remained more than enough room for other initiatives, culminating in the establishment of the Rotterdamsche Bank, the Nederlandsch-Indische Handelsbank (NIHB), and the Internationale Crediet-en Handelsvereeniging “Rotterdam” (Internatio) in 1863. In addition, the Chartered Bank of India, Australia and China established an agency in Batavia (Van den Berg 1907: 116–117, 119–120; Van Laanen 1990: 254).

Heavy losses from 1868 onwards forced the Rotterdamsche Bank to discontinue its activities in the colony in 1874 (Brugmans 1963: 77–106). The NIHB did better which can be attributed to its competent management, both in the Netherlands and the colony (Van Zwet 2004; Korthals Altes 2004: 25–93; Van den Berg 1913). The company did have to weather one significant storm. In 1866 the bank’s holding company – the Algemeene Maatschappij voor Handel en Nijverheid – ran into financial problems. It was not until 1873 that the ensuing problems were sorted out, severely curbing the NIHB’s potential in the intermittent period (Brugmans 1963: 107–126; Korthals Altes 2004: 22–24, 53–54, 56–57, 60–61, 63–64; Van Zwet 2004: 80–85, 98–101). Internatio faced similar start-up problems in the first years of its existence. Its example sheds more light on the range of difficulties that private trading enterprise in general had to overcome during this pioneering phase.

**Internatio’s Turbulent Start**

The Internationale Crediet- en Handelsvereeniging “Rotterdam” (Internatio), was officially founded in Rotterdam on 28 August 1863. The initiative came from the textile manufacturing company G. & H. Salomonson in Nijverdal. After government sponsorship of textile exports to the Netherlands Indies ended, the Twente-based textile industry had to consider its options. The usual channel for trading textiles remained open, because the NHM continued to trade for own account. The market share of the NHM however dropped, because the profit margins it had to offer (potential) clients were considered insufficient. Most private Dutch trading companies were also deemed unfit because they lacked capacity and/
or expertise. There were few that did meet the industry’s demands. G. & H. Salomonson had to use a combination of services offered by Dutch companies in Rotterdam and Amsterdam (e.g. H. van Rijckevorsel & Co., Bos, Van Maanen & Co.), English trading companies in Batavia (e.g. Paine Stricker & Co, Thomson Roberts & Co.) and occasionally German trading enterprises in Hamburg or Bremen. The founding of Internatio secured a better outlet for Salomonson’s products (Van Heekeren 1870: 6; Brugmans 1963: 71–72; Sipos 1992: 4–5).

Until the First World War the commission earned on textiles from Twente constituted Internatio’s prime source of income (De Jong 1995: 12). Originally the company’s activities had been envisaged broader. Internatio would engage in finance, trade, agricultural enterprise, as well as shipping all over the world. This scheme proved too ambitious. The company’s resources were soon stretched to the limit. Internatio entered into trading relations with Japan, China, South Africa, British India and Chile, but abandoned these activities in 1865 and 1866 after sustaining heavy losses. Attention became focused on the Netherlands Indies. The trade in textiles, slowly supplemented by other commodities, became Internatio’s core activity. Banking was only undertaken in support of the company’s own commodity trade and agricultural engagements. ([Internatio] 1913: 11; [Internatio] 1938: 7; Brugmans 1963: 73).

Internatio was a Dutch venture, born out of the needs of Dutch commercial and manufacturing interests. The committee responsible for the establishment of the company consisted of people active in the trade and production of textiles in the Netherlands. Relevant experience and up-to-date knowledge of the local economic circumstances in the Netherlands Indies was therefore urgently needed. The same applied for the future Board of Directors. Dutch producers/exporters were well represented, among others by its president M.H. Salomonson Hzn. and H. Bos.79 Colonial representation, however, went unheeded. Following the common procedure at the time a representative in the colony was sought in possession of the required skills (Van Heekeren 1870: 6). This could be a

---
79 M.H. Salomonson Hzn. was a brother of the textile manufacturers G. & H. Salomonson in Twente. He was the Managing Director of the weaving mills his two brothers operated in Zeeland. He was also interested in the textile trade for which purpose he established his own company Salomonson & Co. in Rotterdam. In the 1850s he met H. Bos, a partner of the Rotterdam trading firm Bos, Van Maanen & Co. to whom G. & H. Salomonson entrusted the shipment of their merchandise. Both men associated themselves in 1856 to form the Zeeuwse Weeverij Combinatie which exploited the weaving mills owned by G. & H. Salomonson (Van Heekeren 1870: 24; Archief Internatio 445).
private person, like N.P. van den Berg in the case of the NIHB, or a company such as the Batavian trading firm Dümmler & Co. in the case of the Rotterdamsche Bank (Brugmans 1963: 90–91). Depending upon the deal, the representative might stay in business for himself, but frequently independence had to be surrendered in order to become an employee of the newly founded firm.

In 1863 Internatio went into business with the Semarang-based trading firm Van Maanen & Co. This amalgamation turned out to be an ill-fated undertaking, which lasted only 5 years. The year 1867 saw a major reorganization of Internatio’s business activities in Java and led to the discharge of Charles Samuel van Heekeren as principal agent in Semarang. Van Heekeren opposed this decision vehemently and went to court to seek justice. In 1869 legal proceedings came to a close and Van Heekeren’s dismissal was judged lawful. Feeling extremely wronged, he published a biting ‘comment’ – of no less than 150 pages – in which he lashed out at his (perceived) enemies. To defend himself against the accusations made by his former business partner, J. van Maanen put pen to paper as well. Both pamphlets document in great detail the business dealings of Van Maanen & Co./Internatio and provide a better understanding of how the bulk of the smaller general import/export firms operated in the colony towards the end of the Cultivation System.80

The trading firm of Van Maanen & Co. was named after its founder Joseph van Maanen who established the company in 1852. The Semarang-based enterprise was active in the general import and export business on a modest scale. On three occasions only did the company’s shipments comprise large quantities of merchandise in the first decade of its existence (Mansvelt 1938: Appendices 2 and 3). Still, activities slowly expanded and assistance became required after three to four years. Until then Van Maanen had managed with the help of a European employee, J. Corver, and one Chinese cashier, Tjoa Goan Tjoan, who also traded in textiles and other commodities for own account (Van Heekeren 1870: 6).81

In October 1855 Charles Samuel van Heekeren – a bookkeeper at the Danish trading company Knagge & Co. in Semarang – was approached by Van Maanen and offered the position of Managing Director with power of

80 This section is based partly on the pamphlets by Van Heekeren and Van Maanen. These are available in the Internatio archive and public libraries (Van Heekeren 1870: 3; Van Maanen 1870: 15; Archief Internatio 4, 10).

81 This side-job had Van Maanen’s full consent. He even vouched for his cashier’s reliability at the NHM-agency in Semarang by standing surety for his debt up to f 4,000 (NA/NHM 5279 No. 50: 24).
attorney (Mansvelt 1938: Appendix 3). Van Heekeren accepted as of January 1856 and became a full partner in 1859. After three years Van Heekeren conducted business more or less on his own, especially after Van Maanen left Java for a prolonged stay in Europe. In 1862, A. Serruys – brother-in-law of Van Maanen – joined the firm and became the third partner. This lasted only a few months because of intensifying “family quarrels”. Serruys was bought out by Van Maanen, who himself became a silent partner in the company and decided to transfer all decision-making to Van Heekeren.

The year 1862 turned out to be disastrous. Van Maanen & Co. lost approximately f178,000 with the bankruptcies of Landberg, Bezoet, De Bie & Co. in Batavia and the wealthy rice trader J.F. Heckler in Indramayu (Mansvelt 1924: II 362). Van Heekeren must therefore have counted himself lucky receiving the first tentative proposal for a close cooperation with a new trading company in Rotterdam by the name of Internatio. A steady increase of turnover was more than welcome to recoup sustained losses. In July and August 1863 a series of letters arrived from Rotterdam, written by the preparatory committee and the Rotterdam trading company Bos, Van Maanen & Co. The latter firm was the catalyst in bringing Internatio and Van Maanen & Co. together. Bos, Van Maanen & Co. had been in close contact with both the Salomonson brothers and the Semarang-based company for years. Van Heekeren counted the Rotterdam firm among his most important trading relations, enabling participation in the lucrative textile trade.

It seems that family ties provoked the connection between Rotterdam and Semarang; Gillis van Maanen, an associate in Bos, van Maanen & Co., was the brother of Joseph van Maanen. The company was among the initiators of Internatio and possessed an existing and viable (textile) trading link with the Netherlands Indies. Bos, Van Maanen & Co. was therefore assigned the task of securing this link for Internatio. The first negotiations with Van Maanen & Co. went smoothly and the idea was raised to cement the perceived trading relation in a permanent structure. The neutral term ‘association’ was used to describe a deal which came down to a complete

---

82 G. van Maanen, acting on accord of Bos, Van Maanen & Co., is mentioned as one of the founders of Internatio on 28 August 1863. His associate H. Bos was present at the inaugural meeting of Internatio on 9 July 1863 and empowered to subscribe to the first series of 20,000 shares. He subscribed to 3,300 shares for a total amount of f825,000 or 1/6 of all shares issued. M.H. Salomonson Hzn, acting for the Salomonson family and in-laws, subscribed to 4,750 shares or f1,187,500, i.e. almost a quarter of all shares issued (Jaarverslag Internatio 1864 1865: 1; Archief Internatio 445).
takeover of Van Maanen & Co. Van Heekeren and Van Maanen would hand over their company in exchange for a contract of 5, respectively 3 years as Internatio’s principal agent in Java plus a percentage of the net profit accruing from the Java trade for the same period.83

To close the deal Van Heekeren left Semarang in October 1863 and arrived in Rotterdam on 6 December. As requested he carried the necessary proof of his company’s affairs: annual balance sheets of the period 1852–1862, a list of all the regular business associates of Van Maanen & Co., a complete overview of running commitments such as contracts with agrarian enterprises for the sale of their produce, and an assessment of the current state of affairs of enterprises the company owned. The information offered should justify a favourable outcome of Van Heekeren’s trip. In the preceding decade Van Maanen & Co. had done reasonably well. The company had made an average annual profit of f 54,000. Van Maanen & Co. had engaged itself financially with a number of agricultural enterprises in Central Java in order to obtain the right of sale of their harvests. Glentingan, a tobacco plantation, was one of two enterprises owned by the company; the other one being an experimental and rather debatable silkworm-breeding farm. The other engagements consisted of 4 coffee, 1 tobacco and 1 indigo plantation. Total financial commitment to these 8 enterprises amounted to approximately f 510,000.

Next to financial and technical considerations, Internatio’s management was also fully briefed regarding the most important aspects of trade in Java. Which commodities were most in demand and which could be exported most profitably from the Netherlands. With regard to the latter, the textile trade was given special attention. Van Heekeren had brought with him a set of textile samples, drawings and specifications. Based on this information an agreement was reached and Van Maanen & Co. was dissolved into Internatio on 1 January 1864. Part of the agreement was a promise to expand Internatio’s activities in Java rapidly. This was vital in view of the payment conditions agreed upon which had to compensate Van Heekeren and Van Maanen for the loss of their independence by remittance of a percentage of the profit.

83 These percentages were specified as followed: 50% over the first f 100,000, 45% over the following f 50,000, 40% over the next f 50,000 and 25% over all profit exceeding f 200,000. The ‘fair share’ of the agents in Batavia and Surabaya – to be appointed – had to come out of the portion of the principal agents. It was left to their discretion how to proceed in this matter. The monthly wage of the principal agents was fixed at f 1,500 a month, while the agents would get a monthly salary of f 1,000 (Van Heekeren 1870: 9).
This intention had indeed been expressed in the first letter Van Heekeren had received from J.W. Muntz on 16 July 1863. According to Muntz capital would be made available for trade and industry in the Netherlands Indies to support – among other initiatives – the expansion of private agricultural enterprise. However, it was specifically stated in the final contract that the agents would not commit Internatio to any agricultural enterprise unless Directors' approval had been obtained. Management preferred to keep its representatives on a short leash for fear of a drain on the company's limited capital resources. A tight control mechanism was devised to prevent this. The intended agencies in Batavia and Surabaya had to send full reports to the head-office in Semarang every month. The head-office was obliged to balance the books provisionally every three months in addition to the normal annual balance. Separate accounts concerning commission, expense, salary and commodity payments had to be kept. The agricultural engagements and accompanying contracts ought to be accounted for as well. All this had to be sent in regularly with an extensive monthly report concerning all important matters.

After signing the contract with Internatio, Van Heekeren visited the business associates of the now defunct trading firm of Van Maanen & Co. to inform them and made his acquaintance with the new ones brought in by Internatio. On 19 February 1864 he went aboard a French steamer in Marseille. In Singapore he was told of a devastating flood that had hit Semarang and its surroundings on 27 January. He arrived in Semarang on 2 April to find his wife and only child safe and sound after an absence of more than 5 months. However, Internatio's business had fared less well. Tobacco stocks had been damaged and the silkworm-breeding farm was virtually destroyed. In a gesture of good faith – contested later by Van Maanen who asserted that the farm was grossly overvalued – Van Heekeren decided to carry the burden of the f15,000 silkworm write-off. Apparently, he expected to earn management's gratitude for this and the recognition that they were in his debt.

The following years saw increasing strife between Internatio and its principal agents in Java which had little to do with circumstances like the death of the head-office in Semarang every month.

---

84 Muntz would become the secretary of Internatio's Board of Directors and its Board of Commissioners.

85 Van Geuns' *Door Oost-Semarang. Een reisverhaal met beschouwingen* provides a chilling description of the devastation wrought by a flood (*banjir*) in the Semarang area as late as 1906 and clearly shows the problems encountered in the aftermath of such a disaster (Van Geuns 1906).
mentioned natural disaster. In his emotional discourse Van Heekeren notes down a list of (perceived) grievances and shameful wrongdoings committed by the Directors, allegedly with the sole aim of getting rid of him. To some extent these are counteracted by Van Maanen’s statement, although he does not always sound convincing. What seems to have been at the core of the problem is a conflict over spheres of authority between the Dutch and colonial element present within Internatio.

In a letter to the Board of Directors on 11 May 1866 – at which time the mutual relationships had already soured – Van Heekeren wrote: “We are of the opinion that (central) management should be compared with a powerful shipping company having equipped a ’capital’ ship by the name of “de Java” and entrusting its leadership and command to the captain i.e. the Principal Agency. [...] work has to be directed towards one goal; the flourishing of the shipping company! But, although the main command of the shipping company is being conducted on the shore, the ship can have only one captain and [...] the captain alone is lord and master on his ship” (Van Heekeren 1870: 54). A few months earlier, he had used a different formulation: “The principal agents have to be shown trust instead of distrust, recognition instead of disdain, because Java cannot be governed from Rotterdam (Van Heekeren’s italics), for people in the Netherlands know our colony too little, its different circumstances, customs and needs [...]” (Van Heekeren 1870: 43).

Despite the fact that on many occasions Van Heekeren seems to have had a point, the Directors in Rotterdam were not willing to admit to any mistakes. Internatio’s memorial volume of 1938 states that although

---

86 Van Heekeren would remain in office until his involuntary discharge in 1867. J. van Maanen asked to be discharged in December 1864. It would take till 1 August 1865 before his succession by J.C. van der Zweep – a former captain in the merchant navy, sugar contractor and tobacco planter – had been settled. Apparently, Van der Zweep had done fairly well in the colony, allowing him to settle permanently in Rotterdam as a person of independent means. He was described as such in 1863 when becoming one of the co-founders/commissioners of Internatio in which he subscribed for f37,500. His appointment served to enable better supervision on the spot and therefore constituted the first attempt to strengthen the hold of ‘Rotterdam’ on business conducted in Java. But this scheme backfired spectacularly for Van der Zweep seems to have sided with Van Heekeren on more than one issue. His position soon became untenable and towards the end of 1866 he asked to be discharged with total acquittance which was granted only after extremely turbulent negotiations (Van Heekeren 1870: 21–22, 54, 60; [Internatio] 1913: 7; Archief Internatio 445).

87 In his agitated state of mind Van Heekeren went as far as labelling the actions of the Directors and his former business partner “jesuitic” and “satanic” (Van Heekeren 1870: 59–60).

88 In this context the word ‘capital’ signified investment (funds).
management was full of good intentions, it lacked experience with regard to colonial cultural enterprise and the purchase of products to be exported from the Netherlands ([Internatio] 1938: 8). Van Heekeren put it more bluntly in 1865 when writing to Van Maanen: "They are not the right men in the right places". The ambitious business objectives of Internatio added to the problems. As a result management had to divide its attention to the detriment of the Java trade.

Van Heekeren complained that management in Rotterdam did not use the regular sending of textile samples and the specification of patterns and quantities in accordance to the requirements of the three main market places: Semarang, Batavia and Surabaya. No attempts were made to interest Dutch manufacturers, and he claimed to receive goods deviating completely from his requests. This was not confined to textiles since Van Heekeren grumbled about meaningless, unwanted and difficult to market products being sent to Java, despite his guidelines and repeated suggestions. These products had to be distributed under many retailers in extremely small quantities which took long and was hardly profitable.

Of equal nuisance to Van Heekeren was the lack of financial assistance. Time and again he wrote that in order to expand business he had to have more funds at his disposal. The example of Ho Kong Sing has shown that the textile trade was conducted on credit. The same applied to agricultural enterprise, which could only operate by receiving advances. The colonial export/import business demanded large cash outlays which needed to be financed. Internatio however was short of cash. Loss-making ventures in other parts of the world had drained its resources and shaken the public’s confidence. Besides, the textile manufacturers would only export their products upon receiving a high percentage (± 80%) in advance; reputed companies like G. & H. Salomonson would even get 95 up to 100% (Brugmans 1963: 71–72). Consequently head-office in Rotterdam was in dire need of cash as well. The circle closed when Internatio’s management started to accuse Van Heekeren of displaying unwillingness in remitting funds earned from the sale of products exported from the Netherlands.

Internatio was seriously crippled by the continuing power struggle and financing difficulties. In October 1866 Van Maanen suddenly returned to Semarang. After his retirement he had moved to the Netherlands, but he was sent back for a thorough and rigorous reorganization. We will

---

89 Directors M.H. Salomonson, H. Bos and P.F. Bicker Caarten and secretary J.W. Muntz.
probably never know what role Van Maanen played in all of this. In the eyes of Van Heekeren he was a perfidious Judas, who put a knife in his back while posing to be his friend. Upon his suggestion Van Heekeren took a six-month leave and travelled to Europe to resolve the situation personally. He came to regard this as a conspiracy to get him out of the way and present him with a fait accompli at a later stage. The outcome would probably have been the same: Van Maanen stepped in and Van Heekeren was fired. New agents were appointed and Batavia and Surabaya acquired more independent positions. Semarang ceased to be the principal agency. It had now become clear who was captain of the ship ‘de Java’.

Internatio was wrong to count on a quick ending of the internal troubles. Business did not improve under the new principal agent Suermond which contributed to a near-total sense of malaise. 1868 turned out to be a year of disaster (rampjaar), especially with regard to the import trade where Chinese and Arab bankruptcies had seen significant write-offs. Internatio was in dire straits. In April 1870, after yet another bad year, it was rumoured in Batavia that Internatio would not hold out longer than twelve to eighteen months. At the same time, the business of Van Heekeren’s discharge was raked up with the publication of his booklet. The shareholders meeting of June 1870 was marked by great tumult and even had to be suspended. Notwithstanding their soothing arguments Directors and Commissioners were accused of gross incompetence and mismanagement. In general shareholders considered the situation in Java rotten to the core ([Internatio] 1913: 13; [Internatio] 1938: 9–11).

Trust in the capabilities of Internatio’s management ran at an all-time low and the situation was considered so tense that C.P. Sander – President
of the Board of Commissioners – recommended seeking legal council.\textsuperscript{94} In the end a vote of no confidence could only just be avoided and although the matter finally did calm down, Internatio was forced to count its losses. It had to reduce its statutory capital by half and subsequently had to operate very cautiously (\textit{Jaarverslag Internatio 1869} 1870; \textit{Jaarverslag Internatio 1870} 1871; Van den Berg 1907: 204, 206). From 1870 onwards the company limited itself to the trading business and tried to refrain from agricultural commitments, dubbed by its management a Netherlands Indies “disease”. However, private enterprise was allowed to penetrate the Javanese countryside more freely after 1870 and Internatio would not be able to withstand the temptation to compete in this highly risky business environment.

Two factors seem to account for Internatio’s turbulent start, i.e. the distinctive lack of experience in colonial trade practices at the company’s head-office in Rotterdam and the paralyzing power struggle between Dutch and ‘colonial’ management over authority issues. The latter factor severely aggravated by an \textit{incomptabilité d’humeur} or personal animosity between the men involved. Internatio’s example vividly illustrates the demanding nature of trade in Java prior to 1870. The main reason being a lack of finance opportunities due to a highly inadequate credit system. This proved a serious obstacle for any expansion of trading activities since a substantial amount of time and effort had to be devoted to makeshift measures. This drained resources and undermined the potential of the trading company. Improved access to capital was therefore of crucial importance for a smoothly functioning trade mechanism.

\textit{The Slow Adjustment of DJB}

In November 1857 and again in April 1861 the trading community of Padang – a town on the west coast of Sumatra – requested DJB to open a branch office for the benefit of its business operations.\textsuperscript{95} On both occasions management decided against. In 1857 DJB’s field of operation was apparently strictly confined to Java, whereas in 1861 financial resources were considered too limited. Therefore, DJB remained present only in the

\textsuperscript{94} In a letter dated 6 September 1870 C.P. Sander reminded his fellow commissioners of the agitated state and highly inappropriate behaviour of some of the shareholders during the last postponed meeting. He therefore urged them to seriously consider ways to moderate the tense atmosphere in view of the next meeting to be held that same month (Archief Internatio 4).

\textsuperscript{95} BI/DJB 29 No. 458: 245–246 / BI/DJB 29 No. 468: 256.
three main commercial centres in Java, i.e. Batavia, Semarang, and Surabaya. Still, it was obvious that an enhancement of credit and exchange facilities had been long overdue. Starting in 1864 no less than five new branches were established in a time span of 3 years: Padang (1864), Makassar (1864), Cirebon (1866), Pasuruan (1867), and Solo (1867) (De Bree 1928–1930: II 82–88, 579).

Any expansion of DJB’s activities was considered meticulously beforehand, as becomes clear from a number of detailed reports in which the matter was treated exhaustively. These reports show the considerations which influenced the decision-making process. Extensive market research was an important component of this preparatory phase. For instance, in August 1863 D. Schuurman – DJB-agent in Surabaya – was sent to Makassar to conduct a full-scale investigation into the prospects of establishing a branch office there. He carried with him an instruction from the Directors comprising no less than 29 questions subdivided into numerous sub-questions. Over half of these questions dealt with the prevailing trading situation on the spot, in particular the volume and content of both imports and exports, the number and (ethnic) identity of the traders, capital flows, etc. Closely related questions concerned the expected attitude of the trading elite and authorities towards DJB. Would, for instance, the governor and prominent members of leading trading companies be willing to sit on the Board of Commissioners? To achieve this, some delicate lobbying was required. If successful, it would greatly benefit the future economic and social position the newly founded branch office would come to occupy. Other questions centred around the monetary situation and more practical matters, such as the purchase of an office building.

The importance of obtaining relevant and detailed information is also evident a few years later when Pasuruan was considered a possible candidate for further expansion of DJB’s activities. In September 1866, Schuurman was commissioned to conduct an investigation into the prospects of such a venture. The local business elite – European and Chinese alike – actively promoted this, emphasized its urgency and even proposed

96 These offices had been founded in 1828 (Batavia) and 1829 (Semarang and Surabaya). In other words, DJB’s area of operation had seen no changes for more than 3 decades (De Bree 1928–1930: II 579).

97 In May 1864, a few months before DJB established its branch office in Padang, a third request was received from the commercial elite of Padang (BI/DJB 31 No. 92: 498–499/Bl/DJB 32 No. 113: 71–74).

98 BI/DJB 31 No. 11: 65, 67, 72–75.

99 BI/DJB 35 No. 242: 83; BI/DJB 35 No. 265: 211–228; BI/DJB 35 No. 277: 270–271.
to cover all costs related to DJB’s arrival for two years. At the time Pasuruan hosted three European import firms (NHM, Fraser Eaton & Co., and Van der Hart & Co.), all specializing in the sale of textile products. These businesses were supplemented by several Dutch shopkeepers, selling consumer goods to the upper echelons of local society. With regard to the textile trade only one Chinese merchant competed with the European importers. However, the Chinese in general had a far more diversified sales strategy aiming their product assortment predominantly at the needs of the indigenous population. In total, Chinese commerce comprised twelve traders – not counting the many peddlars – who would hawk their superiors’ cheap consumer goods in the countryside. Operating in the margin were several small Arab and Javanese traders, who were mentioned but not identified in Schuurman’s report.

The cash flow generated by the Pasuruan trading business was in itself not sufficient to warrant the establishment of a DJB branch office in the area, especially considering the proximity of Surabaya. Since the traders visited Surabaya regularly to purchase new merchandise, they had ample opportunity to use the extensive banking facilities there. But, located in the so-called ‘sugar corner’ of Java, Pasuruan was surrounded by a total of twenty sugar factories, equally divided among European and Chinese owners. For working-capital alone, these factories needed approximately f 1,000,000 year and generated an annual turnover of an estimated f 2,000,000. Since the combined capital flows of trade and manufacturing had reached such a high level, the transfer of money through DJB would constitute a significant improvement. In the current situation money was collected and transported between the two cities.100 Whereas the well-to-do travelled back and forth personally, the smaller entrepreneurs were forced to take part in a kongsi. This implied mutual recognition and interest payments in connection with the costs and risks of the transport.

The Pasuruan branch office was established in 1867 despite the negative advice of Schuurman. Being the agent of the Surabaya office he cannot have welcomed the competition of a new office nearby. Nevertheless, his arguments must have held some truth given the closure of the Pasuruan branch in 1890. As predicted by Schuurman, the profitability of the office had proven to be questionable. However, DJB’s obligations as

---

100 Although not mentioned by name, Pasuruan had at least four wealthy traders ‘playing’ banker in a private capacity. They were all considered usurers by DJB because of the disproportionately high interest rates they charged (BI/DJB 35 No. 265: 217).
the colony’s central bank went beyond mere profitability arguments.101 Besides, with an underdeveloped banking sector in 1867 DJB had been the only one able to act. The position of DJB at the time was such that it could afford a gesture of good will.

This seemingly impregnable position was about to change as DJB’s management soon learned. After 1870 private enterprise was allowed more freedom and the resulting investment needed to be financed, creating numerous opportunities for banking activities of all sorts (Sihotang 1983: 18–24). Under the new agrarian regulations it was possible to conclude long leases on uncultivated land for the purposes of plantation agriculture which boosted the production of sugar and coffee in particular (Creutzberg 1975: 20; Wertheim 1994: 60). The Sugar Act of 1870 placed sugar exports in private hands (Korthals Altes 1991: 15). At DJB’s head office in Batavia expectations were raised. In the weekly meeting of President and Directors on 13 June 1872 the decision was made to raise the bank’s rates by 1%. The management was unanimously of the opinion that demand for credit would surely rise, because of the larger amounts of sugar to be traded on the market.102 And so it did. But, the increased demand created its own supply as well. DJB started to experience fierce competition; no longer did it enjoy its former mighty position.

Even more worrying was DJB’s diminishing market share. It began to loose ground on its own favourite turf: the extension of credit for trading purposes (Van Laanen 1980: 34). In November 1878 the situation became alarming and a special meeting was convened to discuss the position and to suggest measures to counter this undesired development.103 Should the interest rates of DJB come down? In the end, this course of action was rejected. It was highly unlikely that it would help regain DJB’s market share, while it could easily be calculated that an annual loss of f 45,000 would be incurred.

Taking such a decision had required a thorough analysis of the Batavian money market. This showed how fundamentally the financial sector had altered in the time span of only twenty years. Before 1857, DJB was the only institution offering financial services to the trading sector. Outside DJB traders could only turn to three insurance companies and some private administration offices, like Reynst & Vinju. In 1878, this situation had changed beyond recognition. The following institutions were

---

102 BI/DJB 40 No. 117: 26.
103 BI/DJB 45 No. 59: 415–436.
earmarked by DJB as competitors in the financial sector: four commercial banks (i.e. the NIHB, the NIEM, the Chartered Bank, and the Chartered Mercantile Bank); several spaarbanken (savings banks) eleven insurance companies; numerous administration offices; and two private firms (Reijnst & Vinju, and the Armenian trader Arathoon). In the words of one of the discussants:

It cannot be denied, when compared to former years, that there is a lot – I would say – too much money in the Indies.\textsuperscript{104}

Little could have been suspected how prophetic these words would turn out to be in five years' time.

With a thriving financial sector at hand, trading firms should have had less difficulty in gaining access to capital. This would have enabled them to escape the permanent squeeze of simultaneous credit demands from buyers and suppliers. This assertion seems to hold true. Nevertheless, when it came to spending money, bankers and traders did not wish to be reckless. Fulfilling the credit needs of the trading sector meant the build-up of an intricate control-mechanism. The trading companies needed to assess not only the validity of credit requests but also the expectation of having their outstanding capital returned with a profit. Exactly the same considerations played in a banker's mind the moment a trader knocked on the door to ask for credit.

Protecting capital outlays through a control mechanism was of eminent importance for the survival of all participants involved in the trading business. Credit was never extended without collateral, e.g. in the form of property, or a range of different commodities. Frequently, a loan had to be guaranteed and co-signed by another individual deemed to be solid and trustworthy. Though striving for complete security, the commercial sector knew that there would always be an element of risk and uncertainty. To eliminate the risks as far as possible, traders and bankers needed information.

Often, information had to be distilled out of rumours and hearsay. The sensitivity of credit matters and the personal sphere in which business took place, kept information gathering low-profile and highly dependent on the skills of the people involved. Information was handled in an unstructured and rather haphazard way. The necessity of a formal information structure was however not lost on everyone. The problem was acute for the larger enterprises with several agencies spread over the

\textsuperscript{104} BI/DJB 45 No. 59: 435.
Indonesian archipelago. The smaller ones had less incentive to invest in systematic accounts and appraisals of their debtors. However, they were sometimes obliged to do so by their financiers who could not afford to take such matters lightly.

At DJB, there was never any misunderstanding about the importance of a steady flow of information. Information was considered an extremely valuable asset. An undisturbed flow was guaranteed by instructing the agents to report on all matters of concern. This resulted in an overwhelming weekly correspondence. Letters (labelled confidential or secret) and telegrams (sometimes encoded) were constantly exchanged. The telephone would later add to this avalanche of messages. This reporting added substantially to the agents’ already massive workload and was aggravated by the awareness of a highly demanding head office in Batavia which was not easily satisfied.

This may be illustrated by an example from December 1877 when the Semarang agent’s rather harmless negligence caused him an immediate reprimand. Upon hearing rumours in Batavia of a Chinese trader’s default in Semarang DJB’s President, N.P. van den Berg, immediately telegraphed Semarang for further inquiries. The next day, the rumours were confirmed: a certain Ong Siok Yoan had defaulted with a total debt of about f300,000. Despite the fact that the Semarang agency was not involved, DJB’s management decided to express its dissatisfaction over having to learn such important news indirectly. These events should have been reported by the agent and he was reproached for lack of diligence.105

To control DJB’s business outside Batavia President and Directors visited all the offices routinely. Additional information was occasionally obtained through the mediation of others, like the NHM, or the Chartered Bank.106 A formal cooperation between the financial institutions did however not exist. In October 1877 the desirability of such a scheme was debated within the confines of the President’s chamber at DJB. At the time it had become impossible to know to what extent companies were indebted to the different banks. The exchange of credit information would lead to greater transparency and a substantial reduction of risks. Nevertheless, bound by its statutes which forbade the disclosure of these figures, DJB’s management could not proceed with the plans and had to abort them prematurely.107

---

105 BI/DJB 45 No. 56: 391–392.
106 BI/DJB 39 No. 80–81; BI/DJB 45 No. 13: 89; BI/DJB 50 No. 39: 149.
107 BI/DJB 45 No. 37: 255–256.
A more formalized credit rating structure was not feasible yet. DJB still had to rely primarily on the information provided by the loan applicant himself, supplemented by bits of information collected here and there. Though reluctantly most trading companies would make their accounting books available for scrutiny upon the banks’ request. In most instances, an abridged balance-sheet with some additional information would suffice. For some traders even this proved too much. They preferred to make a statement of their affairs in a personal conversation with the agent, at best allowing him a superficial glance in the records. Given the cramped trading conditions, however, the commercial sector could not do without financial support. The dependence on the banks was so great that they were rarely denied access to confidential company information.

Whenever this happened the banks were not amused. One such occasion occurred in Semarang in late 1883 when DJB considered the application of a f 124,000 loan by the machine importer firm Van der Linde & Teves (Kind 2000). Since little was known about the financial means of the company, doubt existed whether it could meet its obligations punctually. The Semarang agent made inquiries, but was turned down flatly by Teves himself. Batavia considered this a deliberate obstruction. The credit limit of Van der Linde & Teves was subsequently reduced and set at the negligible amount of f10,000 – f15,000.108

The trader also faced the problem of rating the creditworthiness of his buyers. Only with difficulty small bits of information could be obtained, usually from one source which on many occasions would be the client himself. With respect to the import trade this dilemma was arguably even worse. The importer’s clientele consisted for the most part of Chinese retail traders whose account books and records would be in Chinese. The additional culture and language barrier undercut an already feeble controlling mechanism. This attributed to a feeling of insecurity which became acute whenever a bankruptcy involved a Chinese trader. Time and again, suspicions were raised as to whether the insolvency might be fraudulent in order to harm the creditors by keeping all or part of the extended money. Efforts were therefore made to compel the Chinese

108 BI/DJB 51 No. 39: 163; BI/DJB 51 No. 43: 181.
traders to keep their books in a European language which in the end proved to be unsuccessful.109

A solution to this problem was hard to find since both parties could not operate without each other. Wholesalers needed an outlet for their imports and retailers needed credit to keep their business running. Common sense and prudence had to guard against reckless and speculative behaviour. Spreading credit over a large number of buyers was the most sensible course of action, because there was no way of knowing to how many importers and for what amount a client might be indebted. The default of the Semarang trader Tan Djie Djoe in May 1879 is an obvious case in point. His bankruptcy affected a total of thirteen creditors, of whom no less than twelve were European import companies.110 There was only one Chinese creditor to whom Tan was indebted the relatively small sum of f 4,000. Because of the large number of companies involved, Tan’s total debt exceeded f 194,000: an average debt of almost f 15,000 per creditor.111 In practice, Tan’s debt was not that evenly spread. There were important differences between the various trading companies who had given him credit. The trading firm Bahre & Kinder was most seriously affected with an engagement of nearly f 40,000, whereas other companies had committed themselves for much smaller amounts.

Van Beek, Reineke & Co. / HVA

The trading company Van Beek, Reineke & Co. – dissolved and converted into the Handelsvereeniging Amsterdam (HVA) in 1878 – offers a rare opportunity to look at the policy of an import firm with respect to its debtors.112 The HVA was envisaged as a general import and export company. Participation in agricultural enterprises was ruled out categorically.

109 See for an interesting and detailed account of such accusations with regard to the numerous defaults of Chinese textile traders in Batavia in the middle of the 1860s, the small booklet written in defence of the Chinese intermediary traders by the former President of DJB, F. Alting Mees. By no means sharing the same favourable outlook but equally convinced of the superficiality of the accusations was P. Meeter, who discussed the subject in 1881 with special reference to the situation in Surabaya during the period 1876–1881. Decades later P.H. Fromberg would write a more apologetic article pertaining to the same question (Meeter 1881; Alting Mees 1884; Fromberg 1926).

110 BI/DJB 38 No. 19: 43.
111 Conducting business with a large number of companies for relatively small amounts was a common factor shared by Chinese entrepreneurs at the time, and explains the general underestimation of the scale of Chinese business in the Netherlands Indies.

112 BI/DJB 46 No.39; BI/DJB 52 No. 68.
Extending short-term credit to plantation owners for the export of their harvests was allowed under condition that the company’s capital resources had to remain liquid. Contracts whereby capital would be tied up for long or indefinite periods, would not be sanctioned for fear of a shortage of capital which could seriously impede the company’s chances of survival (Helfferich 1914: 120; Goedkoop 1990: 221).\textsuperscript{113}

The HVA incorporated an existing trading firm. Combining ‘foreign’ investment capital and ‘colonial’ trade experience offered the best guarantee for new players in the trading arena.\textsuperscript{114} The converted trading company had been active in Batavia under the name Van Beek, Reineke & Co. and in Surabaya where it operated under the name Wille, Gans & Co. The Batavia office had been led by W. Wille and the Surabaya branch had been supervised by his business associate V.E. Gans.\textsuperscript{115} This situation remained unchanged except for the fact that from now on both men acted as agents of the HVA. A substantially different position in which they were accountable to the company’s head office in Amsterdam and could no longer determine company policy independently.

J.L. Kuinders and H. Reineke became HVA’s first Directors overseeing and directing business operations from Amsterdam. Reineke was the founder and owner of the Amsterdam trading firm H. Reineke.\textsuperscript{116} He had conducted business with the Netherlands Indies, but was also a partner in Van Beek, Reineke & Co. (Goedhart 1999: 16, 342). Because of him the two associated companies in Batavia and Surabaya were considered as a possible foothold for the HVA in Java.\textsuperscript{117}

Van Beek, Reineke & Co. in Batavia and Wille, Gans & Co. in Surabaya fitted the requirements of the HVA. Both firms had an extensive and well-populated hinterland and were strategically located in large urban communities at the western and eastern end of Java. Both were medium-sized companies with limited commitments in the agricultural sector, experienced in import trade with a good reputation and a sizeable and solid customer profile.
In March 1876, DJB made inquiries into the financial strength of Van Beek, Reineke & Co. and its partner firm Wille, Gans & Co. In a personal conversation with N.P. van den Berg, W. Wille gave a general overview of all activities.118 It turned out that business in Batavia and Surabaya was conducted with a total capital of ƒ285,000, divided between an initial capital of ƒ250,000 and two bank loans worth ƒ35,000 over which interest had to be paid. The company’s performance in 1874 had been satisfactory with combined net profits of both branches at ƒ40,000. For 1875, Wille estimated a growth of profit to approximately ƒ80,000.

The greater part of the company’s capital (86%) was used to support its trading activities. According to Van den Berg the company traded in a number of import products of which it held sizeable stocks.119 In his opinion the distribution of goods was sluggish. Before being retailed articles were on the shelves for quite some time. Selling them to intermediate traders took time, effort and substantial credit.120 However, temporary credit assistance by DJB was not ruled out. This allowed the company to continue its policy of carefully selecting its clients and evaluating their outstanding credit on a regular basis.

A prominent business relation of Van Beek, Reineke & Co. was Said Hoessin bin Mohamad bin Aboe Bakar Aydiet.121 Aydiet was Major of the Arabs in Batavia from 1879 till 1884, very wealthy and in high esteem (Mandal 1994: 80).122 He owned property and land in and around Batavia worth at least ƒ30,000 including the estates of Solitude, Ragunan-Condet and Bendungan and a sailing vessel with an estimated value of ƒ40,000 (Heuken 1996: 66, 68, 71). This ship was used to transport rice and tin to and from Bangka after he had acquired the government contract. A very profitable monopoly which saw an annual surplus of ƒ60,000. Van Beek, Reineke & Co. administered this venture and accommodated Aydiet’s

119 A glance at the company’s records shows the variety of products imported from the Netherlands via the trading firm H. Reineke. These included mirrors, knives, scissors, textiles, stockings, wax, matches, locks, eau de Cologne, etc. (Brand 1979: 16–17; BI/DJB 44 No. 21: 290–291).
120 An indication of the time consuming and laborious efforts needed to successfully retail the products can be found in Wille’s account. Chinese are described as difficult, fond of bargaining and unwilling to part with their money. However, according to him the deliberate and endless haggling of the ‘difficult’ Chinese was also evidence of a good business mentality (BI/DJB 46 No. 39: 419).
121 BI/DJB 43 No. 48: 312; BI/DJB 46 No. 39: 421–422.
122 See Mandal (1994: 70–83) for an overview of the Arab officer corps in the Netherlands Indies during the nineteenth and early twentieth century.
expenses such as shipping and insurance fees. The arrangements provided Aydiet with a monthly credit at a maximum of f 8,000. Van Beek, Reineke & Co. received a fixed annual commission of f 15,000 in return.

Van Beek, Reineke & Co. had many other business relations. The archive of DJB contains two lists of the company’s Chinese and Arab debtors in Batavia and its surroundings.123 These lists clarify the policy of an import firm towards its clientele. The first list from July/August 1878 was compiled and sent by W. Wille to N.P. van den Berg upon the latter’s request. In 1884, a new list was presented to DJB. It was compiled by J.J. Benjamin, a senior member of the HVA branch office in Batavia (Brand 1979: 12). On both occasions DJB’s management expressed the opinion that the accounts were thorough and truthful.

The information contained in these overviews is summarized in Table 2.5. The following conclusions can be drawn from it. First, in 1878 total credit extended could run as high as f 1,500,000 which put some strain on a medium-sized company like Van Beek, Reineke & Co. operating with a working capital about six times less. There is some indication that full credit exhaustion was a normal feature. According to Wille, it was not unheard of that credit limits were even exceeded, especially during the ‘good’ season.124 Apparently, the company could not afford to be too stringent for fear of losing clientele. Fort his reason the short-term credit arrangements were carefully watched. Missing an expiry date usually meant an immediate reduction of a debtor’s credit limit. The company was obliged to resort to this measure since payment was guaranteed by a third party in five cases only, leaving 97% of all credit without additional security.

Van Beek, Reineke & Co.’s customer profile consisted almost exclusively of Chinese and to lesser extent Arab retail traders. On average, the individual credit limit stood at approximately f 10,000. There was a large

---

124 The ‘good’ season (June till August) was associated with the period following harvest sales and the festivities surrounding the Javanese New Year, at which time a lot of money became available and/or was spent. The resulting cash flow significantly improved the liquidity of retail traders, enticing them to do business on a larger scale. This course of events repeated itself at the end of the fasting month, but there is a clear distinction since Ramadan and Lebaran are not tied to a specific date but differ from year to year. Therefore, this occasion cannot be considered part of the ‘good’ season right from the outset. Traditionally, the months January till April were considered the ‘bad’ season since the indigenous population not only had less money to spend but was often severely indebted, due to the accepted advances without which they were not able to plant crops. As a consequence, business (i.e. retail trade) slowed down remarkably during this period (Meeter 1881: 21–22).
variety among the members of each group. The figures show that Van Beek, Reineke & Co. operated cautiously in this respect by allowing only one-third of its debtors to receive credit above average. Chinese and Arab customers seem to have been treated equally.

The Chinese did not take their business much outside Batavia and traded in many products such as food and beverages, clothing, household

Table 2.5. Customer profile of the Batavia branch of Van Beek, Reineke & Co. / HVA (1878, 1884).

<table>
<thead>
<tr>
<th></th>
<th>1878</th>
<th>1884</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese</td>
<td>97 66%</td>
<td>90 82%</td>
</tr>
<tr>
<td>Arabs</td>
<td>51 34%</td>
<td>22 18%</td>
</tr>
<tr>
<td>Total</td>
<td>148 100%</td>
<td>112 100%</td>
</tr>
</tbody>
</table>

Credit extension (f)

<table>
<thead>
<tr>
<th></th>
<th>1878</th>
<th>1884</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese</td>
<td>1,000,000 10,000 32%</td>
<td>600,000 7,000 42%</td>
</tr>
<tr>
<td>Arabs</td>
<td>500,000 10,500 30%</td>
<td>300,000 13,000 41%</td>
</tr>
<tr>
<td>Total</td>
<td>1,500,000</td>
<td>900,000</td>
</tr>
</tbody>
</table>

Diversity of trading activities

<table>
<thead>
<tr>
<th></th>
<th>1878</th>
<th>1884</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single*</td>
<td>27 28%</td>
<td>27 30%</td>
</tr>
<tr>
<td>Multiple*</td>
<td>70 72%</td>
<td>63 70%</td>
</tr>
<tr>
<td>Total</td>
<td>97 100%</td>
<td>90 100%</td>
</tr>
</tbody>
</table>

Place of operation

<table>
<thead>
<tr>
<th></th>
<th>1878</th>
<th>1884</th>
</tr>
</thead>
<tbody>
<tr>
<td>Batavia</td>
<td>73 75%</td>
<td>72 80%</td>
</tr>
<tr>
<td>Rest</td>
<td>24 25%</td>
<td>18 20%</td>
</tr>
<tr>
<td>Total</td>
<td>97 100%</td>
<td>90 100%</td>
</tr>
</tbody>
</table>

goods and an astonishing variety of fashionable articles. The Arabs spread their activities over a far wider area, and specialized exclusively in the textile trade. Only a few of the more wealthy merchants – like Aydiet – were active in the shipping and trade of other products, mainly commodities such as rice, petroleum, iron, or cokes (i.e. fuel).

In 1878 Van Beek, Reineke & Co. prided itself that they were not involved in the bankruptcies of Arab traders of that year. Their losses were of minor importance due to a timely reduction of credit limits. This was achieved by closely monitoring the behaviour of customers in an attempt to estimate their financial position.

Wille described how Van Beek, Reineke & Co. obtained the required information on the financial position of their customers. First, inspection trips were carried out regularly. In his report, Wille repeatedly mentioned how specific details were gathered by his associate Gans, while visiting the company’s business associates located along the Pasisir. Second, inquiries were made concerning ‘suspected clients’ by contacting European trading companies operating in the same city or area. Third, Van Beek, Reineke & Co. made optimal use of its privileged connection with Major Aydiet, who kept concise and updated records of the Arab community in Batavia. Undoubtedly, access to this unique source of information must have been invaluable in penetrating the Arab network of business relations. The Chinese business environment was accessed similarly through two members of the influential Oey clan. They were given credit up to 50,000, the maximum amount extended by Van Beek, Reineke & Co. In addition, the future Captain of the Chinese in Batavia, Lie Ang Ie, was among the most prominent clients of Van Beek, Reineke & Co.

In 1884 the customer profile of the HVA (formerly Van Beek, Reineke and Co.) in Batavia basically showed the same pattern. The predominance of Chinese traders had become even stronger which can be attributed to the establishment of a new agency in Semarang (Brand 1979: 12). The 22 Arab traders active along the Pasisir (Cirebon, Tegal, Pekalongan, Semarang) could now make use of the credit facilities offered by this branch office and had shifted their accounts from Batavia to Semarang. More remarkable is the reduced level of total credit extension of the Batavia office, decreasing from 1,500,000 to 900,000.

---

125 Items mentioned were: pottery, glassware, bread, paint, toiletries, matches, Manilla cigars, petrol, watches, yarn, rice, wax, etc.

126 More information regarding the Oey clan can be found in Knaap (1996: 141–142).
Though understandable given a sharply diminished Arab clientele, another explanation has to be found regarding the Chinese whose average credit limit fell from $10,000 to $7,000. The reason has to be sought in the severe economic crisis that Java experienced in 1884. The downfall of the world market price for main agricultural export products such as sugar and coffee seriously affected the purchasing power of the Javanese. Fearing a series of Chinese bankruptcies resulting from a lower rate of turnover and deferred debt repayments by the indigenous population, the European wholesale import traders scaled down credit limits as a preemptive measure. In the case of the HVA its financial commitment to seven agricultural enterprises was also of influence since it utilized as much as $1,150,000 of the company’s capital in 1884 (see Table 3.3). Therefore, capital resources could not be fully mobilized for import activities.

This trend became more pronounced in the following years. In 1891 the HVA’s engagements with 19 agricultural enterprises amounted to $3,690,000. Nevertheless, the firm’s import activities remained considerable and were expanded as testified by DJB’s agent in Surabaya in 1890. In his appraisal of the HVA, he compared its position with Internatio concluding that both companies were probably well matched, at least in Surabaya. 127 In 1910 the HVA nonetheless ended its import activities in order to specialize on the management of agricultural enterprise and the export of its products.128 Up till then, the import trade had continued to flourish and had actually contributed more to the company’s profitability than the export business in the years prior to this decision.

The problem was that importing goods consistently required $4,000,000 to $4,500,000 and this capital was urgently needed for investment in the company’s own plantations and factories. In 1910 the agricultural engagements of the HVA amounted to $20,600,000 (Helfferich 1914: 123–124, 129–130, 141). In two months’ time the import activities of the HVA were liquidated. Its trading products and business relations were transferred to Internatio, taking over the commodity imports, and Geo. Wehry, handling the smaller items such as food and beverages. The company’s outstanding credit of $1,500,000 was paid back in full and on time by its Chinese and Arab clients. Contemporaries greatly admired the management of HVA’s import activities and characterized it as a well-run and efficient enterprise.129

127 BI/DJB 1358 Correspondence Surabaya branch office, 5 June 1890: 1.
128 This episode is dealt with in more detail in Chapter 5, Paragraph ‘The HVA and Agricultural Enterprise.