CHAPTER FOUR

REDEFINING DUTCH-CHINESE COMMERCIAL RELATIONS (1890S–1910)

In 1892 an official inquiry was ordered into the economic position of 'Foreign Orientals' in Java and Madura. The final report conceded their economic indispensability, but also demonstrated their 'harmful' presence. Increasingly, all kinds of economic and social wrongdoings were attributed to the Chinese presence in Java's interior. To diminish Chinese economic dominance the revenue farm system was gradually abolished. In its wake the enforcement of the so-called passen- en wijkenstelsel – designed to control the whereabouts of the Chinese population – became vigorously debated.

The Chinese response to these deteriorating circumstances was influenced by renewed contact with China towards the end of the century. The overseas Chinese adopted a more assertive attitude when dealing with the colonial government and/or its commercial establishment. Deprived of any political power, but aware of their leverage within the colony's economic structure, the Chinese used boycotts as a means to defend their (commercial) position. This development of their organizational skills ridiculed the cherished conviction of a natural order of things within colonial society.

An Awkward Alliance: The Interdependence of Dutch and Chinese Business

“No two peoples have ever been more loyal to one another than the Dutch and the Chinese, but now [...] this friendship has been severed [...].” Such were the words of the Syahbandar of Juana a year after the massacre of the Chinese in Batavia in 1740.1 The revolt of the Chinese in the vicinity of

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1 The Syahbandar or harbourmaster was a key official within the trading ports of the Malay world, who had purchased the right to collect import and export duties. This position implied profitable business opportunities and formalized recognition of an individual's status, wealth and power within society. (Liem 1933: 17–19; Nagtegaal 1996: 223; Remmelink 1994: 129). The Dutch adapted the institution of Syahbandar into their kapitan appointments from which ultimately the elaborate officer system in the Netherlands Indies would stem (Knaap and Sutherland 2004: 22–25; Lohanda 1996: 33–34, 39–50; Reid 1993: 70–71). See also Chapter 2, Paragraph 'The Colonial State and the Economy'.

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Batavia, which led to the death of thousands of Chinese within the city itself, had everyone stunned. The Javanese reacted with disbelief since the Chinese and the Dutch were like two sides of the same coin. Their alliance was regarded so strong that the Javanese had come to consider the Chinese trading network an extension of VOC activity. According to Susuhunan Pakubuwana II, the Chinese were like women without any power, fit only for trading and managing tollgates, because "[...] wherever the Chinese live [...] they are supported by the Honourable Company and are permitted to trade [...] and grow rich, all of which is made possible by the Honourable Company" (Nagtegaal 1996: 221–222; Remmelink 1994: 129).

The Chinese were well aware of the precariousness of their position as shown by the distressed reaction of the Chinese captain and lieutenant of Semarang, Que Anko and Que Jonko. Upon hearing of the revolt and killings in and around Batavia, they tried to convince the VOC headman in Semarang B. Visscher of their loyalty and good intentions. However, the Company tended to lump all Chinese together. Any distinction between 'good' or 'bad' Chinese evaporated when put to the test. As Chinese started to lay siege to Semarang in June 1741, Que Anko and Que Yonko were put into chains with Visscher fulminating: Potong kepala, semua! (cut their heads off, all of them!). Que Anko did not survive the ensuing madness. In the end the full-scale revolt of the Chinese destabilized politics in Java with Javanese rebelling against the VOC and the Chinese urban elite as well. In 1743 the rebellion collapsed, but internal strife among the Javanese elite continued unabated, leading to the destruction of the Mataram empire and its division into the Yogya and Solo courts in 1755 (Ricklefs 2001: Chapters 9 and 10, especially 119–130; Bongenaar 2005: 51–53).

It would take more than 150 years before the well-nurtured (economic) alliance between the Dutch and the Chinese was seriously questioned again. The severed friendship between the Dutch and Chinese elite was
mended remarkably quick after 1740. The Dutch encouraged the Chinese to resume their economic role to ensure the continued supply of life’s necessities and to safeguard their less mundane, but far more profitable interests (Remmelink 1994: 128; Ng Chin-Keong 1991: 374). Immediately after the pogrom in Batavia, they set out to restore the breach of trust. The members of the Chinese urban elite – whose revolt it never had been in the first place – eagerly responded (Blussé 1986: 96). Despite the fear and distrust between them the Dutch and the Chinese remained allied to each other.

The Chinese in Southeast Asia and the Netherlands Indies

The Chinese played a pivotal role in the colony’s economic sphere ever since the founding of Batavia which relied heavily on its population, revenue and services (Blussé 1986: 72–96; Pan 1999: 152–153; Reid 1993b: 74). Chinese contacts with Southeast Asia had however been a feature of life long before the Europeans arrived. As early as the ninth century Chinese sojourners had become a socially visible group within the Indonesian archipelago (Li Minghuan 2003: 215; Stuart Fox 2003: Chapters 3–5). Mongol pressure pushed Chinese south as far as the island of Java in the thirteenth century. This episode brought a major injection of Chinese technology to Java (notably in shipbuilding and coinage) and greatly stimulated commerce. In the early fifteenth century strong Chinese communities existed in Java and Sumatra. Around 1600 large and very distinct colonies of Chinese could be found in Asian ports such as Phnom Penh, Manila and Banten. In Banten the Chinese at this point numbered approximately 3,000 living in a separate quarter outside the city wall (Pan 1999: 50–51; Stuart Fox 2003: 98).

Chinese emigration to these places originated mainly from the southeastern provinces of Fukien (Fujian) and Kwangtung (Guangdong) (see

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4 According to VOC sources Visscher, who suffered a break-down during the Chinese attack on Semarang, only thought of the money he had invested in Que Jonko. Afterwards, he claimed a loss of 100,000 rijksdaalders (rixdollars). A stunning sum considering his monthly salary of approximately 55 rixdollars (Remmelink 1994: 131, 143).

5 The Company employed influential Chinese to persuade their fellow countrymen to return to Batavia and resume trading. One of them was Que Jonko, whose letters and messengers seem to have convinced many demoralized Chinese to come back to Semarang. The merchant Tan Iko provides a similar example. He was invited to come over from Semarang at the end of October 1740 in order to introduce and guide Chinese newcomers to Batavia. He declined the offer, but set an example by travelling to Batavia in November 1740, where he would later settle before returning to China in 1747 (Remmelink 1994: 166, 170; Ng Chin-Keong 1991: 374; Hoetink 1917: 371–372; Hoetink 1922: 90).
Map 3 and 4). The main factors contributing to the high level of emigration from these areas to Southeast Asia were the incidence of extreme poverty, geographical proximity and historical opportunity. In Fujian only 11% of the land was worth cultivating, while Guangdong had a mere 7% of arable land. However, in some areas only 40% to 50% of the arable land could be used for rice cultivation leaving the remainder suited only for root crops. In addition both provinces were severely overpopulated while the area's infrastructure was exceptionally bad. Adding to these difficulties were periods of domestic disruption as well as the existence of corrupt officials and oppressive government policies. As a result, large segments of the population of Fujian and Guangdong lived a life of misery aggravated by recurring famines. Given the proximity and knowledge of other countries – owing to the coastal (junk) trade conducted between China and Southeast Asia – many were willing to board a ship in order to obtain a better future.

Chinese overseas migration to the Nanyang (lit. ‘Southern Ocean’) came in bursts and was encouraged by the strong geographic expansion of China under the Qing dynasty (1644–1911). From 1680 to 1780 Chinese

6 See Ng Chin-Keong (1983: 1–41), Pan (1999: 30–39, 46–71), T’ien Ju-K’ang (1953: 2–10), [Verslag] (1891: 305–311), Wu Xiao An (2003: 17–19). Ng Chin-Keong (1983) is particularly useful in his identification of the push and pull factors at play in the southern part of Fujian. His account of economic (e.g. population-to-land ratio, land ownership) and social conditions (especially lineage organization) reveals the main causes of what he calls the ‘rural exodus’.

7 Economic imperatives were of overriding importance given the fact that the social barriers to migration were large. First, until 1858 the Chinese government opposed migration and treated migrants as lawbreakers, unworthy of protection by their government and punishable upon their return. Second, the Chinese considered the desertion of ancestral homes as undesirable and frowned upon those that did. Third, the hazardous journey and uncertain living and working conditions abroad were acceptable only if the alternatives were famine and death (Limlingan 1986: 34; Stuart Fox 2003: 118, 122–123).

8 The frequent occurrence of famine in Fujian confirms this. In the seventeenth, eighteenth and nineteenth century 228, 158 and 101 cases of famine were recorded. Another indication of the hardship endured is the sharp reduction of the total population of Fujian in the nineteenth and early twentieth century by almost 50% from 25.8 million in 1842 to 13.1 million in 1910 (Pan 1999: 30; Limlingan 1986: 34–35).


10 Fujian’s and Guangdong’s location at the shores of the South China Sea provided a livelihood to its people and turned their attention outward. The Fujianese were well known as maritime merchants trading with China, Korea, Japan and Southeast Asia. Fujian was largely dependent upon overseas trading for its survival since the province failed to cultivate enough rice. ‘Sea is paddy to the Fujianese’ according to a Chinese phrase still in use today, which clearly emphasizes the overriding importance of the sea to its inhabitants (Pan 1999: 30–31; T’ien Ju-K’ang 1953: 4).
society experienced an unprecedented growth of both population and economy (Blussé 1999; Gang Deng 1993: xxiii; Kwee Hui Kian 2006: 13–15).\(^{11}\) This led to a surge of Chinese migrants to Southeast Asia aided by a decision of the Chinese authorities in 1684 and – after a ten-year suspension – 1727 to remove a ban on overseas trade. Sojourning abroad and especially serving a foreign government continued to be condemned, but in 1754 the authorities declared that any Chinese abroad would have his property protected and be entitled to return home. This measure encouraged the departure of even more Chinese.\(^{12}\)

Migrants were called *Huaqiao* or *Hoakiau* in the Netherlands Indies meaning ‘Chinese sojourner’.\(^{13}\) Those who settled in the Indonesian archipelago predominantly came from the southern part of Fujian and would therefore speak *Hokkien* – the local pronunciation of the word Fujian – which is the main speech group of this area (Jansen s.a.: 9–13; Pan 1999: 24). However, under colonial circumstances the word *Hokkien* primarily signified people originating from the whole of Fujian even though they could not necessarily understand each other (see Map 4).\(^{14}\)

In Java Chinese settlements formed all along the northern coast of the island (*Pasisir*). In ports like Banten, Batavia, Cirebon, Semarang and Surabaya, but also in smaller towns like Jepara, Pekalongan, Rembang and Tuban. Although the early settlers married local women, succeeding generations tried to maintain their Chinese character. Among the poor or isolated Chinese full assimilation took place, but this was probably not the case for the middle and upper classes.\(^{15}\)

\(^{11}\) Despite the doubling of the country’s population from 160 million in 1700 to 350 million in 1800 per capita income remained stable at relatively high levels and/or slightly increased (Goldstone 2002: 348–353).


\(^{13}\) Closely connected with it is the word *qiaoxiang*, meaning ‘sojourner’s home village’. The shared word *qiao* means ‘to stay away from home temporarily’. Sojourners differ from migrants in that they are supposedly temporary residents who will return home one day. However, *Huaqiao* often ended up as settlers as illustrated in the following Fujianese saying: ‘Out of every ten who go abroad, three die, six remain and only one comes home.’ (Pan 1999: 16–17, 46–47; T’ien Ju-K’ang 1953: 2–3; Kuhn 2003).

\(^{14}\) China can be divided into ten language groups of which Mandarin is the most important. It is spoken by more people than any other language and enjoys the prestige of being the language of administration and education. The linguistic diversity of South China is particularly marked. It is hard for a southerner to make himself understood by another southerner living in the next town, let alone by a northerner speaking Mandarin. This is evidenced by the fact that the main language in Fujian is divided in eight subgroups of which *Hokkien* is only one. In turn *Hokkien* is subdivided into yet another three subgroup speech areas (Pan 1999: 22–25; Shaughnessy 2005: 21, 238–239).
rule. Cultural influences however soon gave birth to a specific *peranakan* subculture.\textsuperscript{15} *Peranakan* Chinese thought of themselves as Chinese and were regarded by others as Chinese, but in their lives they displayed many indigenous cultural traits such as the adoption of Malay and/or the prevalent regional language, local dress, food and table habits. Being a *Peranakan* therefore implied the adoption of a creolized or mestizo culture with strong indigenous influences often including racial mixing through the maternal line (Khoo Joo Ee 1998: 23–28; Pan 1999: 153–155; Rafferty 1984: 247–248).

Since migrants from the south of Fujian established themselves earlier in the archipelago than other language groups, such as the *Hakka* and Cantonese, the vast majority of the *Peranakan* in the Indonesian archipelago were *Hokkien* in origin, particularly in Java.\textsuperscript{16} Two migratory waves in the periods 1860–1890 and 1900–1930 changed this balance to a degree. Still, despite the considerable influx of newcomers the Chinese community in general remained dominated by local-born Chinese, i.e. *Peranakan*. Even after the second migratory wave *Peranakan* continued to constitute about 62% (750,000) of the total Chinese population in the Netherlands Indies in 1930, while the China-born newcomers (called *Singkeh* or *Totok*) accounted for 450,000 (Twang Peck Yang 1998: 19).

The arrival of many newcomers from China towards the end of the nineteenth century did cause a rift in the Chinese community in Java. *Totok* and *Peranakan* did not share each other’s language, history, level of assimilation and economic position. Chinese of higher economic status in Java were mostly *Peranakan*, while only some newcomers occupied such a position. Both population groups generally despised each other. For *Peranakan* the term ‘stinking immigrant’ was a common way of referring to the *Singkeh* until the 1930s. On their part the *Singkeh* claimed cultural superiority since the *Peranakan* had no awareness of China, their ancestral home towns, or the Chinese language. Unable to capitalize upon their socio-economic position the *Singkeh* tried to improve their economic status and thereby initiated fierce economic competition within the Chinese community (Jansen s.a.: 13–16; Twang Peck Yang 1998: 20–21).

Many newcomers traded as most Chinese had done before them (Cator 1936; Ong Eng Die 1943). In 1875 48% of the Chinese workforce was

\textsuperscript{15} *Peranakan*: people of Chinese descent born in the Indonesian archipelago.

\textsuperscript{16} The origin of Chinese loan words in the Indonesian language shows that 91% of these words derives from the south of Fujian (Kong Yuanzhi 1987; Kong Yuanzhi 2005: 182–240, especially 183).
engaged in some sort of commercial activity. In 1900 this percentage stood at 44%, in 1905 at 43%. Only full-time registered traders were counted as such and substantial (illegal) trading activity must have remained unaccounted for. Underregistration was probably less of a problem during the 1930 census which explains the higher percentage (58%) of Chinese traders.

**Ethnic Origin and Occupation**

The percentages above indicate a correlation between ethnic origin and occupation. This phenomenon was not limited to Java alone, but a striking feature of island and mainland Southeast Asia during the nineteenth and first half of the twentieth century. Chinese and Indians filled the occupations of trader, merchant and moneylender. The indigenous population engaged in cultivation as owner-occupiers, tenants, or labourers, while the Europeans occupied the high positions in administration and commerce. It should be noted that these divisions were by no means rigid. There were indigenous traders and moneylenders in the region while Chinese and Indian labourers worked in processing mills, on the docks and in warehouses (Brown 1997: 160–161). The combination of ethnicity and specific occupations was nevertheless distinct and cannot be ignored.

Many explanations given for the ethnic division of occupation in Southeast Asia focus on cultural differences. Cultures differ, it is argued, as a result of differing contexts, i.e. contrasting physical environments and diverging political, economic as well as social historical experience. The argument in the case of the Chinese is that the southern part of China was mountainous, infertile, prone to flood and drought and overpopulated. In this Malthusian setting hard toil was essential for survival. Consequently, strongly admired social values were industriousness and frugality. In addition the continuity and cohesion of kinship groups was stressed. Ancestors had given a family what they now possessed, and in turn they acknowledged their responsibility to toil and save for the benefit of those who followed. A strong obligation was felt to help one another even in the case

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17 See, for instance, Houben and Lindblad (1999) for a detailed study of coolie labour and labour relations in the Outer Islands of Indonesia during the period 1900–1940.

18 In his book on economic change in Southeast Asia I. Brown has devoted a chapter on ethnic origin and occupation in Southeast Asia (Brown 1997: 1–12, 160–174).

19 The importance of environmental differences and diverging historical experience as opposed to idiosyncratic cultural factors and/or differences in innate ability is convincingly argued by Diamond (Diamond 2005: 25, 405–420).
of comparatively distant relatives. Chinese society thus emphasized lineage advancement and placed a high value on material success. It is likely that such virtues were as central to survival in the uncertain world of the immigrant.

Under such circumstances the individual entrepreneur was encouraged to work within extended, kin-based organizations which facilitated the emergence of bigger firms, the pooling of capital and enterprise and the sharing of commercial risks and opportunities. This gave him a far-flung network of dependable trading contacts. It is suggested that all this gave the Chinese appreciable advantages in trade and commerce. For centuries south China had been involved in external trade. The mountainous terrain made easy communication by land with central and north China difficult to establish and therefore a vigorous coastal trade had come into existence. This had matured into long-distance maritime trade with many parts of Southeast Asia long before the first Western traders arrived in the region (Blussé 1979; Gang Deng 1997 and 1999b). Longstanding trading experience subsequently led to heightened commercial sophistication. Calculations of risk, return, margin and profit were common and the Chinese command of commercial and financial practices was extensive.

Indigenous traders in Southeast Asia mostly lacked this kind of crucial experience. Though compressing the argument dangerously, the social values, structures and historical experience of their societies seem to have offered them less opportunity to develop their commercial and financial skills, or to create extensive trading contacts. This is far from saying that trade was non-existent or introduced to indigenous society in response to the arrival of the first Europeans in Asia. On the contrary, in the sixteenth and seventeenth centuries Southeast Asian trade was vibrant and used commercial techniques as developed as those in Europe.

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20 The frequently voiced (colonial) complaints of native indolence and economic irrationality as the root cause of this cannot be taken seriously. The same applies for the presumed damaging influence of religious beliefs on economic behaviour. These views collide with (past) reality. The extraordinary toil and vast commitment of the Javanese population to the production of government crops under the Cultivation System contradict this image. So does the explosive expansion of smallholder rubber in Kalimantan, Sumatra and the Malay States in the decades before the 1930s (Brown 1997: 144–159; Henley 2005). Generally speaking the rural populations across Southeast Asia had been involved in external trade. The mountainous terrain made easy communication by land with central and north China difficult to establish and therefore a vigorous coastal trade had come into existence. This had matured into long-distance maritime trade with many parts of Southeast Asia long before the first Western traders arrived in the region (Blussé 1979; Gang Deng 1997 and 1999b). Longstanding trading experience subsequently led to heightened commercial sophistication. Calculations of risk, return, margin and profit were common and the Chinese command of commercial and financial practices was extensive.

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21 See the account of Frederik de Houtman of his voyage in 1598 to the Indonesian archipelago. During his Acehnese captivity he mastered the language and observed local trading conditions. After his return to the Dutch Republic he published the first
In general the mighty chartered trading companies found it difficult to compete with Asian traders in any market, except when they could use violence without fear of retaliation. Political and military power, rather than superior commercial organization, seem to have been crucial in wresting control of some of the trades from indigenous merchants. Where weapons did not suffice, Europeans often found themselves losing out to Chinese and other Asian merchants, or joining up with them.\textsuperscript{22} Trade in Southeast Asia was well established and it took the Dutch about two hundred years of fierce competition to suppress the local and Asian merchants and take over the international trade for themselves (Dewey 1962: 190–191; Knaap 1996: 171–173; Kwee Hui Kian 2006: 26–28).

Still, research has shown that the social and economic structure of, for instance, Java and Siam (present-day Thailand) did influence the commercial practices of the indigenous population in a decidedly different manner when compared to the Chinese (Dewey 1962: 27–50; Van Gelderen 1966: 144; Skinner 1957). Both Java and Siam were fertile, underpopulated regions in which subsistence was secured with relatively more ease than in the southern provinces of China. The need for hard toil in order to survive was less of a necessity and self-denial secured little advantage. Javanese and Siamese alike had no ancestor cult, made little or no use of family names and kinship ties were far less extensive. For the Javanese the nuclear family was the primary economic base although patron-client relationships were of importance in the rural villages. The importance attached to material success by the Chinese was not recognized by the Siamese who condemned too excessive concern with material ambition.\textsuperscript{23}

A further important contrast is the amount of involvement in external trade. Almost all of the great empires of Java were or had been inland states making agricultural considerations of overriding concern to them. With the rise of two new powers in Central Java (Pajang and Mataram) in the middle of the sixteenth century the centre of political gravity decisively shifted from the coastline to the interior. Likewise, Siam's Dutch-Malay language book and dictionary in 1603. This little volume dealt primarily with trading topics such as buying and selling, reclaiming debts, negotiating sales, etc. (De Houtman 1603; Van der Sijs 2000: 32–56, 122–220).


\textsuperscript{23} This is evidenced by the large number of Siamese males who renounced the material world by temporarily entering the Buddhist order and who were held in high esteem by the population.
involvement in external trade was limited. Until 1688 the Thai kingdom of Ayutthaya (1350–1767) had welcomed foreigners and important commercial ties were forged over the years. Foreign political meddling, however, resulted in the expulsion of foreigners and ushered in a 150-year period during which the Thai isolated themselves from contacts with the West (Brown 1997: 162; Houben 1994b: 63; Ricklefs 2001: 18–19, 45–46).

Nevertheless, there was a close relationship between state power and mercantile activity in Southeast Asia. Trade was critical to the Southeast Asian economy in contrast to the economy of China where commercial revenue enhanced the splendor and prestige of the court, but was not central to its political economy. Size matters and those in control of smaller political units, such as the rulers of Asian port cities, had to take more interest in overseas trade. State revenue depended more upon taxes on trade and the rulers’ own participation in it than on land revenue. This link between commerce and wealth in maritime Southeast Asia dictated the domination of ruler and state in the administration of commerce, restraining the growth of indigenous merchant enterprise (Kathirithamby-Wells 1993: 125–130; Pearson 1990: 69–77; Subrahmanyam 1995: 751, 756–763).

Early modern Southeast Asia possessed few formal mechanisms to prevent those in power from seizing the wealth of their subjects (Chauduri 1985: 210–215; Faure 2006: 11–25; Kathirithamby-Wells 1993: 135–136, 142). Compared with China there was little protection in law for individual property against the power of the state (Bayly 2004: 60–62; Deng 2000: 4; Deng 2004). Accumulation of private capital was clearly difficult under these circumstances. In absence of protection through the law individuals secured property and position principally through the cultivation of patronage ties which involved the exchange of gifts and conspicuous displays of wealth. This ran counter to the promotion of frugal habits needed for commercial endeavour. Furthermore, during the long period of export growth that Southeast Asia experienced from around 1450 to 1680 (dubbed the ‘age of commerce’) state monopolies – such as in Ayutthaya – frequently secured the trade of the most valuable articles. This limited the opportunity for indigenous traders to gain business experience, build long-distance networks, or accumulate capital (Kathirithamby-Wells 1993: 130, 132; Stuart-Fox 2003: 93).

Foreign merchants benefited from this situation as they were frequently appointed to important commercial positions like Syahbandar (harbourmaster). These appointments facilitated trade with foreign merchants who visited the court and excluded domestic rivals from positions of
wealth and influence which might provide a potential power base to challenge the ruler (Adas 1981: 230; Kathirithamby-Wells 1993: 133). As a result foreign merchants – in alliance with the indigenous elite – came to command the commercial centres, leaving local traders without patronage in more peripheral roles as pedlars and petty brokers. The advance of European power in the seventeenth century reinforced this divide between foreign and indigenous capitalists. The Dutch defeated local rulers in a series of military confrontations and forced the population to abandon the trade of the region’s most important products, or accept exclusive and oppressive trading arrangements which largely eliminated Asian intermediaries from the trading system.

This retreat from international commerce divided the indigenous and immigrant population, notably the Chinese, in a number of ways. Once they had asserted their power the Dutch separated off the Chinese communities in order to reduce the opportunities for alliance between the Chinese and indigenous population and enhance the effectiveness of the Chinese as commercial intermediaries. Following established Asian practice in each town under control of the Dutch the Chinese were allocated their own quarter and governed through their own administration. They serviced these towns in their role as traders and moneylenders, but also as craftsmen, provisioners, labourers, etc. (Blussé 1986: Chapters 4 and 5; Brown 1997: 41–42).

The identification of the Chinese with economic power in Southeast Asia was completed by their near-exclusive command of revenue farming and their indispensability to Western commercial enterprise. The quintessential revenue farm, sold at auction to the highest bidder, arose from the combination of Dutch organisation and Chinese business (Reid 1993b: 73–74, 76). It usually generated an income exceeding the sum paid for it, which made it an important source of economic power for the Chinese in Southeast Asia. As it absolved the state from responsibility for revenue collection, it also facilitated the withdrawal of the indigenous world from commercial concerns.

Western commercial power rested to a considerable degree on intensive collaboration with immigrant Asian intermediaries – principally

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24 It is interesting to note that tax farming, an advanced type of revenue farming, was generally well developed in late Medieval Europe. In the sixteenth century the most important taxes in the Netherlands were all farmed out to the highest bidder at annual auctions. Jan Pieterszoon Coen, the founder of Batavia, would have been familiar with this kind of taxing. This might explain the immediate introduction of the revenue farm in the territories commanded by the Dutch (Reid 1993b).
Chinese, followed by Indian. At the local level Chinese and Indian enterprises had the advantage: overhead costs were low, long residence gave them an intimate knowledge of local conditions, most individuals spoke local languages and many married locally. Western enterprises were primarily located in urban centres and rarely established a presence in the rural hinterlands. Western business suffered from heavy overhead costs due to high salaries for expatriate European staff, imposing offices and residential accommodation. This ruled out the establishment of branches in distant places where business was modest. European staff often did not possess detailed knowledge of local commercial and agricultural conditions or of local cultivators necessary to conduct business on that level. Few commanded local languages, while many were frequently reassigned to new and unfamiliar areas. In addition, Europeans remained alien to local society (Brown 1997: 44; Kathirithamby-Wells 1993: 133–135).

In summary, from the mid-nineteenth century onwards Chinese and Indian networks provided the crucial link between local cultivators and the wider economy. Southeast Asia was thus linked to the Western economy by mutually dependent local European enterprises as extensions of the trading and financial networks of the West, and Chinese and Indian intermediaries who penetrated deep into the local economy. As a result Southeast Asia saw a pronounced ethnic separation of economic roles in which immigrant communities – particularly the Chinese – provided the core entrepreneurial skills, the commercial networks and the capital that ensured rapid economic growth in the region from the early decades of the nineteenth century (Brown 1997: 8, 44–45; Reid 1993b: 79).

Dutch-Chinese Partnership and Revenue Farming

The economic alliance between the Chinese and the Dutch in Java proved to be long-lasting and extremely profitable. Cooperation between the two remained the only viable option for successful business (Kwee Hui Kian 2006: 76–96; Van Niel 2005: 101–120). Revenue farming became the institutionalized form of this cooperation. The revenue farm gave its owner...
the right to collect specific taxes or to buy or sell valuable and easily monopolized commodities in a delimited area for a stated period. Specific sectors of the economy were thus allocated to the highest bidder at public auctions with the stipulation that a fixed amount in license fees be paid at set dates. Any additional amount collected could be retained by the farmer as a reward for his efforts (Diehl 1993: 199).

This exposed the government to a potential loss of income when a farmer failed to meet his obligations. To prevent this farms would be allotted to ‘reliable’ individuals, often Chinese. Economic power was thus taken from the Javanese aristocracy who could have posed a threat to the Dutch. This way, any acquired wealth was unlikely to be put into suspect political schemes. Chinese were also favoured because of their ability to establish syndicates (kongsi) with sufficient capital and expertise to ensure successful farm management (Kwee Hui Kian 2006: 76–96, especially 92–96). In turn, the Chinese realized that European rule offered relative security of property and the possibility of administering their own community without too much outside interference.27

The revenue farm was essentially a fiscal instrument accommodating the needs of a small colonial presence with little leverage, struggling to establish political authority. Revenue farms enabled weak states to survive and develop more efficient systems of revenue collection (Reid 1993: 79). From a revenue-generating perspective the opium farm turned out to be most successful throughout Southeast Asia. The Chinese-run opium farms also played a decisive role in colonial governance and empire building. Opium provided revenue crucial for the functioning and growth of the colonial state and its infrastructure, although there were variations in the dependence on this source of income for the different colonial budgets.28

Singapore relied most heavily on opium farms for revenue. For the entire century after 1819 opium generally averaged between 40 and 50% of total annual revenues. In French Cochin China opium was the largest revenue-generating operation for two decades. Between 1861 and 1882 the Saigon farm contributed about 30% of colonial revenues. In Siam the opium farm generated about 14% of total government revenue which by

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27% of total revenue collected in Asia by the company (Reid 1993b: 74–75; Niemeijer 2005: 70–77). Between 1760 and 1780 almost half of the company’s income in Asia derived from tax farming (Kwee Hui Kian 2006: 76–96, especially 92–96). In turn, the Chinese realized that European rule offered relative security of property and the possibility of administering their own community without too much outside interference.27

1905–06 had risen to almost 20%. By the 1880s opium revenues in India amounted to about 16% of total official revenues. The opium farms were less important in British Burma and the Philippines, but still generated significant revenues (Richards 2002: 377; Trocki 2002: 298; Visscher 2002: 27–29).

In the Netherlands Indies the situation was very similar. From the Dutch point of view revenue farming was highly rewarding, proving itself an inexpensive and simple means of raising official income. The Dutch only had to collect the due sums on a regular basis and did not need to appoint, supervise and pay costly officials to operate the monopolies. Accordingly, most of the money taken in by Batavia represented net profit. As a result a range of revenue farms operated in the Netherlands Indies throughout the nineteenth century. These included the selling of opium and salt, the operation of markets, slaughterhouses, pawnshops and gambling establishments, the management of ferries, tollgates and lift-locks, the right to hold wayang performances in Batavia as well as the right to the produce of the ‘Thousand Islands’ (Pulau Seribu) off the coast of Batavia and finally the gathering of birds’ nests for export to China (Fokkens 1992: 58–59; Williams 1960: 24).

Between 1826 and 1895 revenue from all farms in the Netherlands Indies contributed on average 22% of total state revenue (see Table 4.1). For seven decades one-fifth to one-quarter of colonial revenue thus derived from the successful operation of revenue farms. Opium was of crucial importance in this achievement since the results from the different opium farms accounted for the greater part of total farm revenue with the percentage climbing from about 60 to 80% and higher in the aforementioned years. During the period 1877–1895 opium revenues alone accounted for approximately 18% of total revenue. With the demise of revenue farming after the second half of the 1890s, these stunning percentages started to dwindle and soon became insignificant.

The identification of the Chinese with the revenue farming system was common throughout Southeast Asia. In the case of the Netherlands Indies the influence of Chinese tax farmers can be gauged from the following figures. In 1870 3,574 Chinese were recorded as active in tax farming in Java. In 1890 this number had grown by almost 40% to 4,886. Most adult Chinese males (i.e. over the age of sixteen) employed in tax farming were found in Central Java, the region with the highest opium consumption. In Solo and Madiun approximately 17% of the Chinese workforce earned a living in activities related to tax farming. In the Outer Provinces another 1,990 Chinese were involved in tax collection on behalf of the colonial
administration. The total number of 6,876 Chinese engaged in tax farming exceeded the 6,087 Dutch civil servants employed in the colony towards the end of 1890. To keep revenues flowing this small body of Dutch government employees had no choice but to rely on Chinese tax farmers as well as unsalaried indigenous officials to collect taxes that had not been farmed out.

From a material perspective, the Chinese (farmers) profited (enormously) from this situation, but there was a serious downside. Chinese dominance of the revenue farms not only identified them with economic power, but also contributed significantly to virulent anti-Chinese feelings (Kwee Hui Kian 2006: 160–164). In order to see a profitable return on his investment the farmer needed to establish a high rate of turnover. Not only did he have to pay the substantial instalments on a regular basis, but he was responsible for the costs of enforcing his monopoly rights. Administering any tax or product was a complicated and expensive task, making it harder for the farmer to break even (Rush 1990: 57–63, 80–81; Table 4.1. Colonial finances of the Netherlands Indies, 1816–1925 (in millions of guilders).

<table>
<thead>
<tr>
<th>Year</th>
<th>Total state revenue</th>
<th>Total farm income</th>
<th>Opium farming</th>
<th>Opium Regie²</th>
</tr>
</thead>
<tbody>
<tr>
<td>1816–1825</td>
<td>179.6</td>
<td>27.6 (15%)</td>
<td>14.8 (54%)</td>
<td></td>
</tr>
<tr>
<td>1826–1835</td>
<td>265.2</td>
<td>51.3 (19%)</td>
<td>31.3 (61%)</td>
<td></td>
</tr>
<tr>
<td>1836–1845</td>
<td>392.1</td>
<td>105.2 (27%)</td>
<td>65.4 (62%)</td>
<td></td>
</tr>
<tr>
<td>1846–1855</td>
<td>394.5</td>
<td>102.3 (26%)</td>
<td>63.9 (62%)</td>
<td></td>
</tr>
<tr>
<td>1856–1865</td>
<td>550.3</td>
<td>124.1 (23%)</td>
<td>96.6 (78%)</td>
<td></td>
</tr>
<tr>
<td>1866–1875</td>
<td>709.0</td>
<td>127.7 (18%)</td>
<td>103.5 (81%)</td>
<td></td>
</tr>
<tr>
<td>1876–1885</td>
<td>942.3</td>
<td>191.7 (20%)</td>
<td>158.3 (83%)</td>
<td></td>
</tr>
<tr>
<td>1886–1895</td>
<td>1003.9</td>
<td>228.4 (23%)</td>
<td>182.1 (80%)</td>
<td>0.4</td>
</tr>
<tr>
<td>1896–1905</td>
<td>1155.7</td>
<td>138.5 (12%)</td>
<td>99.9 (72%)</td>
<td>58.5</td>
</tr>
<tr>
<td>1906–1915</td>
<td>1932.5</td>
<td>55.5 (3%)</td>
<td>21.6 (39%)</td>
<td>191.1</td>
</tr>
<tr>
<td>1916–1925</td>
<td>5596.7</td>
<td>8.2 (0%)</td>
<td>–</td>
<td>327.2</td>
</tr>
</tbody>
</table>

x = total revenue farm income as a percentage of total state revenue
y = income from opium farming as a percentage of total revenue farm income
¹ collected in the Netherlands Indies
² The government controlled Opium Regie came to replace the privately operated opium farms in 1904 after a transition period of several years.
Williams 1960: 24–27). The public image of the revenue farmers suffered badly from this dependence on small profits and quick returns. They appeared greedy and exploitative and as a result came to be loathed, if not hated.

This negative view of Chinese business extended itself to the activities of Chinese hawkers roaming the Javanese countryside. Going from door to door, selling consumer articles and buying up agricultural produce, Chinese petty traders successfully penetrated Java’s interior. In a society short of cash their business was conducted on the basis of short-term credit with corresponding high interest rates. As a result the Chinese gained a reputation of behaving like leeches, sponging on the poor indigenous population.

In the course of the nineteenth century this kind of trade came to be regarded by the Dutch as highly detrimental to the Javanese peasant. Images of usury and extortion soon became part of the collective memory. Generalizations of this kind proved ineradicable despite the fact that any itinerant trader – regardless of ethnic background – would have been obliged to calculate sharply and seize every opportunity in order to carve out an existence for himself and his family. Being a relative outsider the Chinese itinerant trader was unable to draw on the support and sanction systems of local society and could not always adopt a lenient attitude when collecting outstanding debts. Under these circumstances the only way to sustain himself was by the accumulation of many tiny profits through high interest rates (Wertheim 1994: 67, 160–161; Fromberg 1926: 407–408).

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29 The Chinese in Southeast Asia have often been compared to the Jews in Europe and parallels with anti-Semitic attitudes and behaviour have been drawn repeatedly. See Chirot and Reid (1997) for a historical comparison of the position of the Chinese in Southeast Asia and the Jews in Central Europe. In the same publication Takashi Shiraishi (1997) traces the historical roots of anti-Sinic in Java.

30 This analysis touches upon the tradition of anti-Chinese violence in Indonesia (Mackie 1976). As members of a small ethnically distinct minority Chinese in Indonesia have repeatedly experienced violence. According to Purdey this violence has often coincided with social, political and economic change at the national level, but it can also be driven by local concerns and conflicts. Scholars use theories of economic competition and political manipulation to understand the perseverance of anti-Chinese violence. Many argue for the centrality of economic competition/exploitation or jealousy as an explanation of the violence. However, the methods within Indonesian society to stir up anti-Chinese sentiments have been more varied and include religion, tribalism and nationalism (Purdey 2005: 24–37).
The Economic Position of the Chinese under Scrutiny

The leverage of the colonial bureaucracy greatly increased during the nineteenth century (Dick et al. 2002: 59–61). The Java War (1825–1830) strengthened Dutch political authority and before long the rationality of farming out tax revenues was questioned. This was partly due to the availability of more information concerning the colonial finances as published in the annual Koloniale Verslagen (Colonial Reports) after 1849 (Van Baardewijk 1991: 22–28). Awareness of colonial affairs became better when the Comptabiliteitswet (Accountability Act) of 1864 required the colonial budgets to be approved every year by the Dutch parliament (Diehl 1993: 200). With budgetary deficits plaguing the colonial administration the income from revenue farms still remained necessary and the system was maintained despite mounting opposition. Besides, during the latter half of the nineteenth century the Dutch state depended significantly on the batig slot or ‘positive balance’ policy, i.e. the income derived from the Netherlands Indies.31 (See also Chapter 2, Note 21).

Over the years the attitude of the Dutch administration towards the Chinese became decidedly negative. Dutch officialdom focused above all on reported excesses which were attributed to the anomalous position of Chinese business. As early as the 1850s Chinese activity was considered conspicuous and accused of endangering the welfare of the indigenous population.32 According to military officer W.A. van Rees: “Without the Chinese we would have been in want of many things, and still we abhorred those dog-eaters.” (Van Doorn 1996: 25).

31 Colonial profits were considered a structural financial asset, but the effect of such profitable colonial exploitation on the indigenous population did instil a sense of guilt. Between 1865 and 1900 the so-called ‘colonial drain’ was increasingly questioned. Another substantial ‘drain’ of colonial profits was directed towards the originating countries of population groups, such as the Chinese (Dick et al. 2002: 15; De Jong 1989; Van der Eng 1993b and 1996: 92). The importance of the Netherlands Indies to the Dutch economy after 1870 appears to have been of a different order. Although the Dutch economy benefited, it was far from dependent on the colonial relationship (Van der Eng 1998). See also Pomeranz (2000: 186–188) and O’Brien (1982 and 1990) for the issue of overseas (coercive) extraction and economic development.

32 Evidence of this can be found in several articles quoted in Chapter 2, Note 58. See also the article published in 1851 by L. Vitalis: ‘Over de pachten in het algemeen, de onzekerheid van sommige, en de verdrukking waaraan de overmatige misbruiken van andere de Javannse bevolking blootstellen’ (Vitalis 1851: 365–386). An abbreviated translation of this article in English (‘Concerning the revenues farms in general, the immorality of some, and the oppression to which the Javanese population is exposed due to the excessive abuses of others’) can be found in Fernando and Bulbeck (1992: 26–42).
From the 1870s the opposition to revenue farming in general and the opium farm in particular started to gain momentum. Recognition of the system's deficiencies, especially its high corruptibility, was accompanied by a growing fear of the Chinese dominance in operating it. The magnitude of Chinese commercial influence becomes evident when looking at the following figures. In 1892, the Chinese in Java were in possession of 45% of land that could be legally owned, which included 63% of all private estates, while 31% of buildings and premises on lands not privately owned belonged to them as well. They owned 22% of all shipping tonnage registered in the colony, 18% of the sugar mills operating under contract with the government, 34% of voluntary agricultural labour contracted with the indigenous population, and 26% of the contracts for the transport of salt and government goods. The Chinese as a group paid 38% of the personal tax collected in Java, 22% of the business tax and 38% of a special tax for owning property on leased land. In addition, the Chinese accounted for 26% of the value of imports and about 12% of the value of exports (Diehl 1993: 200–202).

It was realized that some Chinese offered serious competition to Europeans. Much of the resulting unease found expression in condemnation of the Chinese as a group. They were labelled 'a cancer', 'true vultures', 'hyena's, or just plain 'scum' (Van Doorn 1996: 154). According to one observer some civil servants thought that persecuting the Chinese amounted to protecting the Inlander. Although the Chinese remained indispensable as revenue farmers and so-called ‘funnels of trade', it was always with the waspish remark ‘for the time being'. Accusations of rapacity by Chinese traders and money-lenders peaked in this period. Tolerated only for bridging the gap between Europeans and Inlanders, it was claimed that their admission to Java's interior should be subjected to sharper restrictions. Since they were foreigners, they had to submit themselves unconditionally to the laws of the predominant race. For some it was actually a favour that they were allowed to stay in the Netherlands Indies at all (Fromberg 1926: 406).

Critical commentators – the vociferous Dutch press and members of the Dutch parliament in particular – called upon the government to change its policy and adopt a more aggressive stance against Chinese commerce in general. Unable to resist this pressure a large-scale government inquiry into the economic position of Foreign Orientals in Java and Madura was ordered in 1892. The final report of F. Fokkens was submitted in 1894, but its proposals were not endorsed by the government and never put into practice. The massive manuscript disappeared into the archives.
of the Ministry of Colonies and soon sank into oblivion (Fernando 1992: 43).

The ‘Opium Kwestie’

The unfortunate fate of Fokkens’ solid report does not do justice to its rich and informative content. Containing more than a thousand folio pages, it is a rich source on the participation of Chinese, Arabs and other Vreemde Oosterlingen (Foreign Orientals) in the economy of Java and Madura towards the end of the nineteenth century. It also shows the dilemma’s Dutch policy makers faced in dealing with this section of the population. Although most would have welcomed a reduction of the Foreign Orientals’ ‘harmful’ presence, there was the recognition that they occupied a key position within the colony’s economic structure. Their business operations sometimes had to be encouraged in order to prevent the economy from grinding to a halt. All of this was grudgingly conceded, but only within certain strictly enforced limits. However, opinions differed greatly as to the extent of these limits and how to impose them. The Fokkens report bears witness to this lack of unanimity. An analysis of this investigation shows the complexity of the issues and the extreme diversity in local circumstances.

The inquiry was officially announced on 9 August 1892 by the Minister of Colonies, Willem Karel Baron van Dedem. W.P. Groeneveldt, a Chinese-language expert and a respected member of the Indies Council, was assigned this prestigious task. Both men had intimate knowledge of the situation in Java and had shown themselves critical observers of Dutch colonial policy. On more than one occasion they had expressed their belief in the need for reform. Van Dedem in particular had actively participated in the public discourse in the Netherlands by proclaiming a moral obligation or ‘Debt of Honour’ towards the Javanese population. Both men were therefore well suited to take this controversial task upon themselves (Encyclopaedie Nederlandsch-Indië 1896: I 429–430, 603; Van Gennep 1895: 318–320).

Initially, Van Dedem and Groeneveldt had focused their attention on the so-called Opium Kwestie (‘Opium Issue’) which became acute in the late 1880s and was tied to the revenue farming system and its Chinese management. Echoing in all of this was the impact of the crisis of 1884, and its negative effects on the rural economy of Java which peaked in

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33 NA/MIKO 5037, V17-04-1896, No. 27.
1887 and 1888. With low prices for cash crops the rural population retreated from the marketplace and fell back on a system of self-sufficiency with rice as its basic staple. As a result money became scarce and the purchasing power of the Javanese peasant experienced a free fall (Djoko Suryo 1982: 217–218, 224–225, 227, 232). This seriously affected the financial health of the tax farms, more in particular the opium farm. By 1889, only four out of nineteen opium farms had survived the depression in the countryside and farm debts to the state already surpassed f3,000,000,-. In 1893 outstanding debt approached almost f6,000,000,-, most of which the Dutch government was forced to write off (Rush 1990: 182–183, 186, 189).

L.W.C. Keuchenius, who was appointed Minister of Colonies in April 1888, denounced the Chinese opium farmers:

I view them as an evil which must temporarily be endured, but which in truth is even more than opium itself a cancer upon the native population.34

By now, the image of the Chinese farmer as a supporter of the government had crumbled. Keuchenius viewed them as businessmen who had to pay up, and in case of non-payment should be forced to do so “without delay and without consideration” (Rush 1990: 186). Failing to meet their government obligations and leaving huge unpaid debts, the Chinese farmers lost their credibility. Dismayed the government started to reconsider the wisdom of entrusting part of its future income to private individuals.

The dismantling of the farm system was accelerated by a Sinophobe attack on the opium farms in the media. The Chinese became the perfect scapegoat in order to rationalize the pressures caused by the mid-decade depression. The visible impoverishment of the indigenous population during the 1880s, the resulting increase of small-scale local rebellions, and rising violence in cases of theft or burglary created a growing fear. Lawlessness manifested itself in wandering bands of marauders (keceu-gangs) in the countryside and the incidence of mob rule in urban areas. These occasional outbursts added significantly to a general sense of insecurity (Sartono Kartodirdjo 1966; Djoko Suryo 1982: 262, 269, 270–277, 282–285). This was exacerbated by an influx of poor Chinese immigrants which fed the belief in a ‘Yellow Peril’. Due to the crisis, society failed to absorb these newcomers. This created a volatile situation as seen in Yogyakarta in November 1889. Here, newcomers pillaged the house of the Chinese captain who had tried to curb unwanted competition in the area.

34 Quoted in Rush (1990: 186).
The ill-treatment and manhandling of some of their compatriots sparked the violence and the captain’s crude efforts to protect his cut in the opium farm backfired (Rush 1990: 196; Tagliacozzo 1999: 261–262).

These and other tensions received excessive media coverage. The once strongly endorsed opium farms were not able to withstand the pressure of economic uncertainties, social change and public scrutiny and became ever more obsolete.35 The final blow came with a revived reformism which drew strength from the heightened public attention. Already reform-minded spirits had criticised the exploitation of Java, singling out the opium farms as the most visible instrument of abuse. However, until the crisis their pleas had been largely disregarded. Since the beginning of the nineteenth century Java was viewed as a *wingewest* (area of exploitation). This policy was endorsed in the *Regeeringsreglement* (Government Regulation) of 1854 which constituted the basic law of colonial governance. Challenging this basic element of state rule required the build-up of strong pressure by oppositional forces.

It was Van Dedem who first raised the subject in the Netherlands. Having practised law in Semarang from 1864 till 1872, he entered politics upon his return to the Netherlands and started to question Dutch opium policy (Colenbrander and Stokvis 1916–1917: I 136). Van Dedem challenged the idea that there were no viable alternatives for the farm system. After entering Parliament in 1880 he started pressing for a thorough investigation of the Dutch opium policy. Minister of Colonies Willem Baron van Goltstein reluctantly ordered such an investigation which resulted in a detailed report as late as 1888. Although acknowledging the need for reform, its recommendations basically upheld the farm system. However, by now support for the farm system had become politically inopportune (Rush 1990: 166–167, 199–201).

In a string of articles, pamphlets and books the opium farm system was vehemently attacked and became nearly indefensible towards the end of the decade.36 It was considered reprehensible and immoral of the government to make profits from selling an intoxicating substance, the

35 Commercial interests generally viewed any kind of monopoly as harmful to free enterprise or trade. Plantation owners complained about a demoralised labour force because of drug abuse. Liberal politicians started to talk about the repayment of a ‘debt of honour’ and the responsibility of ‘elevating’ the indigenous population. Enlightened civil servants expressed growing concern about the contribution of opium to the impoverishment of the population (Diehl 1993: 200–201). See also Chapter 5, Paragraph ‘Ethical Policy’.

36 See Salmon (1991b) for a rare Chinese critical view of the opium farm written in 1889.
consumption of which added to the misery of the population. The opium
den became the incarnation of the evil Chinese presence. I. Groneman
called it: “that spider’s web of our pernicious ally, who like a gigantic spi-
der lures and traps the poor Javanese, then seizes him, clutches him and
binds him and sucks him until he is tortured to death.” M.T.H. Perelaer,
one of the most outspoken enemies of the opium farm, appealed for a
“RELENTLESS WAR!” against the opium farm, “[...] that scandalous source
of income [...].” In his novel Baboe Dalima, the Chinese were portrayed as
hideous, mean and extremely unpleasant. Their physical appearance and
accent were most discomforting. Even their shoes were found disagree-
able, for their footwear was “weirdly bowed, heavy and ponderous.”37

Others cast their net wider in denouncing the Chinese presence over-
all. Chinese opium farm agents, pawnshop operators, petty traders and
loan sharks all drained the rural economy and poisoned village society.
P.A. Daum saw all this within the context of industrial progress in the fol-
lowing scene in his novel Goena Goena:

Where only rice fields used to be, now waved the elegant plumes of sugar
cane; where tall coconut palms once represented ‘the highest good’ they
were now humbled by towering white factory stacks which never, day or
night, stopped sending up clouds of smoke from their black openings. And
straight through the once unspoilt field there were endless rails, here rusty,
over there glistening dully from friction in the fierce light of the sun. Money
had been introduced to the population, and with the white ‘filthy lucre’
another ‘filth’ had arrived. Near the rail stations lived the Chinese and Arabs
who were now in business, had opened warongs, smuggled opium, ran gam-
bling houses; this was the field train of Western civilization in the East.38

Alluding to the racial fear of a ‘Yellow Peril’ other commentators focused
the attention on mainland China where they imagined mandarins lurking
in the background, patiently awaiting their chance (Godley 1981: 60–78).
N.J. Struick would write in 1889 that China could no longer be disregarded.
“Today it sends off its representatives to investigate the situation of its
countrymen in the possessions of European powers. Tomorrow come the
consuls. Thereupon it will promote the legal equality of the Chinese and
European inhabitants. And where will it end?” (Rush 1990: 204; Yen Ching-
Hwang 1985). The Chinese opium farmers had clearly become a political
liability. The once carefully nourished and highly profitable business

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(2000: 1–2, 4).
connections between the Dutch and Chinese elite had become a burden and were in urgent need of replacement.

An alternative form of opium distribution was eagerly sought and appeared to be found in Cochin China. In 1881 the French had implemented the *Opium Regie* (Opium Regime), a scheme directly managed and staffed by the colonial administration itself (Rush 1990: 201, 209–213). In 1889 Groeneveldt was appointed by Minister of Colonies Keuchenius to study this program for which he travelled to Cochin China early 1890. He questioned whether the farm system could ever accommodate the ethical and fiscal goals of the government and came up with a negative answer. In August 1890 Groeneveldt submitted a report favouring a *Regie* and radical institutional reform.

Groeneveldt offered a balanced view by judging the opium question as a matter of policy without indulging in feelings of guilt or racial prejudice. This did not go unnoticed. His viewpoints received even more attention since they indicated the possibility of securing higher opium revenues without the farms and the Chinese. This must have been music to the ears of Dutch policymakers, who were increasingly inclined towards government controlled opium production and distribution. In 1893 the first experiments with such a scheme commenced in Batavia and the final approval followed in 1897. This signalled the end of the opium farms throughout Java (Rush 1990: 209–210, 213–214; Van Luijck and Van Ours 2001: 7, especially note 16).

The government set up its own distribution system selling to registered users only through a network of government shops (Cribb 2000: 138–139). In 1904 Java was entirely serviced by this system. A government plant in Batavia – situated ironically between a hospital and a pawnshop – replaced the local farm-run opium factories and manufactured opium products of uniform taste and quality to which a neutral chemical was added in order to distinguish legal from illegal opium. Erected to right past wrongs, the *Opium Regie* expressed concern for the spiritual and material welfare of the indigenous population and aimed to reduce the use of opium. However, the system turned out to be very profitable and contributed more to the state coffers than the morally detested farms.

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39 This constituted a government monopoly which controlled imports, refining, and retailing (Van Luijck and Van Ours 2001: 1; Butcher 1993: 44).

40 The *Opium Regie* has been labelled one of the first fully developed institutions of Java during Ethical Policy (Rush 1990: 218).
The sale of opium constituted an important source of income for the government, accounting for almost 16% of colonial revenue in 1905 – i.e. f 20,25 million – when sales in most residencies equalled or surpassed those of the opium farms. Producing and selling opium remained a booming business and large profits continued to stream in during the 1910s and 1920s. Over the period 1914–1929 the revenue from opium ranged between 32.6 and 52.6 million guilders. (Opium revenue relative to total revenue did decline steadily from 13.5% in 1914 to 5.3% in 1929.) The Opium Regie turned out to be extremely profitable with a profit margin between 76 and 80%. In other words, for every guilder of cost incurred by the Regie between three and four guilders in profit were made (Chandra 2000: 103–105, 107; Rush 1990: 218–219, 226–227, 236–237).

W.P. Groeneveldt: An Articulate Spokesman for the Chinese

Groeneveldt had earned his credentials as a specialist in Chinese matters. The favourable reception of his ‘Opium recommendations’ however boosted his reputation. He had shown himself to be an efficient researcher, able to work with tight schedules and outside pressure. Van Dedem, who became Minister of Colonies in 1891, appointed Groeneveldt on several occasions. When he accepted the investigation into the economic position of the ‘Foreign Orientals’ Groeneveldt was in the midst of a follow-up of his opium report at the request of Van Dedem. He was also given two supplementary tasks. First, he was asked to advise the government on the replacement of the remaining tax farms, which allowed Chinese to travel in the interior, with a system of direct collection by the state. Second, over time it had become more difficult to appoint suitable Chinese officers and an overhaul of the existing system of Chinese
governance seemed advisable for which Groeneveldt’s expertise was deemed necessary.

Groeneveldt conducted these four investigations throughout late 1892 and the early months of 1893. Though pressed for time he did not merely present excerpts of information delivered to him or otherwise available in the archives. Between September 1892 and March 1893 he made three journeys of approximately four weeks each to the residencies of Java and Madura where he consulted with the heads of the European and the indigenous administration and many other civil servants. Groeneveldt collected information and left instructions for additional research: a thirteen page questionnaire in which he stated his aims and ideas regarding the research.

Groeneveldt intended to record the economic position of the Foreign Orientals, but focused above all on the consequences arising from their presence in the colony and their impact on the indigenous population. He acknowledged the negative image of Chinese and Arabs among Europeans which he attributed mainly to ignorance. More often than not public opinion was based on inaccurate generalizations rooted in bias and prejudice. Groeneveldt explicitly referred to the repeated manifestation of envy and racial hatred which prevented “a lot of good” (veel goeds) from being noticed. An accurate account of the economic activity of Foreign Orientals emphasizing their dealings with the indigenous population was therefore of great importance.

Groeneveldt collected as much statistical data as possible, since it was his belief that conclusions could only be drawn from detailed information. He showed himself to be moderate in his views which were underlined by the following principles. These stressed the government’s obligation to protect the indigenous population, but only if they had proved themselves incapable of doing so. After all, state-sponsored protection of one group of society would curtail certain rights and could thereby harm the interests of other societal groups. In addition, unforeseen consequences could impair the interests of those being protected in the first place. Besides, as residents of the Netherlands Indies the Foreign Orientals enjoyed the inalienable right to a fair and even sympathetic treatment. They should not be persecuted with restrictions unless the need for protection was absolute and the beneficial effect of the intended measures was sufficiently ensured.

Groeneveldt emphasized the need to proceed with great caution in order not to sacrifice fairness to imaginary dangers. He pointed out that general measures would not simply redress the mischief caused by a
single individual but affect many others as well. To combat any bias
Groeneveldt's questionnaire contained 22 questions of which thirteen
asked for specific statistical information, such as population, tax, occupation
and movement figures. He also made sure to put attention to the
complexity of the issue in order to counter the usual Sinophile
generalizations.

Groeneveldt did however object against the free movement of Foreign
Orientals in the countryside, claiming that it had caused the almost uni-
versal indebtedness of the indigenous population. By stressing the scale
of credit transactions – conducted mainly by Foreign Orientals – and their
supposed negative consequences, he argued that their access to the desa
should be restricted. The movement and settlement restrictions ought
to be reconsidered if the indigenous population was lured into borrowing money. But restriction could also cause great inconvenience to
villagers. The distributive as well as the collecting trade could suffer. It
would make a great difference if life's necessities had to be bought far
away or whether they were sold door to door. This mattered even more in
case of the sale of indigenous (agricultural) products. Groeneveldt argued
that those who could wait for the buyer at home were in a better position
than those who could not. If the offer was not good enough, it could be
deprecated in the knowledge that another buyer would pass by the next day.
If products had to be packed and brought to the pasar, people would
avoid carrying them home and accept an offer that they would otherwise
have refused. In addition, there was the possibility that buyers in the mar-
ket place would conspire in keeping prices artificially low.

Groeneveldt remarked that borrowing money in itself was not proof of
insolvency. Within an agricultural society income and expenditure are
not distributed evenly throughout the year and credit transactions are
needed to bridge the gap between the two. Since no banking system
existed within the colony allowing the peasant to borrow small amounts
of money against a moderate interest, he was forced to turn to private
moneymakers. The latter, usually of Chinese origin, would provide the
necessary cash against high interest. Over the years this feature had
attracted most attention and fierce accusations of usury. Groeneveldt
indicated that the high interest rate should not arouse people's indigna-
tion too much. His argument focused on the customary high interest rate
of indigenous society. Pawnbrokers for instance charged 6% a month
even against full security. The security of loans without collateral was so
doubtful that the high interest rate naturally included an insurance pre-
miun against total loss.
Peasants thus had to allocate a disproportionate part of their income in order to satisfy credit needs which hindered economic development. How to improve this situation? Groeneveldt himself expected little from restrictive measures. Where credit transactions fulfilled a specific need prohibitions would almost surely be circumvented. The peasant short of cash would always manage to satisfy his credit needs, but not without the additional cost of rising interest rates. Obtaining credit should therefore be made cheaper, although Groeneveldt admitted he did not know how to achieve this. Still, repressing the economic activity of Foreign Orientals would not be a solution. Chances were that the investment of capital within the colony, of great benefit to all, would be forced abroad as Chinese and Arabs sought more profitable outlet elsewhere.

Groeneveldt sent his memorandum to all Residents in Java and Madura in May 1893, but was unable to finish the investigation as he was appointed vice-president of the Indies Council a few months later. On 25 July he sent Governor-General C. Pijnacker-Hordijk his preliminary conclusions, but would continue to show an active interest in the Chinese situation.44

Groeneveldt concentrated his closing remarks on three issues: the admission, settlement and movement of Foreign Orientals. First, he recommended regulations on the admission of Chinese and Arabs in the colony be tightened. So far, they were admitted to the colony for a period of six months, after which they had to prove their means of existence. However, many never applied for a residence permit after the expiration of their legal stay. Thus they escaped the supervision of the authorities and had to earn their keep illegally. This reduced the competitiveness of their fellow countrymen, resulting in a stream of complaints by Chinese entrepreneurs. Groeneveldt also considered these newcomers detrimental to the indigenous population, victims of their shrewd and cunning business methods. The influx of immigrants should therefore be opposed and only those needed ought to be admitted.

The second issue, the settlement of Foreign Orientals did not give rise to many problems. The existing restrictions were reasonably effective, although temporary permits were used as a pretext for permanent settlement. There were two exceptions. First, complaints were made against Arabs because of their highly speculative money lending practices. Their Islamic religion added to their prestige, allowing them to exploit the indigenous population even more ruthlessly. Second, the tax farms – more

44 Nieuwe Rotterdamsche Courant (NRC) 13-03-1897; SH, 03-05-1897; Insulinde, 15-06-1897: 186.
specifically the opium farm and the slaughter farm – permitted scores of Chinese to settle in the countryside which facilitated easy access to indigenous society. Collecting Dutch revenue even required them to establish close contact with the indigenous population. The only way to avoid this would be by abolishing the farms entirely.

Groeneveldt was most critical regarding the third matter, the movement of Foreign Orientals. He shared the general sentiment that free movement in the desa ought to be restricted. Protecting the villager by curbing the Chinese presence in Java’s interior remained a necessity. The existing Pass System however was far from effective. Groeneveldt strongly criticized the fact that the provisions of the system were no longer uniformly applied and had become subject to all kinds of exceptions. He especially regretted the arbitrary treatment of the Chinese, which was justified by the regulations of the Pass System. In several districts the restrictions had become “a true torture” (eeene ware kwelling) which impeded legal and honest trading. If someone’s reputation failed, he would be denied a pass and be virtually interned. To prevent this kind of misuse, Groeneveldt was in favour of a complete overhaul of the Pass System.

Still, it would be better if root causes were addressed. The indigenous population should be given the opportunity to acquire credit at a lower rate than prevailing. This would most effectively counter the negative influence of the presence of Foreign Orientals, whether Chinese or Arab. However, the feasibility of such a scheme remained to be seen. The outcome of Groeneveldt’s discussions regarding new credit measures was not encouraging in this respect.

**F. Fokkens: An Ethically Inspired ‘Javanenvriend’**

On 26 August 1893 the civil administration appointed F. Fokkens as Groeneveldt’s successor. Fokko Fokkens had been in Java since 1874 where he had assumed his career within the Dutch administration as aspirant-Controleur. He was made Controleur 1e klasse in 1885, and given special assignments which made him an expert in matters relating to the (land) rights of the indigenous population. In 1889 Fokkens was promoted to Inspecteur der Cultures and carried out an extensive investigation on the compulsory labour service. After Fokkens took over from Groeneveldt he was given the rank of Resident, a status more in accordance with this prestigious investigation.45

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The project acquired a new and different perspective. Fokkens had studied the Javanese language as well as its culture and was committed to the well-being of the Javanese population. This would eventually earn him the title of ‘Javanenvriend’ in which he seems to have taken pride (Ralph 1901: 13). As a ‘friend of the Javanese’ Fokkens was a representative avant la lettre of the ethical policy of the next decade. His resume contrasted sharply with Groeneveldt’s and he was far less favourably inclined towards the Chinese.

Fokkens found himself in the unenviable position of taking over a half-finished project. After noting Groeneveldt’s ideas, he did not waste any time in continuing the investigation. Fokkens was given nearly all of his predecessor’s workload, and also had to advise the government on the reform of the tax farm as well as the Chinese officer system. In September 1893 Fokkens travelled to Central and East Java where he met Dutch civil servants and representatives of the Foreign Orientals. During this trip he went to several Chinese quarters where he was shown around and given information firsthand. Upon his return Fokkens completed the report regarding the organization of Chinese governance and then drew up a proposal concerning the replacement of the tax farm by a government managed system. Both memoranda were presented to the newly appointed Governor-General C.H.A. van der Wijck on 31 January 1894 and 1 March 1894 respectively.

Fokkens could now devote all of his time to the inquiry into the economic position of the Foreign Orientals. The replies to Groeneveldt’s elaborate questionnaire were received by Fokkens between November 1893 and February 1894. After studying this material Fokkens spent March 1894 travelling across Java, interviewing people, asking them to clarify matters, or answer remaining questions. Upon his return to Batavia in April he analyzed the information. In September 1894 he presented the Governor-General with a voluminous report of about one thousand hand-written folio’s.

In it Fokkens described almost every aspect of the economic life of the Foreign Orientals in the Netherlands Indies: the historical development, legal framework, population growth, commerce, tax farming, landownership, money practices etc. Statistical information supplied covered the ten-year period 1883–1892. Although Fokkens more or less adopted the preliminary conclusions of his predecessor, he did follow a different line of argumentation. Like Groeneveldt he attacked the administration for its arbitrary treatment of the Chinese, albeit less out of sympathy and more out of anger for making a mockery of good governance. He maintained
that the indigenous population only stood to gain from a clear-cut and uniformly upheld legal system. However, growing lack of commitment within the colonial administration had made regulations prone to personal preferences and ambitions, offering the Chinese more opportunities to bend the rules since they possessed a stronger power base.

However, this power base had been weakened since the economic crisis of the 1880s. Growing impoverishment and approximately 30,000 immigrants in the period 1883–1892 had put the Chinese trading system under strain. The increased competition among Chinese traders led to excesses to which the colonial bureaucracy had responded with tightening and arbitrary regulations. Chinese society had less room to absorb or divert these decisions as the support of their leaders diminished because of lower revenue farm returns. Movement restrictions became the most pressing problem as troublesome pass regulations prevented a swift response to deteriorating trading opportunities.

Fokkens knew the importance of Chinese petty traders for the survival of the indigenous population, since the latter had come to depend on them for the sale of their agricultural produce. Overzealous interpretation of the pass regulations threatened to interrupt this. In many instances the Chinese were no longer allowed to travel without a pass outside their place of residence, although the original provisions allowed Foreign Orientals to travel without a pass in their own district. Outright abuse was reported in many districts where passes were being refused if tax payments had not been fulfilled, even though the approved term had not been exceeded. Passes were also being refused – often for life – to those having committed a criminal offence. Being suspected of a misdemeanour was often enough. Passes were sometimes issued in red ink which branded its owner as suspect. In Yogyakarta and Juana (alleged) ‘smugglers’ were punished this way, whereas in Rembang normal passes were stamped with a big red S(mugger). The so-called ‘Pas Api’ issued in Kudus can serve as a final example of the ridiculous movement limitations Chinese had to face. This pass required every Chinese in Kudus to walk with a light in the evening. Exemption could only be obtained by contributing f.1,- a month to the municipal street lighting. This took the form of a pass reading:

Yang tarok tanda tangan di bawah ini, assistent-resident Koedoes, idzinken pada orang tjina bernama [...] malem djalan di dalam Kota Koedoes tida bawa api.

He who has placed his signature below, the assistant-resident of Koedoes, permits the Chinese by name of [...] to walk at night within the city of Koedoes without carrying a light.
Fokkens spoke out against these and similar measures which served no real purpose and came close to extorting money from the Chinese. He asserted that, for the moment at least, Chinese traders were indispensable. They actually exerted a positive influence on petty trade, provided they were not allowed to operate in large numbers. For example, before Chinese received permission to visit the markets in the Lebak area in East Java, trade was monopolized by a few Sundanese who sold their ware with a profit of 300 to 400%. This “astonishing misuse” of their position was counteracted with the settlement of a few Chinese whose competition caused prices to plummet much to the benefit of the rural population. Fokkens supported this argument by giving a few examples. After the Chinese traders had set up their business the price of petroleum had decreased fivefold from f 20,- to f 4,-; a box of soap once sold for f 12.50, could now be purchased for f 1.50; syrup at f 1,- a bottle had come down to f 0.30, etc.

Fokkens acknowledged the crucial position of Chinese intermediary trade and appreciated its positive traits. According to him Chinese in general combined a trading spirit with a sense of frugality and the courage to invest. These values were supported by a propensity for capital accumulation, a solid command of business (above all credit and money transactions) and a keen sense of customer taste. Given the fierce competition, their turnover depended on a profound knowledge of the market, as well as a talent for predicting its future course, and insight into the kinds of merchandise in demand.

Fokkens’ analysis of the Chinese and Arab trading mechanism demonstrated the hierarchical structure of the trading business and stressed the difference between wholesalers and retailers, subdividing the latter into descending categories, i.e. the so-called ‘second hand’, ‘third hand’, etc. Fokkens even discerned a fifth hand before goods finally reached the consumers. Interestingly, Fokkens’ survey showed that in 1892 some Chinese trading firms with representatives in foreign countries successfully participated in wholesale trading. Based in the more important coastal towns of Java they exported sugar, tea, tobacco and vegetable oil. At the same time Chinese traders started out in the wholesale import business and soon acquired a controlling stake in the trade of rice, petroleum and matches. The Arabs refrained from this kind of business and seldom took part in tax farming or government contracting in general. They mainly traded textiles, although they had successfully cornered certain niches of the market, such as trading horses, wax, red coral, gold and diamonds.
The Chinese wholesale traders conducted most of their business with their brethren since the retail trade or 'second hand' was almost exclusively in Chinese hands. Under normal conditions business transactions between the two were completely based on mutual trust since no money changed hands and no collateral or promissory notes were required. Retail traders would receive goods worth a few hundred guilders which they had to pay for upon their next visit a couple of weeks later. The purpose of this visit was twofold: besides replenishing any outstanding debt, they would restock and try to negotiate new credit arrangements. European wholesale importers were also willing to allow their customers generous credit conditions as seen from the example of the Batavian trading firm Van Beek, Reineke & Co. in 1878 and 1884. (see Table 2.5).

The intermediary trade bought a whole range of products from big wholesale importers such as batik, drinks, iron, building equipment, yarn, jama (medicine), etc. These were supplemented by goods bought from indigenous petty traders, such as rice, sugar, potatoes, rotan (rattan), dye, pepper, etc. In this way, life's necessities could be acquired in their shops which were usually located in the bigger towns of Java's interior. A large part of the population however lived in smaller villages and hamlets and could only be reached by another category of retailers: modest Chinese or indigenous traders and small toko or warung owners. Part of the merchandise they received on credit was entrusted by them in turn to hawkers who would travel to the remotest of places. And even these hawkers sometimes employed other people to travel around and sell whatever was in demand. Any item would thus reach the desa, although the consumer could well receive it fourth or fifth hand.

Fokkens made it clear that this elaborate system of distribution was driven by the repeated extension of credit and determined by the debtor's creditworthiness. With no security given or asked for the key factor was the creditor's appreciation of the amount of trust he could place in his debtor. Competition for clients (i.e. buyer cum debtor) however frequently pushed trust to unwarranted levels. Chinese creditors accepted this risk

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46 Numbers of pasar and warung in Java and Madura (KV, 1898–1900; Hasselman 1914: Appendix N).
and safeguarded their interests by extending only small loans and limiting the corresponding running period. Contrary to many European trading enterprises, Chinese merchants preferred a diversified investment strategy by putting their capital in the hands of numerous small debtors. Well entrenched in society it cost them far less time and energy to get useful information regarding the safety of their existing capital investments and/or the feasibility of new ones. The majority of European traders found themselves at the fringes of indigenous society and experienced more trouble in gaining access to reliable client and consumer information.\footnote{De Java-Bode, 07-06-1892.} This stimulated a tendency to cherish the few reliable contacts painstakingly made and place great trust into them.\footnote{See the importance of the Arab Aydiet and the Chinese Oey clan for the business operations of Van Beek, Reineke & Co. described in Chapter 2, Paragraph ‘Wholesalers and Retailers’.} Consequently, Chinese traders were usually less involved in cases of bankruptcy since credit extended had been minimal in the first place. Often part of the loan had already rendered a ‘profit’ as the first interest payments were normally made within weeks.

Interest was the price everyone had to pay for obtaining credit. If credit was the driving force behind trade, then interest fuelled it. Each time a trading article went further down the distribution system interest rates for credit went up, whereas the period of extension decreased. This resulted in a high rate of turnover to which the customary high level of interest in the Netherlands Indies, the usual lack of credit security and the extremely competitive trading environment all contributed their share. In this process the colony’s distribution system acted as a funnel in which each stage saw a deterioration of credit conditions: interest rates accumulated, the amount of credit extended diminished and loans received ever shorter running periods. In keeping with the soaring credit expense each stage saw an increase in product prices which the consumer in the end had to pay.

Under these circumstances Chinese intermediary trade could easily be accused of usury because of the interest rates charged. Few realized that the rising cost of living, experienced by everyone since the late 1880s, was caused above all by a wavering economy. In general the 1890s were decidedly unfavourable for the Netherlands Indies. Ever since the crisis in 1884 a significant decline in export prices had set in, whereas the price fall of imported products was abruptly halted and even reversed in the following
decade (Korthals Altes 1994: 15, 17–18, 160, 166). The combined effect of a declining income and increased expenditure was naturally felt by everyone. Like many others, Fokkens failed to see this broader trend, concentrating on the perceived manifestations of Chinese exploitation. With the help of the survey results he tried to explain the upsurge in prices by pointing to the accumulation of high interest charges within the trading system.

According to Fokkens’ data Chinese retail traders offered the ‘third hand’ credit for a maximum period of three months. If less trust was placed upon the trader’s creditworthiness this was frequently shortened to one month. The goods delivered represented an average value of f30,- to f40,-, rendering between 20 and 25% interest. Credit transactions were widely preferred above cash payments since the latter only allowed a comparatively small profit of 5 to 10% due to heavy competition. In turn, the ‘third hand’ would extend credit as well, but with different conditions attached to it. These traders would only supply the preferred goods against an interest of 30 to 50%, which had to be paid back by the ‘fourth hand’ within one or two weeks. It is not surprising that the trader hawking goods in the village preferred to be paid the full amount in cash directly. The extremely short running period of his own debt hardly gave him much choice. Nevertheless, he too would be obliged to provide goods on credit given the scarcity of money in the countryside outside of the harvest period. The amount of credit thereby extended was usually counted in duiten (doits) and/or cents rather than in guilders and rarely reached more than f5,-.

Besides selling their products Chinese traders were also active as (wholesale) buyers of Java’s agricultural produce such as rice, tobacco, sugar, hides, copra, potatoes, and onions. In many instances the purchase of these products required advances to cover expenses made before harvest. The conditions under which these advances were extended were frequently judged as extremely exploitative. Fokkens provided some examples of ‘tricks’ played by the Chinese which certainly portrayed them as cunning businessmen. In the case of tobacco, for instance, advances were often needed because cultivation and maintenance of the fields
could cost f70,- to f100,- per bouw (i.e. 1.747 m²) which the farmers could not afford. In the Wonosobo and Banjarneagara area of Central Java Chinese traders coming from Kedu, Bagelen, Pekalongan and Banjumas would therefore buy tobacco 7 to 9 months before delivery and provide the cash to meet the necessary expenses. The conditions stipulated that they would receive f16,- worth of tobacco for every f10,- of credit. More generous conditions were also possible; sometimes cash would be advanced against an interest that would vary between 15 and 50%.

But advances were not always needed and during the harvest period many Chinese traders would frequent the villages around Wonosobo to buy the tobacco from the fields. In order to get the price down some of them used the following routine. The farmer best known for the quality of his tobacco was approached first and asked to name his price. If he demanded f10,-, the Chinese would offer him f12,-, but only if he promised to spread around that he had sold his tobacco for f8,-. This deflated price for the finest tobacco would convince other farmers to sell their tobacco for less than its original worth. These practices had been stopped by the local government a few years before the survey of 1892. Chinese traders were refused passes to visit the desa and had been obliged to buy tobacco at the bigger markets. The administration had however been unpleasantly surprised when it came to their knowledge that the Chinese still managed to influence the market price. To circumvent the imposed restrictions Chinese traders in the market place had co-ordinated their efforts and agreed not to place any bids until late in the afternoon when people wanted to go home. Eager to close a deal, the farmers were then more willing to accept a low offer. Again, local officials intervened by providing shelter for people to stay the night at the market and by having their tobacco guarded by police officers.

Another example of Chinese shrewdness in the eyes of Fokkens was the way they used the new railway tariffs to their own advantage. The agricultural crisis of 1884 had caused an adjustment of freight tariffs in an attempt to support the heavily hit plantation sector whereby transport costs per full cart load had been reduced. The transport of smaller quantities on the other hand had become more expensive. This did not accommodate the indigenous sector of the economy where transport in bulk was uncommon. Most indigenous producers were only aware of the fact that a higher price had to be paid for the small quantities they usually supplied. Naturally their Chinese counterparts kept silent, referring only to their increased expenses, in order to justify a lower bid and get a better price. Provided the cost of storage was sufficiently low, he would
subsequently wait until he had collected a cart load of products allowing him to make use of the reduced freight rates. This way he would double his gain.

These two examples may testify to the exploitation of the indigenous population by the Chinese, or simply illustrate the business acumen of the Chinese intermediary traders. Fokkens’ observations regarding the behaviour of indigenous traders in competition with the Chinese are very informative in this respect. Though less prominent and trading on a far smaller scale indigenous traders also actively engaged in buying agricultural products from the population in order to sell them profitably on the market. Perhaps to Fokkens’ own surprise these traders did not differ from the Chinese in paying cash advances “under virtually the same conditions”. In other words, charging the same high interest rates and without moral qualms. Apparently Chinese were no different in their business practices from traders of other ethnic backgrounds. The fact that the business methods used were identical seems to provide sufficient proof of the fact that the Chinese way of conducting business was not particularly shameful or dishonest in itself, but merely customary practice dictated by the prevalent circumstances.

Fokkens wrestled with the question how to evaluate the Chinese presence in the countryside. Next to the registered abuses – which he attributed to the revenue farming system – he was time and again confronted with the indispensability of Chinese trade in general. He admitted that the expansion of indigenous agriculture owed a lot to improved market accessibility as a result of Chinese economic activity.

The certainty the Native consequently has of selling his product, makes him expand the land in cultivation with confidence.

In some cases the cultivation of agricultural products actually originated through the mediation of Chinese traders, whose intervention opened up markets previously inaccessible to the smallholder. In 1888, for instance, cacao prices in Batavia suddenly soared and Chinese traders in the residency of Sukabumi immediately reacted by buying the product wherever they could find it. As a result, valuable cocoa trees could be found in almost every village in the Sukabumi area in 1892. Another example occurred in the Preanger where the administration had actively promoted the cultivation of beans. The harvest of 1888 turned out to be so good that the product almost completely lost its value. At that point some Chinese traders bought a large quantity of beans for sale in Batavia. This soon created such a demand that the price nearly tripled. In 1892 the Preanger
population still enjoyed steady bean sales generated by improved access to the Batavia market.

Concluding Statements: Reporting against the Tide

Unsurprisingly, Fokkens found no alternative to the dominant position of the Chinese in the colony’s trading system and had to accept continued Chinese presence in Java’s interior. But, in line with the opinion of nearly all his interviewees, he strongly recommended that only limited numbers of Chinese be allowed access to the indigenous population. Their movements should be restricted and closely supervised in order to protect the villagers. Contrary to Groeneveldt’s recommendation of a complete overhaul of the Pass System, Fokkens wanted to maintain existing provisions, although he did warn against passes being marked with red ink or used as a means of ensuring rapid tax payment. These practices made the system too much a tool for collective punishment instead of a policy instrument. Fokkens also concluded that the opium farm had outlived its purpose and more often than not acted as a cover for all kinds of questionable business transactions. Besides, the required contacts of the Chinese with the indigenous population seriously undermined the monitoring function of the Pass System. Like Groeneveldt, Fokkens was in favour of the immediate abolishing of this archaic system of revenue collection which a strong government could perform itself.

Arabs did not figure prominently in the report even though the investigation pertained to Foreign Orientals in general. Their numbers were small as they constituted only 6% of the total number of Foreign Orientals counted in 1892, against 93% for the Chinese. If Arabs were mentioned at all, it was always in a negative sense. In fact, all those that had returned Groeneveldt’s survey considered the Arabs more of a threat to the indigenous population than the Chinese. The conditions under which they extended credit were generally considered scandalous and most were suspected loan sharks. In Dutch eyes any business conducted by Arabs was usually done on the side and/or acted as a convenient cover for their dubious money practices. The only business they undertook which the Dutch viewed more positively was the important trade in textiles and horses.

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50 The remaining 1% was made up of Armenians, Indians, Bengals, Malays, etc. 2,655 men, women and children in all, that remained invisible throughout the investigation.

51 De Jonge has described the persistent negative image of the Arab community in the Netherlands Indies and the discriminatory measures Arabs were subjected to (De Jonge 2002: 223–226).
In September 1894 Fokkens completed his assignment, but it was not until April 1896 before the report ended up on the desk of the Minister of Colonies J.H. Bergsma in The Hague in response to public requests urging its publication. The minister asked his staff to evaluate the report critically and assess whether it should be published. It was held that the report contained little news. Most of its content was common knowledge for those acquainted with the Netherlands Indies. However, it did compile scattered information for the first time, depicting a wavering government with little vision and an inconsistent attitude towards its Chinese and Arab subjects. Fokkens' recommendation of strictly supervising the Foreign Orientals to protect the indigenous population from their destructive influence was uncontested. However, his conclusions were considered inopportune. All those advising the minister agreed to Fokkens' view of indigenous exploitation by the Foreign Orientals, but the government's image would be little served by publication of these shameful acts. "Would this not arouse a wave of indignation, surpassing the 'Max-Havelaar storm'?"

An additional political argument not to publish was to preserve the diplomatic relations with imperial China, which had become more self-conscious and assertive over the last few years. The Chinese government had already protested firmly against Australian and American measures to limit the influx of immigrants from China. China was considered a future political power to be reckoned with and many expected Chinese would be granted formal European status in the near future. Therefore, some preferred to set out a new course rather than being forced by China to open up the colony for what the emperor considered to be his subjects. With the maltreatment of the overseas Chinese in the Netherlands-Indies spelled out in an official publication a formal protest was to be expected, possibly giving rise to unpleasant negotiations and/or apologies.

Political motives thus prevented publication. This pattern would repeat itself in the following years when ethically inspired policy initiatives frequently clashed with economic and political realities (see Chapter 5, Paragraph 'Ethical Policy'). Movement restrictions would only

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52 NRC, 09-02-1897; NRC, 13-03-1897.
53 Publication of this novel by Multatuli in 1860 had shocked the general public because of its distressing depiction of indigenous suffering under the Cultivation system. The *Max Havelaar* became synonymous with the unjust treatment of the indigenous population under Dutch government. For an account of Multatuli's life and masterpiece, see Beekman (1998: 212–260). In 2002 D. van der Meulen published a biography of E. Douwes Dekker or Multatuli. See p. 135–354 for a description of his stay in the colony, while p. 413–438 recounts the process of writing and publicizing the *Max Havelaar* as well as the response – both positive and negative – it received.
temporarily be reinforced at the very end of the nineteenth century, because they met strong opposition from powerful economic interests. Notwithstanding ethical rhetoric the government soon started to relax the movement and settlement restrictions imposed upon the Foreign Orientals. This signalled the defeat of Fokkens’ recommendations, although their failure to influence government policy probably had as much to do with the report’s lack of analysis. This shortcoming became evident after the publication of a short article by Groeneveldt in the *Nieuwe Rotterdamsche Courant* on 13 March 1897.

In it Groeneveldt reacted upon a lecture given by Fokkens on 2 February 1897 before the Indisch Genootschap (Indies Society) in The Hague (Fernando & Bulbeck 1992: 58–75). This lecture was a virtual reiteration of his main research recommendations, i.e. a plea to abolish the revenue farms in Java and Madura and intensify the control of movement of the Foreign Orientals. Fokkens quoted freely from his unpublished government report and used its results to support his views. Groeneveldt was appalled by the tenor of these arguments and felt obliged to resist “those dark impressions concerning the Chinese in the archipelago” which “threaten to be given powerful and even official sanction.” He considered it his duty to protect the reputation of his many Chinese friends in Java and to redress the negative image of the Chinese.

Groeneveldt asserted that he did not wish to deny the illegal and criminal conduct of some Chinese, but stressed that such behaviour appears regardless of a person’s ethnicity. For that reason alone revenue farms needed to be abolished, not because they had fallen into the hands of Chinese, but because they provided the opportunity for malpractice. With regard to the persistent complaints made by Dutch import firms of deteriorating Chinese trading practices, Groeneveldt presented a very plausible explanation. He related the many defaults and bankruptcies of Chinese retail traders to the economic downturn of the late 1880s and the demographic development of the Chinese population group. He explained how the crisis in the import sector had initiated intensified competition among the European trading companies. Struggling to survive they had welcomed any enlargement of their clientele and had consequently lowered their level of acceptance. Before the crisis European wholesalers had limited their trading contacts to a select group of highly reputable and well-to-do Chinese retailers who had proven to be trustworthy over many years. Smaller Chinese merchants of less reputation would steadfastly be refused credit and had been obliged to turn to their more successful brethren. However, the crisis made many European import firms change
their sales strategy and include smaller Chinese businesses of unknown stature and limited creditworthiness.

Groeneveldt seriously questioned the trustworthiness of many of these new business associates, especially since the influx of many thousands of Chinese immigrants had increased the competition among the Chinese traders themselves. Many newcomers had an extremely hard time in carving out an existence for themselves and under such arduous circumstances the distinction between fair and foul trading practices became easily blurred.

The Dutch put much effort into finding a solution that would keep all these Chinese in check. The Fokkens’ report was only part of that effort. Unfortunately it fell short of unearthing the foundations of the economic position of the Foreign Orientals. It can however not be denied that the report had distinct merits. A specific and important section of colonial society had been mapped for the first time. But the economic and political momentum did not support the report’s conclusions. The Dutch believed the Chinese problem could be solved by abolishing the revenue farm and intensified restriction of Chinese movements, but these measures actually made the situation worse. The severe problems experienced by the trading sector of Surabaya during the late 1890s soon made it clear that a different course had to be set out.

A Wave of Failures: Surabaya in the Late 1890s

Chinese Commerce in Danger

The revenue farm system enabled Chinese to secure lucrative business opportunities by holding monopoly licenses for centuries. Around 1900 the most important of these revenue farms ceased to exist within a relatively short period. With the market tax farm abolished as early as 1851, the opium tax farm came to be substituted by a government monopoly in Madura in 1894 and in East Java in 1896. The farm for slaughtering livestock was abolished in 1897, whereas in 1898 the government announced the end of opium farming in the whole colony within a few years. This final moment came in 1904 when all opium farms were replaced with a state monopoly. In 1904 the government also took over direct control of the pawnshop tax farm, despite the fact that this farm was not considered especially harmful to the indigenous population.\textsuperscript{54} However, complaints

\textsuperscript{54} Pawn credit did not necessarily stem from dire necessity, but above all fulfilled a need for cash (Van Laanen 1980: 41–42). See also Boeke (1919: 42–60).
regarding abuse of the system by the Chinese persuaded the government to stop leasing pawnshops to private individuals. The abrogation of revenue farming had thus taken place with the remaining farms – localized and of small importance – allowed to stay in place for the time being (Diehl 1993; Fokkens 1992: 58–59; Williams 1960: 24).55

The heady dismantling of the revenue farm system was a severe blow to the Chinese establishment, who lost more than their semi-official status and the accompanying social esteem. Many licensed enterprises were forced to close and Chinese financial losses were vast. These encompassed not only hugely profitable business undertakings in which Chinese had invested heavily, but also substantial profits from business conducted on the side. Nothing had prevented a revenue farmer from engaging in trading activities besides his licensed business. A farmer in opium might therefore well have traded textiles. If he was willing to sell on credit, this would have earned him interest and it would have been but a small step to become a local moneylender. With the demise of the revenue farm the indirect profits accruing from such a position evaporated, since the primary reason to issue travel passes was lost. Likewise, the elaborate business organization farmers had painstakingly built up in the countryside was threatened. This had once guaranteed them access to Java’s rural markets. The tightened pass and zoning regulations administered the final blow in this respect.

The movement restrictions affected the entire Chinese commercial sector. A wave of failures among Chinese traders – all heavily dependent on rural markets – occurred in the immediate post farm period. Chinese small traders could not move around freely and sold fewer goods, leading to a rapid decrease in turnover. The new provisions also interfered with the collection of outstanding debts in the villages. As a result many petty traders defaulted and their wholesale patrons in turn were forced to default to the detriment of the Western trading companies who had given them advances. This domino effect was aggravated by the weak position of the European import business after the commercial breakdown of the late 1880s.56

55 The loss in income from revenue farming was compensated by a combination of revenues obtained from government monopolies (e.g. opium and pawnshop), new forms of taxation (e.g. slaughter tax, excise duties, business and income taxes), the sale of products from government plantations and mines and the operation of transport and communication enterprises (Diehl 1993: 203–207).

The European trading sector found itself badly equipped to weather the upcoming storm of defaulting clients. After the Sing Liong case DJB had successfully implemented new regulations to reduce its exposure to bankruptcies. No similar mechanism of risk reduction was available to European traders, largely because of their sheer number and the extreme competition between them. Even the large trading firms could not dictate the conditions under which the market operated while fending off external shocks proved extremely difficult. At no point did wholesale traders find it easy to collaborate for a longer period of time. Acknowledgement of the unhealthy trading situation and recognition of the benefits to be gained from teaming up always demanded a crisis.

With the uproot of the Chinese commercial system in the 1890s such a crisis was bound to surface. In 1895 the commercial sector of Surabaya started to experience difficulties. Representatives of Surabaya’s trading and banking sector assembled on 29 March 1895 to discuss the first signs of disaster caused by (pending) defaults among Chinese retail traders.\footnote{BI/DJB 67 No. 13: 98–108; De Indische Mercuur, 04-05-1895. Earlier examples of Chinese bankruptcies in Surabaya can be found in Von Faber (1931: 161–162).} The financial settlement had been tense since creditors had tried to get their claims honoured to the detriment of others. To prevent this from happening again, a code of conduct was discussed. A total of 32 import firms and eight banks were represented, nearly all the companies active in the trading and banking sector within the Surabaya area. Although several motions were discussed and eventually adopted, the common code could not be agreed upon. The result was a half-hearted consensus to confer with each other when confronted with a defaulting client.

P.A. Daum, chief-editor of the Bataviaasch Nieuwsblad wrote about the situation in Surabaya on 29 April 1895.\footnote{Bataviaasch Nieuwsblad, 29-04-1895. See also BI/DJB 67 No. 8: 43.} Four weeks had passed since the meeting but little had been achieved. Again Chinese traders had been forced to default, offering only slight repayment of their outstanding debt. Or in the words of Daum: “[...] offering creditors the choice between nothing or a little [...]”. By his calculation the total debt of Chinese and Arabs defaulters in Surabaya since the beginning of 1895 amounted to approximately f900,000 of which only 60% to 65% was covered. So in four months time total loss incurred had climbed to over f400,000 which would most likely increase since a number of cases had not yet been settled. Wholesale trading firms still enjoyed credit at the banks but if the financial sector should decide to withdraw its support some traders seemed destined to fall.
In Daum’s point of view the European trading sector had only itself to blame.

Each year we see them again, those astounding defaults comprising one, two, or three hundred thousand guilders […] and still we see the European traders continue to stuff their pigtailed and turbaned clients with heaps of goods, and on terms of payment which in themselves are evidence enough of the speculative nature of these transactions. Still, the trading houses continue to send their staff into the kamp [Chinese and Arab residential areas] to play sobat kras [close friend] with all sorts of Foreign Orientals, so finding an outlet within a saturated market whereby credit is extended which a European firm with less modest means would be denied.

The import trade needed to be placed on a more solid footing and therefore Daum applauded the earlier meeting as a first attempt to achieve cooperation. But, as he reminded his readers:

The gentlemen all showed themselves aware of the comforting fact that a European Christian-merchant is just as unreliable as a Muslim or heathen one, and consequently the result of the meeting did not go any further than the recitation of some spiteful remarks and the raking up of past events.

DJB shared Daum’s critique in expressing little admiration for the extremely careful and limited recommendations made. In their opinion the meeting had focused too much on the remedy instead of the illness. It would have been better to seek a general reduction of the amount of credit extended in combination with a curtailment of the running period of each loan. Apparently, such preventive measures required more enthusiasm than the import trading firms could muster at the time.

The Frustrating Business of Trade

Daum did not ask how this situation had come into existence. He simply asserted that improvement was possible, if only the wholesale traders would stop quarrelling and work together. The existing trading system prevented this from happening. Decades before an anonymous commentator had already pointed out that the European trader was forced into a position with little room for manoeuvre. The trust placed in him by his principal(s) demanded short-term tangible results. Being swamped on the one hand with goods from Europe for which an outlet had to be found, while at the same time searching for export products was no sinecure.

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59 BI/DJB 67 No. 13: 95.
And there were countless other tasks to attend to, such as the transport of agrarian products from the countryside to coastal areas, customs issues, the administration of godowns, and the procurement of coolies. Many traders would also have side jobs and manage a shipping agency, be involved in a praauwenveer (lighter company), or sit on the board of an insurance firm.

The operations of a trading company required a large investment of capital. Export products could only be obtained by advancing great amounts of working capital to different agrarian enterprises, whereas credit extension was crucial to clearing the shelves of imported goods in time for the arrival of a new shipment. The potential profits were however very real and in general the massive capital outlays were considered well justified by everyone in the business.

The upsurge of private enterprise due to the break-up of the Cultivation system changed this situation rapidly. New trading companies were established and in the case of imports this soon led to unbridled competition and a saturated market. The overcrowded import sector had to struggle even more to find an outlet for its articles and the Chinese retail trader became exceedingly important in this respect. Indispensable as a go-between he was encouraged to take as many items as possible, preferably on a regular basis, by being awarded fabulous credit on ever more generous terms.

It would be wrong to say that the Chinese were ‘entrusted’ this money by their European trading partners. The faith seemingly exhibited by the Europeans in their Chinese counterparts was inspired by dire necessity and the inability of wholesale importers to co-operate with each other. Huge amounts of credit thus governed the business alliance between wholesalers and retailers and would continue to do so until the end of the Dutch colonial presence (see Box 4.1 for the comparable situation in Singapore).

Though aware of these circumstances contemporary authors continued to express their amazement at the magnitude of the phenomenon.

No country in the world brings to light the value of credit as the Netherlands Indies. A Chinese [...] settling his first small payments in time, gradually obtains credit for thousands and thousands of guilders without owning any capital at all. It is not uncommon that a Chinese manages a turnover of one and a half million guilders in textiles in one single year without making a full percent of profit. This kind of trade is therefore unable to withstand exceptional circumstances; [...] a little dip in turnover, no matter how slight, renders a bankruptcy inevitable and a settlement has to be reached with the
The European merchants in Singapore conducted their business through Chinese merchants with better knowledge of and access to regional markets. As these middlemen seldom had any capital, the European trader had no choice but to sell them goods on credit. These credit sales were accompanied by promissory notes and/or acceptances payable, nominally, in three months time. In practice credit was extended to four, five, and even six months and paid back in instalments according to the amount of pressure exerted by the European firms. Chinese merchants, therefore, lived off the capital of the Europeans.

This system had serious drawbacks as it encouraged reckless speculation. When strapped for cash or sniffing a business opportunity Chinese merchants would, for instance, buy goods on credit and sell these at prices 20% to 30% below market level. They would then depend on the profits of original or new business deals to recoup not only the losses incurred in this sale for cash, but also to give them a reasonable margin of profit. When this failed to occur, the European suppliers of credit had to bear the burden of loss.

Such instances were not uncommon. In 1858, for example, several Chinese firms in Singapore collapsed. They had conducted their business on too large a scale with insufficient capital of their own owing to the fact that credit was easily obtained. To safeguard trading activities the Singapore Chamber of Commerce decided to restrict the period of credit extension to three months. In 1864 two European firms with liabilities of over a million dollars had to close their business. Their failure was again ascribed to the indiscriminate granting of credit to Chinese traders, encouraging them to overextend their activities. This incident led to a further reduction of the credit period to two months.

Commercial crashes like these were blamed on the weakness of the credit system which the Chinese (mis)used to their great advantage. However, contemporary opinion did realize that the faulty credit terms were partly caused by the fierce competition among European trading companies and their unabated struggle to dispose of their goods. This struggle attracted official notice as early as 1844, but only became damaging in the 1860s. In 1865 more European trading companies went bankrupt, including one of the oldest firms with liabilities of more than a million dollars which subsequently led to a rush on the banks and the closure of two of them in the following year.

These examples show that during the nineteenth century the entrepot trade of Singapore suffered serious growing pains. Compared with earlier decades the fluctuations in trade and trading conditions became more violent because of increased sensitivity to world trade conditions. Europeans and Chinese remained business partners, but they were forced to renegotiate the terms of trade. A slow and painful process which saw severe disruptions on more than one occasion.

Outcomes of this kind were harsh reality on numerous occasions, but failed to inspire a thorough analysis of the underlying causes. Public opinion routinely pointed the finger to the Chinese. Accusations against the Chinese were usually accompanied by persistent rumours of embezzlement and outright fraud of Chinese traders when dealing with their creditors during a bankruptcy proceeding or settlement agreement. Commercial law provisions were considered to favour the Chinese population group and it was not doubted that they knew exactly how to make use of the law. Different voices were only sparingly heard. Though not oblivious to the fact that there was many a crook and swindler to be found among the Chinese, people like F. Alting Mees, P.N. Fromberg and Y.W. Young emphasized the European traders’ own responsibility and held them partially accountable for the frequent occurrence of Chinese bankruptcies.

The argument made by these and other advocates against the wholesale import traders consisted of three main elements. First, overextension of credit which was given too easily under far too generous terms should end. The amount of credit extended in each individual case ought to come down substantially, while the application itself ought to be considered more thoroughly with regard to the security offered and the perceived solidity of the applicant. Interest rates charged should not be artificially low. The prolongation of a loan should not be given too easily and should conform to clearly stated rules in order to stop clients from relying on certain approval. Finally, the running period of a loan needed to be cut back to keep a company’s capital circulating.

Second, the import firms should refrain from flooding their clients with articles, since they knew that this would lead to heavily saturated markets and falling prices. Consequently, the capacity of their clients to honour their debts and pay the agreed instalments would be at risk. Next,
products put on sale ought to be marketable and of guaranteed quality and value.\textsuperscript{63}

Third, the fierce competition among the wholesale traders needed to be checked. Instead of poaching on each other’s territory co-operation was urgently required which would surely contribute in achieving the first two points.\textsuperscript{64}

The common sense of these recommendations was beyond any doubt, sometimes even acknowledged, but in most instances simply brushed aside as a pretence to excuse Chinese offences against the law (Meeter 1881: 3; \textit{De Indische Gids} 1881: 961). This should hardly come as a surprise. The motives dictating this kind of behaviour were deeply rooted in feelings of racial superiority sanctioned for decades by discriminatory regulations. Still, another reason appears to have been of equal importance. To all intents and purposes no level of mutual agreement existed among the European traders on how to approach the intrinsic weakness of the trading branch. Intense competitive behaviour had become part and parcel of the trader's outlook and this normative attitude was compounded by the fact that agents of most trading firms were tied hand and foot, not only by all kinds of directives from their head office, but also by an extremely demanding working environment. As a result, there was no relationship of mutual trust that could be built upon. This revealed itself in the individualistic behaviour of European creditors when confronted with the default of one of their clients.

As the word spread that a retail trader had fallen short on his debt payments, creditors would immediately rush forward and try to secure their own claims by any means possible – even if these actions would be to the detriment of others. Efforts to conclude a secret settlement (\textit{sluipaccoord}) were common.\textsuperscript{65} This was considered acceptable, as indicated by the words of a trader from Surabaya:

\begin{flushright}
\textit{As the word spread that a retail trader had fallen short on his debt payments, creditors would immediately rush forward and try to secure their own claims by any means possible – even if these actions would be to the detriment of others. Efforts to conclude a secret settlement (\textit{sluipaccoord}) were common.} \textsuperscript{65}
\end{flushright}

\textsuperscript{63} As opposed to the woollen hats from Norway the trading firm Hagemeijer reportedly delivered to its agent at one point in time (Huizinga 1975: 145). DJB warned its clients that it was in their own interest to keep the retail trade healthy and financially solid. On 9 April 1894 representatives of the Batavian trading firms Gumprich & Strauss and G. Hoppenstedt were summoned to the board meeting of DJB. Both gentlemen were told that DJB disapproved of the large credits they had supplied Tan Tiauw San and Tjoa Tjeng Sioe (alias Baba Goendoel) with. Although the creditworthiness of both men was not disputed, it was recommended to keep it that way and not swamp them with goods unless these were readily saleable (BI/DJB 65 No. 4: 8).

\textsuperscript{64} See Liem Twan Djie (1947: 34–37), Alting Mees (1881), Fromberg (1926), Meeter (1881: 2), Young (1894 and 1895), Huizinga (1975: 145).

\textsuperscript{65} A \textit{sluipaccoord} can be defined as a settlement established through unfair means which deliberately disadvantages other creditors (Bonjernoor en Heyenbrok 1934: 227).
[...] this is customary with us [i.e. European import traders]: those who are able to cover themselves in time, do so.\textsuperscript{66}

Collective action nevertheless remained necessary in order to prevent a defaulting client from being officially declared bankrupt. In such case all creditors would stand to lose even more. The assets of a retail trader mainly consisted of the instalments he had negotiated when selling his products to the indigenous population in the villages. Repayment of outstanding loans could therefore only be expected when the retail trader was allowed to stay in business, enabling him to keep collecting from his own debtors. When declared bankrupt the remaining outstanding credit in the countryside was usually lost. Retrieving even part of it was a difficult task since indigenous debtors showed no scruples in playing hide and seek when their creditors showed up in the village in order to collect (Multavidi 1906: 342–344). Besides, the wholesaler – trading in unknown territory – might get embroiled in all kinds of local considerations, the implications of which he could not always oversee. The time and energy involved in these proceedings were simply not worth the expense.

Partial recovery of outstanding claims could best be negotiated through a collective settlement with the debtor outside of court. Consequently, settlement negotiations were initiated even when there was serious doubt regarding the circumstances under which the client had defaulted. Usually, the import trader with the biggest claim would compile a list of creditors and debtors – if possible one of assets and liabilities as well – and draw up a draft settlement after which he would visit the other creditors. The first to visit would be the party with the second biggest claim whom he would urge to accept the offered settlement by arguing that the percentage offered was the best chance of retrieving at least part of the money: “It is better to have half a loaf than no bread at all.” Naturally, he would promise to pay the same courtesy to his colleague if need be. After all, he too might conceivably find himself in the same position within the foreseeable future. All creditors were thus consulted since bankruptcy proceedings could only be avoided after having obtained their explicit consent.\textsuperscript{67}

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\textsuperscript{66} De Java-Bode, 24-02-1892.

\textsuperscript{67} De Java-Bode, 28-06-1892.
It usually required stamina and persuasive skill before all those consulted could be convinced to accept the proposal. The main problem was the widely differing interests of the creditors involved. The amount of credit extended by the different companies could range from e.g. a mere $500 to an astonishing $150,000. Those involved most deeply were most eager to prevent bankruptcy since the remaining assets (stock, property, etc.) would almost certainly be negligible. This placed the least affected in a powerful position for if they declined to co-operate bankruptcy would still be pronounced. The bigger claimants were often coerced into buying the necessary co-operation, by allowing the defaulter to pay the smaller claims of competitors in full before the settlement would be signed. Understandably, the latter were only too glad to accept and/or seek this kind of solution.

Nuisances of this kind and the ever present possibility that someone would nonetheless try to conclude a sluipaccoord did not alter the situation. Without a viable alternative settlement agreements remained the only possible instrument for (partial) debt recovery. They came to be valued so highly that traders would even judge the trustworthiness of their clients by the successful completion of earlier settlements.

The multiple default and settlement history of Lie Tjong Hwat, a former butcher (spekslager) in Surabaya, illustrates this unhealthy situation. The amount of credit with which he conducted his business slowly accumulated over the years and in September 1885 he was indebted for the amount of $95,000. At this point he was forced to offer a settlement of 40% which he promised to pay in twelve consecutive monthly payments. With two guarantors (The Yang Hwat and Tan Ting Gwan) backing the offer his creditors accepted the proposal. It would cost them approximately $57,000 but also ensured he continuation of Lie Tjong Hwat’s trading business. Lie Tjong Hwat honoured his commitments and towards the end of 1886 the agreed settlement was completed, after which he was awarded new credit.

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68 In many instances the creditor who managed to fabricate a successful deal was therefore tacitly rewarded an extra percentage (De Java-Bode, 28-06-1892).
69 The bankruptcy of the Semarang trading firm Lim Khoen Liang & Co. in 1890 is a case in point. Van Duijm & Co.’s claim of $570 paled before Internatio’s $152,157.39 (NA/NHM 8018 No. 1090).
70 De Java-Bode, 24-02-1892; De Java-Bode, 28-06-1892.
71 The following anecdote is a telling example of this line of reasoning. Upon being warned that a Chinese client would most likely have to default soon, one Surabaya trading firm uttered the following reassuring words: “No, there is no fear for this Chinese; on the contrary he is very solid, because... he has already settled twice!” (Meeter 1881: 35).
In the following years Lie Tjong Hwat acquired more and more credit. As a result total debt amounted to an impressive fl 247,000 when he had to default on his payments for the second time in February 1893. Surprisingly, Lie Tjong Hwat offered to pay his creditors in full, i.e. a settlement of 100% to be paid in 25 monthly instalments of 4%. Unfortunately a third settlement was required, because Lie Tjong Hwat was unable to keep his promise. This time he offered only 30% of his remaining debt of fl 242,060 minus a ‘reward’ of ± fl 3,500 for the services rendered by his guarantor Oey Koen You. Almost fl 167,000 of collected debt was thus irretrievable, but the creditors decided to cut their losses and accept the proposal. After twenty instalments this settlement was successfully completed early 1896 and, more importantly, Lie Tjong Hwat had been able to continue trading throughout this period.

It had taken two years to reconstruct Lie Tjong Hwat’s debts, but in the meantime new credit had been extended. Old debts were thus simultaneously being replaced by new ones. On 6 July 1896 Lie Tjong Hwat declared himself unable to pay his debts for the fourth time. Once again he tried to push for a settlement outside court, but his creditors turned out to be less co-operative than before. Lie Tjong Hwat first approached his main creditor in an attempt to obtain his help in reaching an agreement. Initially he offered him 10% more than the other creditors, who would probably get 40 or 50%, but this inducement fell on deaf ears. Several new attempts were made the following day which also failed. Even Lie Tjong Hwat’s appearance at his creditor’s office in the early afternoon did not produce the desired result. His generous proposal of a sluipaccoord, whereby 50% would be paid publicly and 50% in secret was likewise turned down. Frustrated by these failed attempts Lie Tjong Hwat left the building declaring that in that case he would just go pailliet (bankrupt).

Following his departure Lie Tjong Hwat weighed his options and decided to change tactics. Whether he asked for a favour or indeed collected one will remain unclear, but late that same afternoon a European trader speaking on behalf of Lie Tjong Hwat paid his reluctant main creditor a visit. The next morning the same ‘friend’ turned up again in a final attempt to smooth things out, but his efforts proved to be in vain. That same day, 8 July 1896, Lie Tjong Hwat filed for bankruptcy at the Council of Justice in Surabaya. According to his own specification the total amount of debt came close to fl 180,000. However, in the negotiations with his unwilling creditor the day before a list with a significantly lower amount of fl 131,803.41 had been handed over. Naturally, it was deemed highly suspicious that the difference of about fl 50,000 was attributed solely to
Chinese creditors whose statements were distrusted and difficult to verify. Equally questionable was a share in the petrol kongsi Sie Tjong Hwat for $7,000 whereas it was said to be worth $20,000. All this and the fact that Lie Tjong Hwat could not produce annual accounts added to the belief that he had deliberately raised his liabilities and lowered his assets in order to repay as little as possible of the extended credit.

This case became front-page news on Saturday 18 July 1896 when the Soerabaiaasch Handelsblad published an editorial placing this affair within the wider context of Chinese business practices. Chief-editor H.G. Bartelds asked whether there still was good faith amongst the Chinese and claimed that defaults were increasingly considered an appropriate means for self-enrichment.

The Chinese trader goes bust for no other reason than to become rich the easy way. The shame is gone and the illegally obtained goods remain, choosing between the two is not difficult for him anymore. [...] the Chinese even prides himself on defaulting, he who goes bust most often is considered most clever.

Such remarks seemed to indicate another routine exercise in blaming the Chinese for all problems in the trading business. But in the second half of the article Bartelds turned his attention to the European import traders and their custom of maintaining credit facilities even when payments had just been suspended and settlements still needed to be negotiated.

People expect that he [the Chinese trader in general] will remain good for a couple of years, and trust that the new deliveries will make up for the damage caused by the default.

Bartelds conceded that this strategy might work on occasion, but pointed out that it could never be applied as a rule. He therefore urged the importers to recognize the foolishness of their attitude. Otherwise the Chinese ‘second hand’ would be the only one to benefit from the combined efforts of the import firms and their suppliers.73

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73 Bartelds did not elaborate on this line of reasoning and concluded his argument by appealing to the government to change the commercial law provisions of 1855. In other words, improvement of the situation had to originate from the government and not from the traders themselves. This could easily be achieved by no longer allowing Foreign Orientals to file for bankruptcy themselves and by broadening the possibility of imprisoning the defaulter (i.e. lijfsdwang). Especially the threat of lijfsdwang would in Bartelds’ opinion force the Chinese businessman to honour his commitments.
The Arrest of Oen Tik Kang

The earlier discussed meeting in Surabaya on 29 March 1895 seemed poised to alter these frustrating trading practices by addressing the need for a common code of conduct. The inconclusive outcome showed the participants could not yet agree upon a joint stance. Mutual distrust still impeded the desire for co-operation. Still, fear of a pending financial disaster slowly created a more co-operative spirit. The following year the Surabaya import houses jointly agreed to have a qualified interpreter of the Chinese language investigate the books of Chinese traders when necessary. The agent of DJB was asked to act as the representative of the participating firms whenever the interpreter’s service was required.74

In 1881–1882 P. Meeter (the government interpreter of the Chinese language in Surabaya from 1876 till 1888) had been given a comparable task, aimed at reducing settlements with Chinese defaulters without thorough examination of their trade accounts (Regeeringalmanak 1877–1889).75 According to Meeter his activities served as a strong warning for Chinese traders contemplating fraudulent bankruptcy and had instantly reduced the financial loss of the European importers to nil. Such spectacular results would surely have warranted a continuation of the agreement, but – upon the request of Meeter himself – the initial contract was not renewed. It seems Meeter’s claims of success were unfounded; contemporaries accused him of self-glorification after an investigation in 1892 clearly showed that the European importers in Surabaya still reported a loss of f 1,025,000 from Chinese defaults over the two-year period of Meeter’s activities. (Interestingly Chinese and Arab import traders involved only lost f 179,700.-.) Although it was acknowledged that this was a slight improvement, it also showed that examining Chinese books fell far short of being able to prevent future credit risk.76

It would take fifteen years before Surabaya’s import houses were ready to try this again. Meeter’s unidentified ‘successor’ was appointed in September 1896 and was soon called upon. Within a month the NHM

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74 BI/DJB 69 No. 49: 259.
75 Interestingly, Meeter claimed that Chinese creditors viewed settlement proposals with suspicion. When one of their countrymen defaults offering his, exclusively Chinese, creditors a settlement, then they will not accept this just like that without investigating the books first. Should fraud be detected the settlement was promptly refused, but if no irregularities were discovered a settlement percentage would be determined in consultation with the defaulter (De Java-Bode, 28-06-1892).
76 De Java-Bode, 16-06-1892; De Java-Bode, 26-07-1892; Meeter (1881: 11, 20–24, 47, 50–51).
agent reported extensively about a possible new wave of bankruptcies among Chinese traders in Surabaya.77 This initiated a co-ordinated response from the European trading sector with tangible results. However, the three basic flaws of the import sector were not addressed. The importers were still far from acknowledging their own responsibility and instead blamed others. In this instance the colonial policy of restricting the movement of Foreign Orientals was considered to be against the interests of the European wholesalers. For the first time the Chinese themselves were let off the hook.

It was the arrest of the Chinese trader Oen Tik Kang towards the end of 1896 for suspected opium smuggling78 and his subsequent financial insolvency that triggered events with wide-ranging implications not only for Surabaya, but for the trading sector at large. After his arrest all importers involved gathered to assess the situation. It was soon established that Oen Tik Kang was indebted for a total sum of f306,000 backed by assets worth only f110,000. This was not out of the ordinary and creditors did not express special concern about the amount involved which could usually be restructured to everyone’s satisfaction. What worried them more was the effect of Oen Tik Kang’s default upon the solvency of other traders. To prevent a domino effect prompt action was needed.

Oen Tik Kang’s position was crucial because of his business dealings with Tjioe Toan Lok.79 Heir to a great fortune, Tjioe Toan Lok was considered immensely wealthy as well as extremely greedy. His trading activities were mostly limited to the trade of ironware and petroleum which he imported and financed himself. But he had also ventured into plantations, buying coffee lands as early as 1890. And he engaged in money lending to other Chinese which might well have constituted his most important source of income. Tjioe Toan Lok’s financial position seemed healthy enough, but such faith turned out to be unwarranted. The default of Oen Tik Kang immediately led to his insolvency. It was ascertained that Tjioe’s liabilities amounted to f1,000,000. His assets were estimated to be worth f350,000 at most, not including f85,000 owed by his debtors which probably could not be retrieved.

77 NA/NHM 8018 No. 1090.
78 Oen Tik Kang – or Oen Tik Siang as he was also known – was ultimately sentenced to 6 months detention, but not on the ground of violating the opium law. At the end of his trial he was found guilty of fraudulent bookkeeping because of a too high personal expense account (Borel 1900: 114).
79 BI/DJB 1358.
By now, the Chinese trading community of Surabaya was severely undermined. Another five Chinese traders threatened to go under and they would take with them an additional 20 Chinese and 2 European traders. The accumulated debt of these 29 entrepreneurs was calculated at \( f2,488,000 \) with assets covering just about \( 38\% \) (\( f935,850 \)). These figures were alarming and the creditors were facing a huge loss. However, after lengthy deliberations they failed to find a way of settling Tjioe’s arrears and filed for his bankruptcy. This signalled the defeat of the badly needed co-operation between importers as envisaged the year before.

A look at the total number of bankruptcies in Surabaya over the whole of 1896 gives a clear picture of the consequences.\(^80\) In total 23 Chinese traders and one European trader had to close their business. Total credit extended in these 24 separate cases was \( f2,316,248 \) of which 72\% (\( f1,672,009 \)) was directly related to the cases of Oen Tik Kang and Tjioe Toan Lok. Only about 30\% of the originally estimated debt of \( f2,488,000 \) had been restructured by the wholesale importers as part of successfully negotiated debt settlements. The worries expressed by the importers in their meeting in October 1896 had clearly been justified.

According to the *Soerabaiasch Handelsblad* the financial loss incurred in 1896 by the European import traders was a devastating \( f1,140,000.\(^81\) Close to 50\% of the total amount of extended credit (\( f2,316,248 \)) had to be written off. The Surabaya trading companies thus paid dearly for their lack of co-operation. The huge loss did produce a demonstrably short-term effect in the years to follow. In its report over the year 1898 the Handelsvereeniging Soerabaia wrote:

> In general the financial result over 1898 has not been unprofitable for Importers, who conducted their business on a sound basis and did not over-estimate their clients regarding credit. [...] The attempts of the wholesale trade to be more careful with loans after the losses suffered by the countless defaults in the last few years apparently exerted a beneficial influence.

The available data show how much the European import sector had benefited by questioning the creditworthiness of clients and curtailing the extension of credit. Total loss due to bankruptcy dwindled considerably, amounting to \( f679,196.25 \) in 1897, \( f306,521.52 \) in 1898, and \( f168,003.77 \) in 1899. The corresponding figure for 1900 was said to be modest as well, but 1901 and 1902 already saw a reversal of fortune with losses totalling

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\(^{80}\) NA/NHM 8108 No. 1090.

\(^{81}\) SH, 01-05-1897.
f 1,144,923,- and f 1,717,070.01 respectively (Jaarverslag Handelsvereeniging Soerabaia 1899–1903; Fromberg 1926: 320).

The extent to which the shock of 1896 had finally worn off remains a matter of debate. However, the curtailment of credit resulted more from a tacit understanding than from a negotiated settlement among the members of the European trading community. No trace of a concerted effort in this regard was discussed.82 Unbridled competition remained a stumbling block and rendered a long-lasting improvement unlikely. Still, a change was imminent albeit from an unexpected quarter.

In May 1897 the Soerabaiasche Courant reported extensively about the residencies in the Surabaya area where the Opium Regie was now in place. It was noted that the replacement of the farms had obliged the authorities to implement new regulations forbidding Chinese to visit the villages as well as some big market places. Moreover, existing movement restrictions were being upheld more strictly than before, especially in the city of Surabaya.83 As a result, Chinese traders found it difficult to operate profitably in the countryside and pay back their loans. Soon European traders were confronted with insolvent clients who almost without exception blamed the government-imposed travel restrictions for all problems (Fromberg 1926: 427, 487; Liem Twan Djie 1947: 34). With a third party available as scapegoat, all participants in the wholesale trade rallied behind a single common goal.

Mutual interest led to a co-ordinated response of the import firms of Surabaya. The Handelsvereeniging – being the representative of these firms – decided to install a committee in order to investigate the matter thoroughly and submit a report which (after consultation with the Kamer van Koophandel of Surabaya) would have to persuade the government in Batavia to adopt a more lenient attitude when it came to Chinese business operations.84 The underlying reasons for this initiative were neatly summarized by H.G. Bartelds in the Soerabaiasch Handelsblad on 30 April 1897:

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82 It is telling that the one exception received a rather lukewarm response. In May 1897 Directors of DJB were informed by their agent in Makassar that the traders Waedle Frane & Co. had insured themselves in England against losses by bad debtors. Paying an annual premium of £ 150,- they were to be remitted 50% of their sustained loss with a maximum of £ 10,000,-. The Directors only remarked that it was doubtful whether this new type of insurance would find fertile ground in the Netherlands Indies and no further reference was made to the subject again (Bl/DJB 70 Nr. 17: 50).

83 Insulinde, 08-06-1897: 178.

84 This section is based upon: Insulinde, 08-06-1897: 178; 15-06-1897: 186; SH, 29 and 30-04-1897; 01, 03 and 14-05-1897; De Java-Bode, 06-05-1897.
The damaging regulations with regard to Chinese [...] selling their merchandise in the countryside are increasingly being felt by the import trade. [...] now the matter has been taken up and a [...] committee has been formed to point out to the heads of the different residencies in the Oosthoek that a change in this unbearable situation is required, or else big defaults are to be expected, [...] not only the current turnover of imported articles is suffering enormously from the enforced pass system, but the Chinese are unable to collect their outstanding claims in the desa. Thus small traders cannot honour their commitments, causing the second hand to suffer painful losses of which the wholesale trade ultimately becomes the victim. The enforced pass system, perhaps necessary to counteract the illicit trade in opium, is however harmful to trade which also contributes its contingent to the state coffers, therefore attempts to change the current situation are completely justified.

In the long run the importers’ lobby seems to have produced some tangible results. The committee looked into complaints regarding the enforcement of pass regulations and conferred with the local government to reach a solution satisfactory to everyone (Jaarverslag Handelsvereeniging Soerabaia 1900: 13–14). In 1904 travel restrictions were significantly relaxed, leaving Chinese business operations in the countryside less troubled by discriminatory legal measures (Fromberg 1926: 427, 487). Naturally the Chinese welcomed the efforts of the European traders, even though it was abundantly clear to all that pure self-interest had fostered the latter’s support. For the Chinese it must have constituted renewed proof of their economic indispensability. As shown before, this recognition was strongly rooted in the collective memory.

In the view of the general public Foreign Orientals (Timoer Asing) acted as middlemen (Bangsa Tengah) (Encyclopaedie Nederlandsch-Indië 1917: 481). The only countervailing force of significance came with the arrival of Japanese traders in large numbers from the 1920s onwards. Since they

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85 It should be noted that Fromberg expressed caution in claiming that the Surabaya lobby decisively influenced the government’s decision to soften the pass regulations. However, he did not doubt the fact that the wholesalers’ action had made an important contribution to this change in policy. In the history of the Netherlands Indies the Surabaya case stands out as an early and probably successful lobby attempt which certainly warrants further exploration in the government archives.

86 A well-known proverb at the time testifies to this as it read in Javanese: Cina wurung, Londo durung, Jawah tanggung! Or in Malay: Jawa patjoet, Tiina koempoet, Blanda angkat! The Dutch translated this maxim rather loosely into: De Javaan ploegt en zaait, de Chinees vergaart (de oogst) en de Europeaan loopt er mee heen. In other words: the Javanese toils, the Chinese collects and the European (Dutch) take(s) the proceeds. Leaving the Javanese according to an anonymous contemporary: Koeti, or nothing but trouble. See Fromberg (1926: 487), Didi Kwartenanda (1996: 10), SH, 03-05-1897.
constituted a political and economic threat in the 1930s, the Dutch curbed their influence. The Chinese therefore retained their position as linchpin of the colonial economy although their relationship with the European segment of society did change. The Chinese struggle for economic and social privileges intensified markedly at the beginning of the twentieth century. The vigorous social strife amongst the Chinese themselves – provoked by the dismantling of the Revenue Farm system and the subsequent collapse of the Chinese elite (Cabang Atas) and aggravated by the influx of Chinese immigrants towards the end of the nineteenth century – was now partially diverted towards the Dutch. Growing Chinese self-awareness translated into growing Chinese assertiveness. The Dutch trading world was in for a surprise as the Chinese discovered the effectiveness of collective action.

The Chinese Boycott of the HVA

Typical of the changed relations within the Indies trading world is the conduct in 1902 of the Soerabaia based Chinese traders towards the Agency of the Handelsvereeniging Amsterdam […] their attempt to lock out (to boycott) that office in all its dealings with import houses, and by that means to wage a real trade war, […] could only be brought to an end by making substantial financial sacrifices.87

This characterization of N.P. van den Berg indicates a change in the long-standing commercial relations between Dutch and Chinese traders at the turn of the century. The description by the former president of DJB makes it clear that the Chinese challenged the ability of the Dutch to determine the terms on which business was conducted. From now on the European trading sector had to consider Chinese demands seriously.

Economic co-operation between the two continued, but the twentieth century also witnessed the rise of a more assertive Chinese generation. This change in Chinese mentality was the result of a complex emancipatory process rooted in the late nineteenth century. In order to explain the success of the boycott as a highly effective weapon in the hands of the Chinese and to comprehend its impact on the colonial establishment we need to consider the underlying causes in the Chinese community, before turning to the drawn-out boycotts of 1902–1904 and 1908.

87 Van den Berg (1907: 381–382).
In Search of a New Identity

Over the centuries the *peranakan* Chinese had (partially) lost some of the features attributed to Chinese in general such as language, cuisine, etc. A process of acculturation had undeniably taken place (Coppel 1997: 568–569). Still, in many respects the *peranakan* Chinese had remained recognizably distinct from the indigenous population, preventing full assimilation of this population group. Nor had they become more than superficially westernized. By all measures, the Chinese were considered different and – often overlooked – many continued to view themselves different as well.

Chinese separateness was caused by a number of barriers which tended to be self-perpetuating (Panayi 2000: 4, 101–105). Physical appearance constituted a major factor of importance, especially since the Chinese were not allowed to dress like the indigenous population or cut their long pigtail until the beginning of the twentieth century. The sheer size of the Chinese communities in Java was a factor which also made assimilation into Indonesian society less likely, as was the separate legal status of the Chinese with the accompanying settlement and movement restrictions. Language differences remained a hindrance as well and contributed to the detachment of the Chinese. Even *peranakan* Chinese kept distinguishing themselves in the way they used and/or combined local languages (Coppel 1997: 569–571; Rafferty 1984). *Totok* or *singkeh* Chinese, who had just arrived in the country, experienced more problems in communicating with the local population, despite the fact that this obstacle diminished with their growing command of the language. Nevertheless, large numbers of Chinese only knew as much of the language spoken locally as to enable them to conduct their business (Alting Mees 1884: 4, 6).

Religion certainly was also a contributing factor to a separate Chinese identity. The majority of Chinese never felt inclined to convert to Islam. Admittedly there are traces of a centuries-old *peranakan* Muslim subculture and of a rather successful Islamization process, even evoking a resinicization attempt in the second half of the nineteenth century (Lombard & Salmon 1994; Salmon 1996; Salmon 1997: 160–161). Towards the end of the nineteenth century most Chinese were however reluctant to identify themselves with the indigenous masses as they preferred to direct their energy towards the cultivation of a good relationship with the colonial

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88 See Niemeijer (2005: 223–241) for examples of this in Batavia during the early VOC-period.
rulers. Besides, many were no doubt convinced of the superiority of Chinese culture (Coppel 1997: 569).

The divide between Chinese and the indigenous population was further strengthened because of their different economic roles. The Chinese were predominantly traders, living in an urbanized environment. In 1900 only one fifth of Java’s Chinese resided outside the principal cities and towns and nearly one-fifth were concentrated in the island’s three main cities: Batavia, Semarang and Surabaya. The Javanese, Sundanese and Madurese were for the most part peasants, living in small villages. From these different economic positions originated mutual dependency relations, which the Chinese trader could often control to his benefit (Williams 1960: 11, 13–15).

Before 1900 ethical, economic and demographic pressures came to bear upon the Chinese. With their economic position under repeated attack and their public image suffering badly, the Chinese felt a growing need to protect their interests. The undermining of the economic position of the Chinese had started with the opium farm failures of the 1880s and the attacks upon the system of revenue farming. The wealthiest Chinese had invested heavily in opium farms, pawnshops and other licensed enterprises, but between 1896 and 1904 a great deal of their capital was freed because of the termination of revenue farming. Businesses were forced to close and Chinese financial losses were heavy. Many employees of the farmers lost their jobs and the farmers themselves lost their semi-official status and thereby “their power in the eye of the common man.”89 The chronic defaulting of Chinese retail traders in the 1890s further weakened the Chinese economic basis and seriously hurt their image of capable and trustworthy partners. Occasional outbursts of racial hostility aimed at Chinese commercial activity consequently added to their insecurity.

A shocking example of bigotry aimed at the Chinese came from the Indo-European segment of the population in 1896. This impoverished minority within colonial society struggled to survive and rationalized its situation by accusing others. The Chinese retail traders in particular were held responsible for the increasing distress of Indo-Europeans. The Semarang newspaper De Telefoon which acted as the mouthpiece of the Indo-Europeans provided ample opportunity to vent all the frustration and fury of this part of the population (Termorshuizen 2001: 181–183, 417–425, 825–826; Bosma and Raben 2003: 281–283; Bosma 1997: 42). Under the

89 NA/MIKO 5037, V 17-04-1896, No. 27.
pseudonym of ‘Momus’ a particularly vicious attack against the Chinese was launched on 25 January 1896.\textsuperscript{90} The article on the front-page called for the unification of all Indo-Europeans within a so-called ‘Indische Bond’. This initiative was co-ordinated by one of the newspaper’s editors, G.A. Andriesse, who in all likelihood used the name ‘Momus’ as his \textit{nom de guerre} (Termorshuizen 2001: 186; Bosma 1997: 41).

Momus’ lead article was an outcry against the ‘filthy’ practices of Chinese traders of which numerous examples were given. Indo-European shopkeepers, for instance, were unable to withstand the Chinese. According to ‘Momus’ competition was not tolerated by the Chinese and their numerous secret societies, who ruined anyone who challenged them. As consumers, Indo-Europeans were cheated by the high prices and bad quality of products offered by the Chinese. Allegedly, food and beverages were often sold as well-known brands by using forged labels. Since the Indo-Europeans could not expect any favours from easily bribed civil servants, they should now take matters in their own hands:

If there is no compensation for the trade of the Chinese, the Indo will be [...] reduced to poverty even more, and we will become the slaves of the most immoral race in the world. [...] that despicable race, those perpetrators of theft, treachery, forgery and a thousand other dishonesties.\textsuperscript{91}

‘Momus’ argued that the retail trade had be wrested from the hands of the Chinese in order to become the pre-eminent source of existence for the Indo-European. After all, the Indo-European was able to do whatever the Chinese did, only without the customary cheating:

Next to [running] a small shop, the Indo too can hawk his goods carried by coolies, he too can travel the hinterland, and surely he will never be able nor want to cause the evil of the Chinese, whose travels in the hinterland always include smuggling or the trade in young Javanese girls.\textsuperscript{92}

On 5 and 20 March 1896, \textit{De Telefoon} published an even more offensive description of the Chinese in rhyme and partly in language parodying Chinese-Malay.\textsuperscript{93} These two ‘poems’ of 144 and 46 verses respectively displayed the usual routine of verbal abuse and wild accusations. This time however racist attitudes were expressed very explicitly: Chinese were not just ascribed all kinds of negative characteristics, but demonized.

\textsuperscript{90} De Telefoon, 25-01-1896.

\textsuperscript{91} De Telefoon, 25-01-1896.

\textsuperscript{92} De Telefoon, 25-01-1896.

\textsuperscript{93} De Telefoon, 05 and 20-03-1896. The cited examples are from the first and longest poem published on 05-03-1896.
They were called half human, half animal, compared to horses, pigs and vampires and at one point described as pigtailed caricatures. By stripping the Chinese of all humanity, *Oomme Karl* or ‘Uncle Carl’ (i.e. the author’s pseudonym) not only magnified their evil deeds, but also made it easier for the reader to denounce everything Chinese.

His depiction of the successful Chinese trader and how he attained his wealth is very indicative of the way well-to-do Chinese were regarded by the general public. In his view, opium smuggling lay at the core of Chinese prosperity. He portrayed the “expatriate Singkèk beast” pot-bellied, sitting on his money, while chanting the following words:

\[
\begin{align*}
\text{Akkoe tjékalang kaja.} \\
\text{Ata loewie, panja panja.} \\
\text{Ommà toewéé, panja loewie.} \\
\text{Dali mana, tà pétoelie!}
\end{align*}
\]

Translated, it gives the following statement:

> Now, I am rich. I have got a lot of money and many houses and where it came from does not matter. Before, I did not have all this; hence I had worries! By smuggling lots of opium, all that is forgotten now!!!

On two occasions, *Oomme Karl* specifically referred to the crisis in the import sector, seeing malicious intent in the high incidence of bankruptcies amongst the Chinese retail traders.

\[
\begin{align*}
\text{De handel is een schone zaak,} \\
\text{Doch schaff’ zich zelve geen vermaak,} \\
\text{Als Chinésen, bij exemplaren,} \\
\text{zich voor failliet lieten verklaren.} \\
\text{Van daar zucht Handel, steen en been,} \\
\text{Over Chinaman – in ’t algemeen,} \\
\text{Die den Handel zoude bedriegen} \\
\text{En hunne boeken meê lieten liegen.} \\
\text{Wil Men ze NU kondamnéren,} \\
\text{Dan gaan ze dad’lijk procédéren,} \\
\text{En lachen, met Oomme, tot Besluit;} \\
\text{Heel Raad van Justitie lekkertjes uit.}
\end{align*}
\]

A summary translation reads as follows:

> Trade is a fine business, if only Chinese would not declare themselves bankrupt in great numbers. Therefore, the trading business is complaining
bitterly about the Chinese in general, as they deceive the business and falsify their books.

If you want to have them condemned, they will take legal action immediately. And, like Oomme, in the end they will laugh at the Council of Justice.

Oomme Karl ended with a rather ominous suggestion on how to solve this pressing problem. In the last two verses he simply proposed the gallows as the definite solution to both crime and Chinese deception. Needless to say such outbursts of extreme hostility were frightening. Although the Chinese had learned to live with a negative public image, the attacks turned so ugly that they could not be ignored any longer.

At this point, Chinese grievances started to mount. Among the most frequently voiced were the increase of racial discrimination under the Ethical Policy and the intensification of the Pass and Zoning System. Other complaints were aimed at the fact that the Chinese – barring cases of commercial dispute – fell under the jurisdiction of the indigenous courts. This placed the Chinese among the indigenous population which was resented as well as the fact that these courts were ultimately tools of the administration.

Another complaint was the high burden of taxation. Like the Europeans, Chinese were obliged to pay personeele belasting or personal property tax from which the indigenous population was exempt. Chinese also had to pay bedrijfsbelasting or business tax which Europeans had to pay as well, but they were taxed on a different basis and more lightly. This injustice was felt even more as the Chinese saw hardly any return on their tax money. The colonial government provided few services and only a tiny minority benefited from them. This minority was composed almost exclusively of the European and Europeanized elements of society and certainly did not include the Chinese. For example, it was not until 1902 that the authorities could be persuaded to place three mail boxes in the Chinese quarter of Batavia. A small and belated service for a bustling neighbourhood of well over 27,000 inhabitants as early as 1892 (Williams 1960: 27, 36).

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94 For a lengthy introduction into the origins of the Chinese movement, see Fromberg (1926: 405–470, 475–490) and Kwee Tek Hoay (1936–1939) as translated by Williams (1969: 1–12).

95 In 1906, every Chinese earning more than f 25 a year had to pay 4% business tax. Europeans needed to earn more than f 300 a year before they were taxed according to a progressive rate. With an income of f 900 only f 1 a year had to be paid, whereas the highest incomes paid barely 3% (De Locomotief, 16-02-1907). A summary of the colonial tax regime is provided by Diehl (1993: 203–205).
The Chinese also objected against the lack of education of their children. This was considered to be of great importance as status among the Chinese was traditionally equated with education (Godley 1981: 39). Even outsiders could not fail to notice the high level of literacy amongst the Chinese. As early as 1830 one Dutch observer commented how remarkable it was that most Chinese immigrants in Java were capable of reading and writing their own language, notwithstanding the fact that they were generally poor and of low social status.\textsuperscript{96} The colonial government however was not inclined to make any significant arrangements and no funds were allocated to the education of Chinese children.

These grievances became a potent force in the mobilization of a nationalist attitude. In addition, Chinese discontent was increasingly fuelled by the example set by Singapore and Penang. The Chinese under British rule enjoyed far greater economic and social freedom than the Chinese under Dutch rule. They received (relatively) equal protection before the law and were not bothered by movement and/or settlement restrictions. Compared to China or the Dutch colony, Singapore and Penang were remarkably open societies with a vibrant Chinese press and a well-organized Chinese lobby. Education in English was made available as early as the 1840s in Singapore and the Chinese in the Straits Settlements were even given some representation in municipal government. These examples demonstrated that discrimination and insecurity were not the inevitable fate of overseas Chinese (Godley 1981: 24–25; Williams 1960: 42–44).

Information from China would be channelled through Singapore before reaching the Netherlands Indies. In 1895 Japanese forces defeated imperial China showing the world the weakness of a decaying dynasty. An imperialist scramble followed, treaties were signed and China's interior was forced open to foreign traders. After the conclusion of the First (1839–1842) and Second Opium War (1856–1860) they could conduct business in China but only from so-called treaty ports (Beeching 1975). After the Boxer uprising in 1900 China became exposed to even greater Western penetration. The Chinese government was forced to reappraise its traditional stance, but the imperial onslaught on China proved to have wider ramifications.

China's defeat by Japan caused many Chinese to reflect on their country's place in the world as well as their own. A strong and independent China might offer protection or at least prestige to those living abroad. The one thing virtually all overseas Chinese came to share by the

\textsuperscript{96} NA/MIKO 3042.
year 1900 was a connection with the fate of the ancestral homeland. Before 1911 both revolutionaries and the imperial government made repeated efforts to exploit this renewed interest by trying to win the support and tap the wealth of the overseas Chinese (Yen Ching-Hwang 1982). This desire coincided with the needs of these communities themselves. Their primary concern was the improvement of the lot of the local Chinese. Although people were anxious to learn about events in China, their interest fluctuated strongly as it was not always possible to identify the welfare of the overseas Chinese with that of the Chinese state (Godley 1981: 46, 54–55; Williams 1960: 45, 112–113, 146).

These feelings manifested themselves among others in the collapse of the officer institution and in a strong Confucianist revival. The officer system had been seriously weakened by the economic crisis of the 1880s, the disappearance of the revenue farms – the officers’ main source of income – and the social threat of non-affiliated Chinese immigrants. However, the Chinese officers lost their leadership position because they principally served Dutch, not Chinese interests. Notwithstanding their penchant to donate impressively to charity, they never sought to improve the general conditions under which Chinese had to live. The institution of Chinese officers did not reflect the spirit of times and was past reform. It had become outdated, or more eloquently put: “[…] ia ada satoe boentoet jang katinggalan dari Oost Indische Compagnie dan dari despotisme Tionghoa koeno […]” (“[…] it was like a tail left from the VOC and the despotism of ancient China […]”) (Lohanda 1996: 225+ Godley 1981: 38–39).

Until its final abolition on Java in 1934, the Dutch attempted to check the decline of the officer institution by making it more attractive to hold rank. In 1908 officers were granted special rights of travel and residence, as well as the right to appear before a European court of law. Their children could attend European primary schools and to enhance the officers’ prestige it was decided to give them official uniforms. The last measure did little to impress the Chinese and might have given cause for ridicule. The extension of privileges to the officers was an outright failure, estranging the officers even more from the general Chinese population as they alone were granted the rights demanded by the entire Chinese community (Lohanda 1996: 224–257; Williams 1960: 124–136, 171–172).

In its earliest stage Chinese nationalism in the Netherlands Indies took the form of a Confucianist revival. It has been said that the resurrection of Confucius served three purposes: to dignify nationalism with a cover of antiquity, to conceal its Western inspiration, and to put forward a respected and familiar symbol. Knowledge had to be furthered to prevent
the Chinese from remaining ignorant or in an inferior position. Singapore led the way with the establishment of a Confucian religious society in 1898, Soon the Chinese in Java followed. On 17 March 1900 a society for the promotion of Confucian thought and conduct, or Tioung Hoa Hwe Koan (THHK), was founded. This date marks the establishment of the overseas Chinese organized movement in the Netherlands Indies. The THHK immediately took the lead in the struggle for educational reform and the first modern Chinese school was opened on 17 March 1901.

In 1907 the first Chinese chambers of commerce (Siang Hwee) were opened. Besides economic purposes Siang Hwee also had a distinct political goal. Designed to serve as agents of the imperial Chinese government they functioned as Chinese consulates until normal consular representation was established in 1912 (Yen Ching-Hwang 1985: 177–203). In 1909 the first Soe Po Sia or ‘reading room’ was founded and within a few years 52 could be found in the archipelago. This kind of association was designed to operate as a political party and was primarily oriented towards China and the revolution. Soe Po Sia soon won a reputation for sharp criticism of the Dutch authorities and of their allied Chinese officers (Godley 1981: 125–126; Williams 1960: 57, 66–109; Williams 1969).

The press was an important medium in this respect as different Soe Po Sia established four major newspapers in 1909: Hoa Tok Po (Batavia), Djawa Kong Po (Semarang), Han Boen Sin Po (Surabaya), and Sumatra Po (Medan). All newspapers appeared in Chinese, although Malay editions were also published in Batavia and Surabaya to increase readership. The Semarang newspaper was forced to stop its circulation a few years after its inception due to the local absence of a public literate in Chinese. The Chinese-Malay press included several other newspapers highly critical of the Dutch and the Chinese officers.

Whereas the pioneering work of the THHK was directed towards socio-cultural goals, the Siang Hwee and Soe Po Sia were more preoccupied with

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98 Individual Siang Hwee were also called Siang Boe by the Dutch. This inaccurate designation derived from the name of the general association of Siang Hwee: Siang Boe Tjong Hwee (Williams 1960: 103).
100 The Pewarta Soerabaia (1902) and Sin Po (1910) in Batavia were critical regarding the system of Chinese officers. Two Semarang newspapers, Djawa Tengah (1909) and Warna Warta (1902), followed a middle course with a less hostile expressed anti-officer feeling. The Kabar Perniagaan (1903) in Batavia was probably the only protagonist of the officer system, since it was owned by several Chinese officers from Batavia.
economic and political aspirations. The slow process of education obliged the THHK to opt for a long-term policy in contrast to the Siang Hwee and Soe Po Sia who tended to meet specific challenges and were most active in times of crisis. Despite these differences all pan-Chinese associations succeeded in furthering the mobilization of the Chinese. In their struggle for economic, social and political elevation the Chinese confronted the Dutch with the unified strength of their pan-Chinese associations. The Chinese community was no longer fragmented and inarticulate. It would take the Dutch some years and a well-executed boycott to grasp this new reality (Lohanda 1996: 232; Setionso 2003: 363–37; Williams 1960: 95, 188–189).

Confronting each Other

Pressure was only sparingly applied by the Chinese, usually in the form of trading boycotts. Most of these group actions were small-scale with very limited local implications. The great majority was not unanimously supported, ill-organized, and easily bypassed due to the extreme competition among traders of all calibre. Many collective attempts just faded away without being noticed. But, each and every time a boycott was announced, the Dutch were reminded of the potential of Chinese collective action. The establishment of Chinese chambers of commerce all over the Netherlands Indies, made the Dutch even more aware of the threat of economic boycotts.

There was nothing particularly new about Chinese retail traders boycotting Dutch import houses. On 13 May 1884 the Soerabaiasch Handelsblad reported “a curious alliance” of Chinese traders, noting that 35 highly reputed Chinese merchants had pledged not to order anything from a certain Dutch import house for the time being. In addition, all those participating had submitted themselves voluntarily to the payment of a heavy fine should they breach their promise. The background

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101 One of the earliest recorded Chinese boycotts took place in Batavia in 1655 and was aimed against the existing trading practices of the VOC. The Chinese traders involved resisted the fact that only a limited part of textile shipments from India was publicly auctioned after which high-ranking VOC-personnel would secretly buy the remainder against lower prices. This course of action naturally gave the latter a financial advantage upon resale of the aquired goods. The Chinese textile traders decided no longer to buy from the VOC upon payment of a fine. Despite the agreed penalty for breaking the boycott it lasted only eight days. When the agreement came to the knowledge of the Dutch the three initiators of the boycott – Lacco, Oeco and Simko – were charged with undermining the trade monopoly and authority of the VOC and ordered to pay one hundred and fifty rijksdaalders (Niemeijer 2005: 228–229).
was purely commercial. The Dutch firm had refused to prolong an outstanding loan of \( f 15,000 \), demanding immediate repayment either in cash or in goods. This was very much against custom, especially since the creditworthiness of the Chinese trader in question was very high. He had been extended a credit of several hundred thousand guilders. Although repayment of \( f 15,000 \) had not constituted a problem, he felt wronged as the affair would affect his reputation and credibility. After proving to his fellow traders that the forced settlement had not been warranted by any malpractice from his side, he persuaded 34 of them to join in a boycott. In the eyes of the newspaper this showed: “An esprit de corps among Chinese merchants that deserves general attention as a sign of the times.”

Three days later the Surabaya office of DJB reported to Batavia on the same matter, identifying the Chinese retailer Feng Eng Kiong and the wholesale firm of J.W. van den Brink.\(^{102}\) The agent spoke of mixed European feelings with regard to the boycott and pointed out that while some competitors of Van den Brink were gloating, others strongly disapproved of “the actions of a few insolent Chinese.” Although he certainly regretted the steps taken by the Chinese, he also proclaimed that he could not think of any argument to deny anyone – not even Chinese – the right to buy whatever he wanted, wherever he wanted. Furthermore, he did not wish to disturb trade in any way and therefore declined to take action against the boycotters, despite the fact that he had been pressured to refuse them (prolongation of) any credit. The agent exhibited little immediate concern. As the boycott was aimed at a single firm of little relevance, it did not obstruct the trading business in general and could only inflict limited damage. In his correspondence no mention was made of the “curious Chinese alliance” again, and it probably blew over.

The Chinese esprit de corps to which the Soerabaisch Handelsblad referred was still a far cry from any powerful general movement in defence of Chinese (commercial) interests. This limited kind of collective action was ad hoc and easily manipulated. An interesting example has been described by H. Borel, who worked as an interpreter of Chinese in Surabaya in the late 1890s (Borel 1900: 105–116). As the official responsible for Chinese affairs he was regularly summoned to hearings of the Council of Justice in order to provide expert advice concerning Chinese bankruptcies. Like his predecessors, he investigated the account books of numerous Chinese traders who failed to honour their commitments. In the

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\(^{102}\) BI/DJB 1357.
process he acquired intimate knowledge of the trading system in general and Chinese business operations in particular.

Early 1898 Borel stumbled upon the case of the ironware trader Ho Tsai Ing who had defaulted in the preceding years and now offered to settle for the third time. The previous settlements had led to a reconstruction of his debt and seen repayments of 30 and 40% as part of the agreement. This seemed a quite reasonable percentage under the prevailing circumstances, but it became known that on both occasions friendly trading partners received a full 100% of their outstanding debt. In other words Ho Tsai Ing showed no scruples in concluding a so-called sluipaccoord, to the detriment of other creditors. Borel regretted that this kind of behaviour was not punishable by law and that it had become common practice among Chinese and European traders alike. He pointed out that both parties were to blame and that they were well-matched when it came to cunning business practices.

Ho Tsai Ing’s proposal to settle his arrears once again was accepted by all but one of his European creditors. One trading firm had the books examined by an expert – most likely Borel himself – and decided to press charges. Ho Tsai Ing’s business boasted an annual turnover of more than one hundred thousand guilders, but he had only surrendered a list showing how much he owed his European creditors and how much he could claim from his Chinese and indigenous debtors. For want of other books it turned out to be impossible to make a reliable assessment of his total assets and liabilities and judge whether he had masterminded his own default. It was suspected that he had withdrawn capital from the company for his own personal benefit. Ho Tsai Ing, however, claimed not to possess any other books and simply declared that he had no need for them and only required the book already turned in.

Borel found this utterly unbelievable. The fact that no ledger, cash book, stock register or balance sheet was present indicated fraudulent intent to him. It remained a mystery how much merchandise was supposed to be in stock, or what amount of money had to be in cash. There was no telling if Ho Tsai Ing had pocketed money that was not his or had already cashed (part of) his company’s assets. Fraud was also suspected since Ho Tsai Ing had recently made a habit of buying on credit and selling for cash below prevalent market prices. Such transactions were proved as European firms had to hand over receipts showing all cash payments made to Ho Tsai Ing during the last six months. It turned out that Ho Tsai Ing had sold over f12,000 of ironware priced far too cheaply. He refuted this incriminating evidence by saying that he had merely intended to
clear his old stock at low prices. According to him all the merchandise sold had been purchased long ago, at least more than six months before. With the absence of a stock register this could of course not be disproved and Ho Tsai Ing remained in the clear.

Notwithstanding this legal haggling, the European trading firm on whose behalf the inquiry had been conducted found ample reason to bring the matter to court. Borel noticed that this was not at all appreciated by one of Ho Tsai Ing's biggest European creditors. He was truly aghast to see countermeasures taken by this particular firm. It managed to persuade the leading Chinese retail traders of Surabaya to sign a notarial deed, requiring them – under penalty of a heavy fine – to boycott the firm planning legal action against Ho Tsai Ing. No matter how blunt this strategy was, it worked wonderfully well. In order to avoid the boycott, all charges were dropped. The case was nevertheless continued by the public prosecutor who accused Ho Tsai Ing of misleading his creditors and of embezzlement, and for having destroyed his account books. These accusations did not hold for lack of proof. After months of deliberation the judges could only find Ho Tsai Ing guilty of failing to keep adequate account books, for which he was sentenced to six months of forced labour. At this point the misled creditors went as far as to petition for a pardon in a final attempt to see their claims recovered. This was not granted and Ho Tsai Ing was declared bankrupt in the end.

With the introduction of the Cultivation System in 1830, Surabaya had begun to profit from the rapid growth of commodity production. The city served an extensive sugar- and coffee-producing hinterland whose output was exported through its harbour. Around 1900 Surabaya had thus become the foremost city of Java by population and volume of trade. The city's prosperous urban economy was based on trade and associated services and was sustained by the rapid development of plantation agriculture in the hinterland until the economic crisis of the 1930s. In 1905 total population amounted to 150,200 with a European community of around 8,000, a larger community of Chinese of some 15,000 and almost 3,000 Arabs. By contrast, Batavia had only 138,000 inhabitants and Semarang 96,850.

Until the establishment of the Municipality (Gemeente) in 1906 Surabaya had no urban government. The city and its rural hinterland were part of the residency of Surabaya and administered very loosely by the Dutch assistant-resident and his Javanese counterpart, the regent (bupati). All matters of government were therefore the responsibility of the omnipotent Binnenlands Bestuur which was increasingly undermanned and
Even at the beginning of the twentieth century the Controleur, the representative of the colonial civil service par excellence, was a true jack-of-all trades. 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), state of public health, etc. To attend to all these matters with equal diligence proved impossible as there were too many tasks which increasingly demanded specialist attention (Van Doorn 1996: 106).

Its role was extremely limited and hardly went further than maintaining law and order, raising taxes and providing basic public infrastructure such as bridges and roads. The government was only minimally involved in economic life. Trade was organised by European and Chinese firms under contractual arrangements which completely bypassed the colonial bureaucracy (Dick, 2002). At the turn of the century the city of Surabaya was an important trading centre with a strong Chinese influence especially in the merchant community, but also in the ruling indigenous elite as a result of intermarriage and the conversion to Islam (Ong Hok Ham 1982: 284–290; Salmon 1991a).

Most Chinese within the Surabaya area earned a living in trade. This had been the case for many generations, but was even more true for the totok Chinese, who had recently arrived from the China mainland. In the course of time the wealthy peranakan families, such as the Han, The and Tjoa, had diversified their invested capital into a whole range of different business undertakings (Ong Hok Ham 1982; Salmon 1991a). By contrast, almost all newly arrived Chinese sought their fortune in trade. From the last decades of the nineteenth century they started to put their mark on the Surabaya trading scene.

Names associated with this new development included Go Hoo Swie who arrived in Java in 1874 and operated an import-export company under the name Yan Tjwan Eng from 1880 onwards. His firm exported coffee and sugar to China, the Straits Settlements and British India, while importing rice, matches and flour. At the same time, the company carried on an extensive trade in indigenous products in Java’s interior. Another well-known entrepreneur was Tjan Tjiauw Tjwan who established the firm Bang Hong Hin in 1889. Acting as an intermediary between China and the Netherlands Indies he worked with a partner in China and one in Malang. His main interests lay in the rice, tobacco and fish trade, as well as in the import of Chinese products in general. He opened branch offices in Amoy (Xiamen) and Bagan Si Api-api, Sumatra at the start of the new century. Still another name was that of Tan Tjoen Gwan who started a business in
1873 and was active in the wholesale trade of primary products, alcohol and chinaware distributed all the way to the Moluccas and Kalimantan. An equally impressive tradesman was Tan Hian Goan whose wood concessions and saw mills were exploited through his N.V. Handel Maatschappij San Liem Kongsie.

More newcomers worth mentioning were Djie Hong Swie, who arrived in 1886 and soon conducted a general import-export business with China by means of a network of agencies all over East Java. The Tjio family founded the large and very successful Handelmaatschappij ‘Djoe Tik’ in 1885 and built up a chain of companies under the name Hap. They traded rice and sugar with Singapore, Hong Kong Saigon and Bangkok, using their own ships to transport these commodities. Ong Tjieng Hong was mainly active in the rice trade with Rangoon, Siam and Saigon, operating on a grand scale with his Chop Hoo Bee enterprise. In addition, he owned a sugar factory in Malang as well as a rice mill in Surabaya. Finally, Tio Siek Giok should not be forgotten. He specialized in the wholesale trade of primary products and wine and was not only the official supplier of the railway industry in Java but also of the army canteens (Wright 1909: 545–550; Feldwick 1917: 1167–1172).

With the ascent of such entrepreneurs the totok element within the Chinese society of Surabaya attained more influence. Although the representatives of the old peranakan families still held powerful positions they could no longer act as the spokesmen of the Chinese. Collective life was increasingly determined by a new generation of entrepreneurs who were less entangled with the colonial bureaucracy and less content with the existing situation. They retained vivid memories of China which made them susceptible to pan-Chinese ideas. Their Chinese identity was affirmed in their generous contributions to the establishment of a Confucian temple in 1899, the building of a Chinese school in 1903 and the founding of a Chinese Chamber of Commerce in 1906. In addition, totok Chinese took the lead in the HVA boycott of 1902–1905 and 1908. In the execution of these boycotts the new generation decided which path to take and ultimately determined its outcome (Salmon 1997: 162–165).

“Bikin Mati Toko Amsterdam”

By means of a trading boycott of the HVA the Chinese ‘second hand’ of Surabaya aimed to destroy one of the most important Dutch trading companies in the Indonesian archipelago (Setiono 2003: 363–365). Pamphlets distributed in Java’s interior in June 1904 among Chinese ‘third hand’
traders were very clear about this. Those participating in the boycott did not mince their words. Their aim, which they tried to achieve for nearly two years, was “to finish off the Amsterdam shop” (Bikin mati toko Amsterdam). The only reason they had failed so far – as the word on the street would have it – was the fact that the Chinese had run “into the wall of millions behind which the Handelsvereeniging Amsterdam has entrenched itself”. According to public opinion the HVA would have been forced into submission long ago had it not been for its financial leverage.  

Preparations to boycott the HVA had commenced in the second week of August 1902 and became publicly known with a small announcement in the Soerabaiaisch Handelsblad on 13 August 1902. Under the title ‘A boycott movement’ editor M. van Geuns reported that Chinese retail traders had recently started to organize themselves in an attempt to deny the HVA any future orders. For the moment the initiators remained anonymous. Two Chinese traders apparently disgruntled for being denied large and long-term credits by the HVA together with another dissatisfied accomplice, were designated as the main instigators. However, rumour had it that an unknown European competitor of the HVA actively encouraged this by inciting hesitant traders to sign the boycott agreement. In Van Geuns’ opinion this was typical of the sour relations within the Surabaya trading world.

According to Van Geuns the activities of the HVA that had given rise to the present trouble all came down to a change in credit policy. Shortly before, the HVA had decided to start extending short-term credit of one to two months only, while simultaneously reducing the amounts involved. On top of that questionable default settlements were to be refused irrevocably. Van Geuns considered these measures not only justifiable but also very sensible in the light of the default epidemic that had plagued Surabaya for years. The endemic nature of this situation demanded a solution and he doubted that the boycott would be successful. If it did quick communication by rail and steamer would ensure that the HVA did not have to fear being left with unsalable goods.

Upon receiving further information Van Geuns came up with a somewhat different account the next day. Unidentified sources had brought to his attention that the change in credit policy was not the sole reason for

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104 SH, 21-05-1904.
105 This period was considered to be extremely short. A meeting of importers held on 26 August 1902, a few weeks after the boycott had commenced, discussed sales conditions but could only agree upon a maximum running period of five months. Apparently, this constituted a significant curtailment of credit (BI/DJB 5143, 27-08-1902).
106 NA/NHM 2460, 27-08-1902; SH, 13-08-1902; SH, 30-08-1902.
targeting the HVA. There were other considerations and these were less favourable for the HVA. First, it was pointed out that four of the wealthiest Chinese traders in Surabaya – estimated to be worth half a million guilders each – were among the first to have signed the contract, whereas they never bought on credit. Second, British firms had always adhered to a short-term credit policy, but apparently managed to accommodate the wishes of their Chinese customers nonetheless. Third, in the past the HVA had been all too happy to accept settlement proposals on the condition that any outstanding debts would be repaid in full. On account of this practice fellow creditors had lost substantial amounts which of course had created bad blood among the European traders. Fourth, the HVA had lately been accused of trying to bypass the Chinese ‘second hand’ in Surabaya by conducting business with traders in the interior. According to this rumour the latter were given wholesale prices which prevented the Surabaya traders from closing any deals in the countryside.107

More in general there was an unsubstantiated number of grievances against the practices and attitude of the HVA that had been building up for a long time. The general perception was that the firm ignored existing trading practice and tried to fleece people by extracting every last cent. The company had thus acquired a reputation of being conspiratorial, petty, and mean. This inconsiderate behaviour caused many to feel mistreated although most of these cases came to very little upon closer inspection. The proverbial last straw came when the HVA caused Ko Khoen Siong, a second level trader in victuals and beverages, to go bankrupt over an unpaid debt of f31.108

The HVA was universally lambasted for taking this matter to court. But there was more to this case than meets the eye. Ko Khoen Siong had operated a small trading business of dubious solidity and he had already defaulted twice. The last occasion had been in January 1902, less than 9 months before he failed to meet his small debt to the HVA. At the time he had reached an agreement to pay back 40% of his outstanding debt, allowing him to resume business immediately. Satisfied that they would at least see some of their money, the creditors involved gave him new

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107 In one instance this accusation was indeed verified. A Chinese merchant complained that he had been sold matches in bulk against f96 a box, whereas the product was simultaneously offered in the countryside for three guilders less. He was later proven right. The HVA admitted this price difference, but attributed the discrepancy to price fluctuations on the market (De Locomotief, 22-12-1908).

108 NA/NHM 2450, 27-08-1902; SH, 14-08-1902; De Locomotief, 22-12-1908; Weekblad voor Indië 15 (29-05-1904) 4.
supplies and at the end July Ko Khoen Siong was again indebted for the considerable amount of f 65,544 (Jaarverslag Handelsvereeniging Soerabaja 1903: 64).

Not everyone agreed with this course of events. Another Chinese trader in victuals and beverages with an impeccable reputation and high credit rating complained bitterly that Ko Khoen Siong profited disproportionately from this state of affairs. First of all, he had been relieved of the obligation to pay back 60% of his debt which he had probably cashed in for a substantial part and transferred to China already. This suspicion might well have been true, because Ko Khoen Siong had left for China a few months after his second settlement and only responded to the repeated requests of the HVA by sending telegrams containing the message: Belom ada oewang (“There is no money yet”). Secondly, the docility of his creditors had not only enabled him to stay in business but also encouraged him to compete unfairly by selling below the prevailing market prices. In order to guarantee the swift payment of debts upon their expiry date a high rate of turnover was necessary. As long as a sufficient cash flow was generated regular payments were possible which in turn made it easier to obtain larger credits over longer periods. To Kho Khoen Siong it was of little consequence that this house of cards would come down eventually, for the only penalty would be the renewal of settlement negotiations.

The Ko Khoen Siong case once again laid bare the chronic shortcomings of the Surabaya trading and banking business. On Friday 29 August 1902 the editor of the Soerabaiasch Handelsblad received an anonymous letter signed by ‘A Trader’. It made an appeal to the European traders to finally start co-operating with each other in order to put the trading business on a more healthy basis. The writer stated that there were too many Chinese traders without money and good intentions who counted on the gullibility and willingness of Toko Blanda (Dutch trading companies). This simply led the Chinese to “[...] sell at any price to get cash and pay one or two acceptances, in order to obtain credit to a much larger amount.” All import houses should break the old habit of recklessly extending credit. Import needed to be in proportion to consumption and sales should be effected on the short-term only. Last but not least, whenever credit was extended the solidity of the buyer should be taken into account.

109 Ko Khoen Siong did settle for a third time by promising to pay f 6,554.40, i.e. a meagre 10% of his debts (Jaarverslag Handelsvereeniging Soerabaja 1903: 64).
110 SH, 30-08-1902.
111 SH, 30-08-1902.
Little than a week later, early in the morning of Wednesday 3 September 1902, the building of the Handelsvereeniging Soerabaia opened its doors to the first of many businessmen attending an unusual plenary meeting of bankers and traders. These were members of the trading society that came to discuss the disturbing trading situation in Surabaya and in particular the Chinese boycott that was now in full swing. The assembled crowd fell silent at half past ten when H. Janssen van Raay, the NIHB agent and newly appointed president of the society, opened the meeting.

Janssen van Raay gave an elaborate speech analysing the situation. The last eighteen months had seen a reversal of fortune for all those involved in the import trade. Years of decreasing bankruptcy losses had been cancelled out in 1901 with $1,144,923 of outstanding credit lost to defaulting clients. And the outcome for the current year was expected to be worse. This had nullified most of the positive results of the preceding years, including good practices of curtailing credit and discouraging unbridled competition amongst the wholesale import traders. The only way to reverse the current situation was to return to a restricted and closely watched credit policy and realize a better mutual co-operation between the European traders. It was disappointing that the Chinese traders managed collective action whereas the Europeans failed to do so.

Janssen van Raay noted that the latest proposals for a restriction of credit had been made in the first half of 1901 when the Batavian trading company Maintz & Co. pushed for a radical abolition of the prevailing credit system and argued for a system of cash payments. This plan rested on the general co-operation of traders and bankers alike, but failed to materialize due to a lack of agreement. Maintz & Co. had been forced to give up its cash on delivery policy within months. Although its prices were as good as any others, the company soon recognized that it was impossible to work this way. Trade dwindled and if it wanted to continue its business it had to go along with the old credit policy (Van den Berg 1907: 380–381).

Janssen van Raay described how rumour and gossip undermined trust and had come to determine trading operations to a high degree. The slightest negative reports concerning Chinese buyers led trading companies to restrict the delivery of goods and reduce the amount of outstanding credit.

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112 The initiative of Maintz & Co. received extensive coverage in De Indische Mercuur on 11-03-1902; 18-03-1902; 13-05-1902 and 14-10-1902. See also SH, 03-09-1902 and De Java-Bode, 06-02-1907. A similar discussion on the introduction of cash sales in order to check the number of failures among Chinese and European firms took place in Singapore in 1864 with the same (lack of) result (Wong Lin Ken 1960: 166).
This reaction might point to healthy awareness of doing business with a dubious trader who could not be trusted too much, or it showed the impossibility of assessing the true financial strength of a trading partner. Either way, as soon as a buyer’s position was considered shaky every supplier would insist on additional security in case payments stopped. After all, there was no telling what percentage of their remaining claims creditors could expect to collect in case of a settlement. To complicate matters the amounts creditors claimed were frequently doubted as well and not without reason given the unfailing regularity of sluipaccoorden. Besides, assessing the true financial position of a European trading company was as complicated as a Chinese. Its assets and liabilities were equally difficult to ascertain because the books were not up to date, or partially kept in Europe or could simply not be trusted.

The question was, what to do about this vicious circle of credit insecurity and distrust? Various ideas were discussed but real decisions were once again avoided. In the end Janssen van Raay’s proposal to form a committee that would examine the matter was accepted. The traders Textor of Reiss & Co., Schnurrenberger of Maintz & Co. and Noothoven van Goor of Mesritz & Co. were appointed as committee members. Noothoven van Goor soon proposed a reduction of credit over 5 years instead of an immediate withdrawal which would be impossible to implement. This was essentially an adaptation of the more revolutionary plan of Maintz & Co.

Noothoven van Goor realized that the diverging interests of dozens of traders ensured fierce competition. The resulting distrust prevented a long-term compliance with any agreement regarding the abrogation of credit. He therefore turned to the banks who discounted the IOU’s of the Chinese retail traders on behalf of the European wholesale importers. Since there were only six banks in Surabaya who actively facilitated trade, it would be much easier to negotiate an agreement with them. If only the banks would gradually stop discounting, a cash on delivery policy would come into existence.\(^\text{113}\)

This plan constituted a real opportunity to break the deadlock which had for years prevented change. The committee began its work with enthusiasm, but it soon started to deviate from its task. Instead of considering a new basis for trading activities, it became preoccupied with the fight against the Chinese boycott. This fight also required co-operation amongst the traders, but focused exclusively on countermeasures to

\(^{113}\) *SH*, 03-09-1902.
defeat the Chinese. The appeal for setting out a new course made by the anonymous ‘Trader’ and Noothoven van Goor fell on deaf ears and became yet another missed opportunity.

In the meanwhile the Chinese successfully orchestrated their boycott for which purpose a contract was drawn up by notary A.H. van der Does de Bije.114 This stated that the boycott was exclusively aimed at the import business of the HVA. The export of agrarian products as well as the important trade in petroleum were deliberately excluded. The contract contained twelve provisions. The penalty for breaching the boycott and resuming trading with the HVA was f1,000 on the first occasion, f2,500 on the second, f5,000 on the third and f10,000 for each following violation. Anyone who wanted to be dismissed from his boycott obligation within five years after joining was obliged to pay a fine of f10,000. The boycott had an indefinite running period and could only be terminated with the explicit consent of all participants. Any attempt to influence those that wanted to continue the boycott was again punishable by a penalty of f10,000.

The boycotters agreed to try to prevent all trade in HVA merchandise by their commercial partners. Most European objections were raised against this article, since it attempted a complete block on the HVA's import trade. In case of success the HVA would not be helped by entering into commercial relations with other traders. The intended domino effect would most likely preclude any new business arrangements. This was a frightening prospect for every European trader and/or banker. More than any other provision this seems to have convinced all of the necessity of counteracting the Chinese measures.115

Adding to this conviction was the number of Chinese retail traders that joined the boycott, since 85 Chinese traders and shopkeepers signed the boycott contract. The Soerabaiaisch Handelsblad claimed that of the entire Chinese trading community in Surabaya only four Chinese shopkeepers refused to sign. Lawyer J.B. van Houten, acting on behalf of two Chinese traders in a later stage of the boycott, contradicted this. He denied that all Chinese traders had signed the contract and cited several regular Chinese customers who refused to boycott the HVA. Only a few boycotters were large regular buyers and even they had few direct trading connections in Java's interior. If the Soerabaiaisch Handelsblad's claim was an

114 See for the complete provisions of the contract Soerabaiaisch Handelsblad, 05-09-1902.
115 SH, 05-09-1902; Weekblad voor Indië I 5 (29-05-1904) 5.
overstatement, Van Houten’s soothing words were probably intended to achieve the opposite effect. Regardless of who was right or who was wrong, the boycott was a highly organized and massive affair. It was unequalled in both scale and ramifications and consequently perceived as a danger.\footnote{SH, 20-08-1902; Weekblad voor Indië 15 (29-05-1904) 5.}

The European trading establishment must have viewed the boycott as the opening of Pandora’s box. A glimpse of how ‘dangerous’ the situation was, can be seen in the pressure exerted upon Toko Oei Moo Liem. This large company in victuals and beverages was established in Surabaya in 1849 and had built a solid reputation over the years. Not once had it defaulted and this was so extraordinary that it was celebrated in 1899 during the firm’s fifty-year anniversary. On that memorable occasion it was presented with a certificate of competence from the European import traders which in turn was considered so remarkable that it was mentioned in the Straits Times on 2 September 1902 in an article concerning the Surabaya trading situation.

Oei Ping Ing, the current owner of Oei Moo Liem, was one of the four Chinese who stubbornly refused to participate in the boycott and no pleading or threatening had made him change his mind. However, the ringleaders of the boycott would not take no for an answer and changed tactics. Three of them – Tan Tjoen Gwan, Tio Sik Giok and Kho Kie Siang – contacted the wholesale firm of S.L. van Nierop & Co. and gave it a choice between losing their clientele or refusing Oei Moo Liem the sale of its monopoly articles for which Van Nierop & Co. had acquired the sole right of sale in the Netherlands Indies. (For example, the products of producer Tieleman & Dros in Leiden, the Netherlands could only be bought at Van Nierop & Co.) Since the three combined bought much more than Oei Moo Liem, Van Nierop had no choice but to acquiesce. He threatened Oei Ping Ing and stated that he would not sell him any monopoly articles, unless he agreed to take part in the boycott.\footnote{Upon asked about this perkara (matter) Van Nierop & Co. denied it had anything to do with the boycott. At a later stage the firm became suspected of comploting against the HVA. This makes one wonder whether Van Nierop & Co. really was not in a position to oppose the Chinese triumvirate. It might have co-operated eagerly or perhaps even instigated the demands in order to see the last of a powerful competitor (BI/DJB 5143, 27-08-1902; BI/DJB 5143, 13-09-1902).} This would undoubtedly cost Oei Moo Liem some of his customers. If they could no longer purchase these items at his store, they would have to buy them elsewhere and this could very well be from one of the boycott leaders.
Initially, the HVA hardly reacted to all of this. It was convinced that the whole matter would peter out within weeks and assumed a haughty attitude. The Surabaya agency even failed to mention the particulars of the boycott in its correspondence to the Amsterdam head office. However, news travelled fast and manufacturers and producers did not take the matter lightly and started to inquire in Amsterdam what was going on. Without any answers head office found itself in an embarrassing situation and communication with the branches in Java was stepped up. From the end of August the situation gained momentum. The HVA began to look for help, and approached several of the financial institutions in Surabaya and Batavia.

The agent of DJB in Surabaya made himself the champion of the countermovement against the Chinese. On 25 August 1902 he sent a telegram urging the President and Directors of DJB in Batavia to take firm action against the three instigators of the Oei Moo Liem affair. A counter movement was proposed in which all banks would unite to end the boycott by no longer discounting the acceptances of the three manipulating culprits. Two days later the same agent again recommended the banks’ intervention, but this time pleaded to have all signatories of the contract included. Otherwise the three main offenders would be helped by others committed to the boycott and the proposed measure would have little effect. He also suggested distributing a list of all boycotters to the banks and their agencies in Batavia and Semarang. If the decision was taken to oppose the boycotters, this would prevent other branches of the Surabaya wholesale firms from discounting acceptances of Chinese involved in the boycott.118

The pending boycott was discussed for the first time in a regular board meeting of DJB on 29 August 1902.119 Prior to that President J. Reijsenbach had been in contact with Director P. Reineke of the HVA in Amsterdam. Based on the information exchanged it was decided to comply with the requests made by Reineke and the bank’s agent in Surabaya. DJB would intervene with a counter boycott unless the contract was annulled. Not all banks subscribed to this. So far the NHM and the NIEM had agreed to participate, but without the NIHB the chances for success would be slim. During the meeting itself a telegram from Surabaya was received in which the agents of DJB, NHM and NIEM stated that the measure could only be successful if all banks, including the savings banks, joined in. On

118 BI/DJB 5143, 25 and 27-08-1902; SH, 03-10-1902; Weekblad voor Indië I 5 (29-05-1904) 5.
119 BI/DJB 78 No. 45: 185.
2 September 1902 another meeting was held at the Surabaya office of DJB.\footnote{BI/DJB 5143, 02-09-1902.} This time the NIHB agent H. Janssen van Raaij – and president of the Handelsvereeniging Soerabaia – was present as well. Apparently he had received new instructions, because he declared that the NIHB had agreed after all to support the banks' initiative. But with the importers of Surabaya convening the next morning, he proposed to wait until the next afternoon before sending the first letters warning the Chinese to stop their action.

Janssen van Raaij hoped to persuade the traders to put pressure on their Chinese clients and get them to breach the contract. As seen, earlier attempts at co-ordination had met little success in the past, although the recent decision to create a committee might achieve results in the near future.\footnote{In October 1902 the committee made several recommendations to improve trading conditions (see p. 208), but these proposals do not seem to have initiated any meaningful response (De Indische Mercuur, 14-10-1902).} In the afternoon of 2 September 1902 the twenty most influential Chinese traders participating in the boycott were told that the banks were indignant upon hearing of the contract aimed at the HVA. This was strongly condemned, especially because it hindered the business dealings of people that were not involved. The banks therefore demanded that the contract be annulled within five days and that similar agreements would not be concluded in the future. If the Chinese did not comply the banks would ensure that their signature would become utterly worthless.

The Chinese did not budge, although a few conciliatory gestures were made. On 8 September the counter boycott was put into effect with the support of the four main banks as well as the Surabaya savings bank and the two English banks operating in the city. With the notification of all relevant agencies in Semarang and Batavia the counter movement was complete. Of the 85 signatories fifteen Chinese traders were selected whose acceptances would be refused from now on.\footnote{DJB and the Soerabaiasch Handelsblad spoke of 85 Chinese traders participating in the boycott. The Factorij mentioned 79 signatories in its correspondence, whereas J.B. van Houten in an article referred to circa 80 signatories (NA/NHM 2460, 17-10-1902; Weekblad voor Indië I 5 (29-05-1904) 4).} These names were to remain secret in order to prevent Chinese defiance as long as possible. Office personnel were also to be kept in ignorance to avoid leaks to the Soerabaiasch Handelsblad. The principal decision to start a counter boycott at the DJB meeting in Batavia in the early afternoon of 29 August had
been secretly telegrammed to Van Geuns, who had published it immediately in the paper’s evening edition.\textsuperscript{123}

The banks were quite confident that their effort would bring the Chinese to their knees, but the attempt was doomed to fail. The refusal to discount the acceptances of the selected Chinese traders hurt them, but it hurt the European importers even more. They had accepted the IOU’s of their Chinese clients upon the delivery of goods believing that the signatures were good for the specified amount. The banks’ refusal to discount these IOU’s in the future rendered them worthless and consequently plunged the wholesalers into a liquidity crisis. Their response came in the form of a letter from the earlier mentioned’ committee. On 9 September, the day the banks put their threat into practice, it proposed inducing the Chinese to alter their position by lifting the banks’ sanctions for the time being. This placed Janssen van Raaij in an awkward position. As the agent of the NIHB he had authorized the sanction which the committee now undermined. But, as acting president of the Handelsvereeniging Soerabaia he had presided over the meeting on 8 September. Janssen van Raaij solved this conflict of interest by taking a neutral position regarding the committee’s proposal and stating that he would follow the other banks. According to DJB and the other banks the importers were only stalling for time and they politely declined the committee’s request.\textsuperscript{124}

Events unfolded rapidly. The HVA asked two businessmen to contact their Chinese counterparts and see if a satisfactory solution could be found. Both gentlemen, Zilver Rupe and La Fontaine Verwey, called a combined meeting of European and Chinese merchants on 11 September, but the stipulated penalty of f10,000 prevented the assembled Chinese from breaking their promise. The agent of DJB recognized that innocent European importers were mainly suffering and that the banks were losing momentum. Drastic measures were required to break the Chinese. He requested DJB head office to take the matter to the Governor-General himself, or consider refusing credit to ALL [capitalized in the original] Chinese participating in the boycott.\textsuperscript{125}

This seemed too high-handed, so another approach was taken. In order to distinguish between those Chinese that had been pressed to sign the contract and those who supported the boycott whole-heartedly a letter of intent was drafted for the Chinese. Phrased very carefully it stated that the

\textsuperscript{123} BI/DJB 5143, 08-09-1902; NA/NHM 2460, 17-10-1902; SH, 29-08-1902; SH, 05-09-1902.
\textsuperscript{124} BI/DJB 5143, 09-09-1902; BI/DJB 78 No. 49: 201; Weekblad voor Indië 15 (29-05-1904) 5.
\textsuperscript{125} BI/DJB 5143, 12-09-1902.
signatory would like to see the contract annulled eventually. This did not constitute a breach of the contract, and might break the resolve and unanimity of the Chinese. But after two weeks only 24 signatures were collected; including about ten by those Chinese traders whose acceptances were refused. With 72% of the boycotting Chinese refusing to sign a letter which merely showed an intent to resolve the matter, a voluntary termination of the boycott contract remained an illusion.\textsuperscript{126}

In the meanwhile the importers started to object to the banks’ approach. On 12 September 1902 they voiced their disapproval of the ‘punishment’ of a few selected Chinese and of the ‘one-sided’ point of view upon which the banks based their judgement. Information had been received from the HVA only and the Chinese case was totally disregarded.\textsuperscript{127} Five days later Janssen van Raaij asked, on behalf of the importers, whether the banks might reconsider their counter boycott. The importers were however rebuffed and even their plea to limit the punitive measures to a smaller number of Chinese traders was rejected. All this bickering did not go unnoticed and merely served to strengthen the resolve of the Chinese. They were encouraged by inflammatory articles in Malay language newspapers. On 17 September 1902 the \textit{Bintang Soerabaia} for instance, wrote of extending the boycott to Semarang and Batavia. By now, the importers’ committee was wondering if the authorities should intervene. The Surabaya agent of DJB once again mentioned this in his correspondence with the head office.\textsuperscript{128}

In Batavia this appeal was brushed aside. President Reijsenbach of DJB remarked bluntly that they could not care less.\textsuperscript{129} The Chinese showed exactly the same attitude. They had presented the HVA with a \textit{fait accompli} and were confident that they could continue to determine events. By word of one of their leaders, Oei Wee Kee, they suggested that the HVA buy them off for \textit{f}250 per person. This would have cost the HVA \textit{f}21,250 and was declined by Director Reineke himself.\textsuperscript{130} The agents of the participating banks in Surabaya acknowledged defeat in a meeting on 25 September. The resolve of the Chinese could not be broken and threatening not to discount their acceptances was of little consequence for those that paid cash and did not give IOU’s anyway. The problem was how the banks could retreat without losing prestige. The agents had no choice but

\textsuperscript{126} BI/DJB 5143, 13, 24 and 25-12-1902.
\textsuperscript{127} BI/DJB 5143, 13-09–1902; BI/DJB 78 No. 50: 203–204.
\textsuperscript{128} BI/DJB 5143, 18-09-1902.
\textsuperscript{129} BI/DJB 78 No. 52: 207.
\textsuperscript{130} BI/DJB 5143, 24-09-1902.
to refer the matter to their head offices in Batavia, although once more the possibility of calling in the authorities was respectfully suggested.\footnote{BI/DJB 5143, 25-09-1902.}

The Batavian head offices came up with the following compromise.\footnote{BI/DJB 78 No. 53: 209; BI/DJB 77 No. 55: 1; BI/DJB 77 No. 56: 8.} The acceptances of the Chinese who had signed the letter of intent were allowed to be discounted from 5 October onwards, but the remaining unwilling traders – especially the ringleaders – would continue to suffer the consequences of their stubborn behaviour. These five boycott leaders were identified as Tio Sik Giok, Tio Tje An, Tan Tjoen Gwan, Oei Wee Kee and Tio Sin In.\footnote{NA/NHM 7984/306, 17-10-1902.} The intention was to keep this embarrassing defeat secret for as long as possible, but on 16 October 1902 the *Soerabaiasch Handelsblad* got wind of it and concluded that the banks had taken half-hearted measures. A published letter to the editor spoke of weakness and lack of principle. “Would it not have been more commendable [...] to completely cancel the ban instead of adopting spurious measures which do not prevent them from looking foolish?”\footnote{SH, 16-10-1902.}

There were others who also used the word foolish. The NHM in Amsterdam wrote to the *Factorij* on 17 October 1902 that several firms it conducted business with had Chinese clients implicated in the boycott. The trading company Schitzler & Co. had even decided to suspend its customary credit facilities at the NHM by stating that acceptances could only be refused if the creditworthiness of those involved was doubted. The current restrictions certainly did not meet these conditions. The possibility of losing customers was unacceptable to the Amsterdam office of the NHM. The *Factorij* was told that no reliable information had been received so far and that any news had to be learned from the newspapers. What could have moved the agent in Surabaya to take the side of the HVA to the detriment of highly valued business relations?\footnote{NA/NHM 7984/306, 17-10-1902.}

Schnitzler & Co. however appears to have been among the European trading enterprises who actively supported the Chinese boycott in the hope of eliminating a competitor. The NHM agent in Surabaya wrote that he was not at all surprised to find that the alarming messages from the Netherlands originated from Schitzler & Co. The firm was even accused of having printed a Malay translation of the boycott contract with the purpose of distributing it in the interior. Although the NHM managed to
intercept the document, the scheme was not entirely unsuccessful since a limited number of copies still found their way to Chinese traders.\footnote{136 BI/DJB 77 No. 63: 24; BI/DJB 77 No. 64: 27; NA/NHM 2460, 19-11-1902; \textit{Weekblad voor Indië} I 5 (29-05-1904) 5.}

The counter boycott had failed hopelessly within weeks after its inception and this defeat was completed several weeks later when the five boycott leaders were no longer held accountable. From the second week of November 1902 their acceptances were as good as any others.\footnote{137 NA/NHM 2460, 11-11-1902.} The HVA had to follow a new course. Initially it had focused on the possibilities of a judicial proceeding. If the contract was breached and the court ruled that the stipulated fine of \(f_{10,000}\) did not have to be paid, traders might be persuaded to give up the boycott. The HVA tried to find at least one trader willing to risk this procedure by guaranteeing to pay all possible damages. But not a single boycotter agreed. The HVA then came up with something only a large and powerful enterprise could pull off. In January 1903 it called in the authorities and with the mediation of Janssen van Raaij the Assistant-Resident Arends was prepared to mediate.

Although the authorities in Surabaya had followed the boycott closely they had not intervened so far, considering it an economic dispute with no harmful political implications. But with the dispute dragging on for almost half a year and with no solution in sight it seemed prudent to respond positively to the HVA's request. The Assistant-Resident's intervention might have worked, were it not for the fact that he was also the acting chief of police and so presided over the indigenous court of justice. As the Chinese were well aware of how much depended on his benevolent attitude in legal cases, they did not see him as an impartial negotiator.\footnote{138 Officially, commercial disputes involving Chinese were not handled by him, but still.} The importers were of the same opinion and objected to his involvement by preparing a complaint to be sent to the Governor-General, stating that the Surabaya authorities had no right to interfere. This proved not to be necessary, because in February 1903 Arends gave up his attempt to negotiate without having achieved a breakthrough.\footnote{139 BI/DJB 78 No. 52: 207; BI/DJB 77 No. 87: 119; \textit{Weekblad voor Indië} I 5 (29-05-1904) 6.}

Confronted with yet another failure the HVA changed tactics and decided to address the Governor-General and the Minister of Colonies personally with a request for help.\footnote{140 \textit{De Locomotief}, 19 and 21-12-1908; \textit{Weekblad voor Indië} I 5 (29-05-1904) 6.} The Handelsvereeniging Soerabaia urged the Governor-General not to decide in favour of the HVA without hearing their arguments as well. The answer to the Handelsvereeniging
was short; a single line stating that consultation was unnecessary (Jaarverslag Handelsvereeniging Soerabaja 1903 1904: 39–42). The HVA did not expect quick results and continued to work on new initiatives. On 30 April 1903 the unpleasant business was assessed at the Amsterdam head office. Directors and Commissioners concluded that no one could accuse the HVA of unfair behaviour. The boycott had been initiated by two Chinese traders – Tjo Sik Giok and Tjo Tje An – aided and abetted by European competitors such as Schnitzler & Co. The immediate reason for the boycott had been the refusal of credit facilities to the aforementioned Chinese on account of the new restrictive credit policy of the HVA. Convinced of the soundness of the new credit policy Directors and Commissioners decided not to deviate from the set course.141

The HVA could show this kind of determination, because the boycott did not harm its profitability. The Surabaya agency had maintained its volume of trade for most products. Sales figures of a few items had suffered slightly, but through much effort sufficient turnover was accomplished. Nevertheless, the boycott needed to be neutralized. On 16 June 1903 the HVA sued Tjo Sik Giok and Tjo Tje An, demanding to be compensated for sustained damages.142 At the same time 22 boycotters were summoned to give a statement to Assistant-Resident Arends.143 The Dutch lawyer of the two Chinese asserted that the whole situation was extremely nerve-wrecking, as the two were made to wait endlessly, and were living in constant fear of being interned or expelled from the Netherlands Indies.

This investigation was followed by a second one conducted by the public prosecutor who also heard the Surabaya traders concerning the conditions under which business was conducted in general and in particular by the HVA. Their statements did not help the HVA as they appear to have made the boycott more understandable if not justifiable. No charges were ever pressed against the boycotters. In the end, the Chinese scored an outright victory as the law suit against Tjo Sik Giok and Tjo Tje An was thrown out of court on 20 May 1904.144 The HVA did appeal the court’s decision but had essentially run out of options. From now on, the company could only try to resist the boycott. The adversaries tested each other’s resolve another year. In May 1905 the Chinese renewed their proposal to end the boycott by buying them off. This time they offered to settle the matter

142 BI/DJB 79 No. 23: 83.
143 De Locomotief, 21 and 22-12-1908.
provided that the HVA contributed £25,000 for the building of a Chinese school and another £5,000 to cover legal expenses. Battle-weary the Amsterdam office agreed to pay against the advice of the Java branch offices.\footnote{NA/HVA 1 Minute Book 3: 139; NRC, 28-06-1905.} After nearly three years the Chinese had won the battle. The economic balance of power had shifted, as shown by reactions to a renewed Chinese boycott of the HVA in Semarang three years later.

"Obat Gandroong Tiong Kok"

It stands to reason that the Dutch were not at all pleased with the effectiveness of the boycott, which received immediate and widespread recognition. The celebrated results obtained by boycotts or the mere threat of them found fertile ground in the imagination of the indigenous population. In popular speech the boycott instrument soon came to be called the obat gandroong Tiong Kok, or the "medicine of which the Chinese are extremely fond".\footnote{SH, 30-12-1908.} The Chinese prided themselves upon their newly found power which boosted their self-esteem. Peranakan newspapers crowed about the Chinese achievements. Even the Kabar Perniagaan in Batavia – supportive of the old Chinese officer institution and usually more soft-spoken and reticent – was quite categorical when discussing the benefits of the boycott in general.

In 1908 it published an extensive article under the heading Hal Boycot (Boycott Matter) in which it demonstrated the blessing of the boycott instrument for all Chinese.\footnote{Kabar Perniagaan, 01-08-1908.} This article – signed by H. – sheds light on some of the motives underlying the behaviour of the Chinese traders and their inclination to resort to boycotts. In the first sentence of the article the following revealing statement is made:

Boycot, oleh bangsa Tionghoa di oepamaken sebagai sendjata jang paling teroetama, boewat bangsa bangsa laen, ini sendjata belon taoe di goenaken.

The boycott is considered the most important weapon of the Chinese, whereas other nations still do not know how to use this weapon.

The author proceeded to trace the origins of this movement back to the Chinese-Japanese war of 1894/95. According to him, the defeat of the Chinese provided the final impetus to awaken China from its sleep, shake the country out of its lethargy, although it remained difficult to mobilize
its large populace. Consequently, China and the Chinese suffered humiliation at the hands of more powerful foreign nations.

[...] ini waktoe, Radja radja besar di Europa dan Azia soeka sekali kasi lihat kasombongannja pada Tiongkok, jang iaorang pandang sabagi satoe barang permaenan, jang tida soesa di poeter kakanan dan kiri.

[...] the powerful kings of Europe and Asia at the time very much liked to demonstrate their arrogance towards China, considering its people a toy, to be turned without much difficulty to the left and to the right.

In other words, Chinese were clearly aware of this manipulation, but recognized that very little could be done about it for the time being. The resulting growing sense of frustration is well captured by the writer:

Kaloe bole Tiongkok dan anak rahaijatnja hendak lantas kasi lihat giginja, tetapi ija orang taoe jang masa ini ija belon boleh bikin begitoe oleh kerna kakoewatan marika itoe belon sampe tegoeh aken bertanding pada Radja radja besar jang tjoekoep alat sendjata dan bala tentaranja.

If it had been possible, China and its people would have shown their teeth immediately, but the people realized that they had to restrain themselves at this point in time, because their strength was not sufficient to stand up against the powerful kings who had more than enough weaponry and troops at their disposal.

Thus, the Chinese had to bide their time for the moment, but soon managed to come up with another strategy:

[...] beroentoeng anak rahaja Tiongkok bisa dapet pikiran aken tolak hina'annja laen bangsa dengen saroepta sendjata jang tida membahajaken dijwanja manoesia. Ini sendjata, soeda bisa begitoe berpengaroeh, hingga djoega ini sendjata terkenal oleh orang orang semoewa [...] 

[...] fortunately the Chinese could think of a way to start resisting the contempt of other nations with a kind of weapon that will not endanger people's lives. This weapon has already become very influential, so that it is well-known to all [...] 

At this point the author had carefully prepared the reader for the final argument:

Ini sendjata jang terpake oleh bangsa Tionghoa, brangkali pembatja pembatja djoega kenal, jaitoelah, orang Europa dan orang orang di ini Hindia kasi nama 'Boycot'. Ini sendjata, djadi satoe penoeloeng besar pada satoe negri jang masi lemah.

Used by the Chinese, this weapon – maybe the readers know it as well – is called 'Boycott' by the Europeans and the people in the Indies. This weapon is a great support for a country still weak.
This conclusion is supported by referring to a number of successful boycotts. The boycott of the HVA in 1902–1905 figures prominently. The excerpt in Box 4.2 refers to the exciting fact that the Chinese successfully wrested $25,000 from the HVA, but also provides a glimpse of the psychological effects. In the eyes of the Chinese the wholesale import traders had been taught an expensive lesson, so that a distinct change in European attitudes had become noticeable. This was the perception of the Chinese, who talked about being treated far less haughtily in matters of business.

Greater leniency was also experienced in debt payments, although the Chinese realized that the prevailing trading conditions in Surabaya partly explained this fortunate circumstance. European importers in Batavia could seemingly count on a higher rate of turnover due to a more solid customer base. Therefore, H. comprehended the European firms’ sense of urgency in Surabaya concerning the repayment of outstanding credit. With a limited clientele they could not afford too wait too long and needed to be paid promptly. But, H. also asserted that the Europeans themselves were to blame for this situation. After all, Chinese traders were initially offered merchandise on very generous conditions including extremely lenient payment schedules, while in case of arrears penalties were customarily avoided by offering a more amicable solution. However, as the European wholesalers grew confident about their business prospects, they sooner or later demanded strict adherence to a signed contract. The Chinese – who had become accustomed to a certain degree of flexibility – were suddenly denied their leeway.

The fact that the only alternative to non-compliance was the boei or beslag (i.e. the prison or the loss of one’s shop) deeply offended the Chinese. The article shows that this was considered disrespectful and dishonest. It seemed just that the Chinese could now dispose of a means to protect their interests successfully which deserved wider recognition. In the last sentences of his article H. therefore tried to evoke a general spirit of assertiveness by confronting his readers with the following provocative words:

Tetapi bagimanatah dengan orang orang disini, apakah ia bisa djoega kasi liat giginja pada toko toko Europa jang berlakoe tjoerang? Itoelah saja tida bisa djawab, hanja tjobalah nanti kita liat pada hari kamoedian!

But what about the people here? Can they also show their teeth to the European firms that behave dishonestly? That I cannot answer, just let us see what the future brings!
Nah! Inilah ada swatoe tjonto pada laen-laen bangsa, jang soeka hinaken bangsa Tiong Hoa zonder alesan jang tjoekoep, dimana pada kamoedian hari toch ia moesti menjesel di atas perboewatannja sendiri.

Begitoepoen pada orang-orang Europa disini, sedjak sala satoe handelsvereeniging di Soerabaja telah di boycot, jang kamoedian soeka damiken ini perkara dengan menanggoeng karoegeian besarnja f 25,000, roepa roepanja toewan toewan toko di Soerabaja tida begitoe brani berboewat kesombongan pada orang orang Tiong Hoa lagi, hingga ini waktoe djarang sekali jang orang orang Tiong Hoa dapet maloe lantaran acept jang terbikin di doewa fihak. Sringkali djoega djika orang Tiong Hoa melanggar djandjinja boewat sapoesloeh hari atau lebi sedikit, toko toko Europa soeka menenenggoe hingga terba- jar, jang mana ada djadi njata pada kita, bahoewa toko-toko Fropa di Soerabaja tida berlakoe begitoe keras seperti toean toko di Batawi dengan langganannja. Dimana sebenarnja kaloe tida langganannja jang bantoe djoeal, soeda tentoe itoe toko Fropa tida bisa tinggal lama, dan terpaksa tida bisa berniaga disini.

Poen pada toean toean toko, banjak sekali jang tida maoe orang melanggar djandjinja. Sedangnja bernoela ia berniaga; kaloe bole ia brani bajar boeat orang jang kasi ia langganan, tetapi, kaloe sadja pernoagaannja soeda madjoe, ia pandang hina sekali pada langganannja, dan sa’andenja langganannja brani liwat dari pada djandjinja, soeda tentoe lantas ia berboeat sabagima moestinja, ia itoe boei pada pioetangnja atau beslag pada tokonja.

Well, here is one example of another nation that likes to humiliate the Chinese without sufficient reason, where afterwards it nonetheless has to regret its own actions.

In the case of the Europeans here, ever since a trading firm in Surabaya was boycotted and had to accept its settlement with a big financial loss of f 25,000, the owners of the firms in Surabaya do not seem to be as arrogant towards the Chinese any more, with the result that nowadays the Chinese are very seldom embarrassed as an acceptance involves two sides. Often, even if the Chinese break their promise to make good in ten days or a little bit longer, the European firms do not mind to wait to be paid, which has made it evident to us, that the European firms in Surabaya are not selling as well as the owners of the Batavian firms with their regular clients. On the other hand, if retailers are not helpful in selling, it is natural that these European firms cannot wait for a long time, and are forced not to trade here.

Subsequently, most owners of trading firms do not want a person to break his promise. However, when he [i.e. the European trader] starts to trade he is eager to pay1 a person so that he will receive regular clientele, but, as soon as the trader has set up a thriving business, he considers his retailers with contempt, and in case the client has the nerve to disregard his commitments he [i.e. the European trader] is certain to act readily in the prescribed manner, i.e. debt imprisonment or seizure of his shop.”

1 To accomodate a client by supplying merchandise on very advantageous conditions.
H. did not have to wait long for an answer to his rhetorical question. On Friday 2 October 1908 the auctioneering firm Soesman & Co. in Semarang held its customary tokovendutie or shop-keeper sale. As always, it drew a large crowd of potential (Chinese) buyers. Amongst the victuals and beverages for sale were sixty hams, three hundred cans of milk and a shipment of beschuit (Dutch rusk). Initially the auction proceeded well. Business was bustling and the merchandise on display changed hands rapidly. However, something peculiar happened when the hams came up for sale. Suddenly the room fell silent as the auctioneer opened the bidding by calling: "Djoewal ham! siapa beli satoe, boleh beli doewa, tiga, ampat, pendek boleh beli antero partij! ("The sale of hams! Who buys one? You may buy two, three, or four. In short, you may buy the whole lot!")

Strangely, nothing happened. No matter how hard the auctioneer tried, there was no response whatsoever. No one was willing to place an order. After several fruitless attempts the item was withdrawn from sale. The same situation occurred with the hundreds of cans of milk. Again, the auctioneer was confronted with a silent and passive audience that showed no sign of willingness to buy. Therefore, there was no other option but to return that product to the godown as well. This unreal scene repeated itself with the consignment of Dutch rusk. Not a single biscuit was sold and finally the auctioneer had to concede defeat. After all this, business resumed as if nothing had happened.

Why had trade stopped without a warning? According to the peranakan newspaper Warna Warta the answer lay in the fact that all rejected items had been consignments of the HVA and had been visibly branded as such. This elicited the hostile reaction from the Chinese. De Locomotief confirmed this assertion. Another boycott had broken out and the HVA was once again in for a bitter fight with the Chinese traders.

The prevailing trading conditions in Semarang had not been very sound prior to 1908. The first complaints of European importers regarding sluggish trade and falling turnover dated from the beginning of 1905. The Chinese ‘second hand’ was considered to be in ‘poor shape’ financially which adversely affected the wholesalers. These deteriorating circumstances expressed themselves in a sharp rise of defaulting retail traders in 1905/06 (see Table 4.2). Thirteen retail traders (eleven Chinese and two Arabs) collapsed with a combined debt of close to £800,000. Over three quarters of this large amount of credit had been extended by 36 European

\[148 \text{ SH, 07-10-1908.}\]
import firms. Their involvement turned out to be very expensive since only 34% of the combined claim could be recovered. Total sustained loss thus reached well over half a million guilders, more than a fourfold increase compared with the preceding period.

These statistics were worrying and W.F.J. Keuchenius – the Semarang agent of DJB – inquired into the sources of the economic decline. Keuchenius reported his findings in a letter to Batavia on 14 September 1906. He distinguished four possible causes for the problems. First of all, the recently established *dessaloeboeng* (village rice barn) system obliged the peasants to store their harvested paddy under the supervision of the colonial civil service (Van Deventer 1904: 238–243). This ethically inspired institution was to prevent famine in case of a bad harvest and to protect the farmer from being indebted to Chinese buyers. However, the government refused to advance money to the farmers before the whole harvest had been brought in, whereas the Chinese would readily advance cash even when the paddy was still in the fields. With little cash circulation, Chinese traders sold less merchandise in the villages and therefore failed to remit the usual amounts to their Chinese business partners in the city. In turn, the latter found it increasingly hard to pay their European importers.

Second, it had come to Keuchenius’ attention that most import firms had too much merchandise in stock which they tried to market by dealing directly with Chinese petty traders in the villages. This has a familiar ring, as it was one of the grievances of the Surabaya Chinese during the boycott of 1902–1905. Initially the new strategy paid off, but it had an overlooked negative side effect. Able to obtain merchandise directly from the source, the so-called ‘third hand’ had less need for retail traders in the city whose turnover started to decline. Consequently, the retailers reduced their orders and therefore the wholesale suppliers soon regretted upsetting the traditional distribution network.

The third cause Keuchenius distinguished involved the earlier mentioned Surabaya based firm Schnitzler & Co which had played such a dubious role in the first boycott of the HVA. Much to the regret of the Semarang trading firms this company also operated in Central Java. Here it displayed the same objectionable business methods which was a source of continued aggravation. Schnitzler & Co. apparently chose to weaken its European competitors by pressuring sound Chinese clients into defaulting.

149 BI/DJB 1345, 14-09-1906.
150 BI/DJB 5183, 26-05-1905.
They declared themselves unable to fulfil their commitments, after concluding a secret arrangement which would prevent Schnitzler & Co. from sustaining any real loss. An example of this occurred on 5 September 1906 when the Gie Boh kongsi was said to have collapsed on the instigation of Schitzler & Co. A settlement of 65% was agreed upon leaving creditors with a combined loss of nearly f40,000.\textsuperscript{151} A.L. Tupker of the trading firm Tupker & Co. informed Keuchenius of his suspicion that this default was fabricated. Tupker claimed that Tjoa Kang Liong and Sie Yan Hay – the two partners in the Gie Boh kongsi – had not shown any intention of closing their business. This impression was fully endorsed by other importers, who all had to write off substantial amounts of money. Schnitzler & Co. seemed to be worst off with a loss of almost f9,000, but according to A.L. Tupker – whose firm lost about f8,000 – this existed on paper only.

The suspicions raised against Schnitzler & Co. led to a secret meeting of import traders in the second week of September 1906, where discussion focused on how to put an end to these kind of tricks. Due to differences of opinion and the commercial interests at stake, the participants did not manage to agree. As had been the case in Surabaya, a lack of trust continued to abort any attempt at co-operation between the wholesale traders. One of the participants thereupon declared it would no longer accept any settlement if Schnitzler & Co. were on the list of creditors in which case it would file for bankruptcy and bring the matter to court.

The fourth and last explanation Keuchenius had to offer seems somewhat trivial. It concerned the continued presence of a public fair on the alun-alun (town square) of Semarang. In his opinion such frivolous activities were demoralizing and only served to impoverish the population which should spend its money on more useful things. He therefore recommended a check on amusements by restricting permits. Although Keuchenius seems to be acting here like a moral crusader, his comment was right on the mark in one respect. It makes clear how much the trading world depended on the limited purchasing power of the indigenous population and so rightfully draws attention to a factor capable of influencing it negatively.

Keuchenius’ analysis was taken note of, but not acted upon. The European traders’ agitation subsided and everyone became preoccupied with their own affairs. In 1906/07 the number of defaulting Chinese traders

\textsuperscript{151} BI/DJB 4847.
in Semarang decreased substantially from thirteen to six and total sustained loss of a little under $250,000 was indeed an improvement (see Table 4.2). The biggest gain compared to the preceding period was the percentage of outstanding debt that had been recovered. In 1905/06 only about one third of extended credit had been returned, whereas in 1906/07 the amount was more than half of the loans (54%). One year later the results were even better. Over the period 1908/09 three Chinese retailers had to close their business and although debt repayment amounted to no more than thirteen percent, total sustained loss was only slightly above $100,000. This seemed reassuring and most traders’ must have looked to the future with confidence.

Keuchenius on the other hand was less sure about what might be in store for the Semarang import business. In a confidential letter dated 16 May 1908 he expressed his concern about the “extremely abnormal situation of the import trade”\textsuperscript{152} He conceded that improvements had been attempted, but “the desired co-operation amongst the importers had never been obtained” and the situation resembled a vicious circle. His pessimistic outlook turned out to be justified. Within two weeks the Generale Maatschappij voor den Handel met Nederlandsch-Indië was declared bankrupt; Keuchenius must have known about the pending insolvency of the ‘Generale’ or must have suspected it. On 31 March 1908 he himself had signed the annual DJB survey of defaulted retail traders which showed the deep involvement of the ‘Generale’ for the fifth consecutive time. The company had lost $126,753.80 of its money to sixteen former clients (fourteen Chinese and two Arabs) between 1903/04 and 1907/08 (see Table 4.3).

The ‘Generale’ was a wholesale import trader. They seldom collapsed and therefore the company’s demise caused quite a shock. People were accustomed to changes as companies were founded, discontinued or carried on under a new name. Financial difficulties, however, were preferably resolved amicably after conferring with the creditors. If this was not possible, people usually opted for slow liquidation to fulfil all obligations. Bankruptcies were deemed dangerous and avoided for fear of repercussions.\textsuperscript{153} The forced and speedy termination of the ‘Generale’ was no

\textsuperscript{152} BI/DJB 5183, 16-05-1908.

\textsuperscript{153} DJB strongly disapproved of the bankruptcy of the ‘Generale’ which it considered provoked by its two main creditors – the NIEM and the Chartered Bank of India, Australia & China. These two banks should have taken their responsibility by allowing a more gradual dissolution of the ‘Generale’ instead of letting a dispute prevent them from reaching an agreement (BI/DJB 1505, 14 and 27-05-1908; 04-06-1908).
Table 4.2. Survey of defaulted retail traders in Semarang, 1898/99–1908/09.

<table>
<thead>
<tr>
<th>Year</th>
<th>Chinese1</th>
<th>total2</th>
<th>total outstanding debt</th>
<th>total sustained loss</th>
<th>recovered debt ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1898/99</td>
<td>4 (100%)</td>
<td>12 (100%)</td>
<td>258,358</td>
<td>125,449</td>
<td>51</td>
</tr>
<tr>
<td>1899/00</td>
<td>2 (94%)</td>
<td>24 (99%)</td>
<td>206,765</td>
<td>206,765</td>
<td>0</td>
</tr>
<tr>
<td>1900/01</td>
<td>5 (100%)</td>
<td>13 (98%)</td>
<td>141,069</td>
<td>84,165</td>
<td>40</td>
</tr>
<tr>
<td>1901/02</td>
<td>6 (78%)</td>
<td>13 (66%)</td>
<td>159,045</td>
<td>92,787</td>
<td>42</td>
</tr>
<tr>
<td>1902/03</td>
<td>4 (100%)</td>
<td>15 (99%)</td>
<td>288,776</td>
<td>52,336</td>
<td>47</td>
</tr>
<tr>
<td>1903/04</td>
<td>4 (64%)</td>
<td>15 (97%)</td>
<td>187,613</td>
<td>106,916</td>
<td>43</td>
</tr>
<tr>
<td>1904/05</td>
<td>7 (100%)</td>
<td>18 (91%)</td>
<td>242,343</td>
<td>115,526</td>
<td>52</td>
</tr>
<tr>
<td>1905/06</td>
<td>13 (86%)</td>
<td>36 (77%)</td>
<td>793,902</td>
<td>523,259</td>
<td>34</td>
</tr>
<tr>
<td>1906/07</td>
<td>6 (100%)</td>
<td>24 (93%)</td>
<td>527,275</td>
<td>243,825</td>
<td>54</td>
</tr>
<tr>
<td>1907/08</td>
<td>3 (100%)</td>
<td>8 (98%)</td>
<td>116,697</td>
<td>102,067</td>
<td>13</td>
</tr>
<tr>
<td>1908/09</td>
<td>24 (91%)</td>
<td>36 (98%)</td>
<td>1,454,880</td>
<td>850,625</td>
<td>42</td>
</tr>
</tbody>
</table>

| Total   | 78       | 4,376,727-57 | 2,603,218-18 | 41 |

Source: BI/DJB 4839–4845, 4847–4849, 4853.

1 In the decade under consideration the overwhelming majority of retail traders that defaulted originated from China. Of the 78 traders in question no less than seventy (i.e. 90%) were of Chinese descent. The remaining eight consisted of four Arabs, three Europeans and one Javanese. The percentages between brackets indicate to what extent total sustained loss was attributable to Chinese defaulters. This has been calculated for each consecutive year by adding up their unsalvaged debts and dividing the outcome by the total calculated loss. Notwithstanding the relatively low percentage of 1903/04, the results clearly show that the Chinese retail traders were the prime recipients of trade credit in Semarang during this period.

2 Besides providing an overview of outstanding credit for each defaulting trader, the names of the European creditors involved in these cases were also given. Next to the degree of indebtedness, the actual composition of debt can thus be ascertained. It is unfortunate that Chinese creditors have not been listed individually as they were all grouped under the heading ‘various Chinese creditors’. Only in one instance was a Chinese creditor identified by his name; most likely because of his high outstanding credit which resulted in a loss of f20,400. Arab creditors on the other hand were treated like the Europeans, but have been found on two occasions only with very insignificant amounts to their name (f165 and f490 respectively). The only Javanese wholesale trader Semarang knew in the period under consideration was not referred to (Rapport inlandsche onderwijs 1904 II: 164). Despite the fact that the collected data prevent a complete breakdown of indebtedness, it is clear that trade credit was supplied primarily by the European wholesale import traders. The percentages between brackets, which have been calculated by dividing the loss suffered by European creditors through the total sustained loss, testify to this assertion.
Table 4.3. Sustained loss (f) of selected European wholesale import traders, 1898/99–1908/09.

<table>
<thead>
<tr>
<th>Year</th>
<th>Generale Maatschappij</th>
<th>Import Mij. Semawis</th>
<th>HVA</th>
<th>Firma G. Hoppenstedt</th>
<th>Import Mij Soenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>1898/99</td>
<td>12,180.32</td>
<td>5,178.63</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1899/00</td>
<td>9,835.16</td>
<td>1,939.56</td>
<td></td>
<td></td>
<td>5,466.18</td>
</tr>
<tr>
<td>1900/01</td>
<td>7,636.57</td>
<td>2,919.46</td>
<td>5,466.18</td>
<td>986.58</td>
<td>13,244.48</td>
</tr>
<tr>
<td>1901/02</td>
<td>5,833.77</td>
<td>2,781.01</td>
<td></td>
<td></td>
<td>8,805.07</td>
</tr>
<tr>
<td>1902/03</td>
<td>15,432.94</td>
<td>2,781.01</td>
<td>24,819.67</td>
<td>13,425.03</td>
<td></td>
</tr>
<tr>
<td>1903/04</td>
<td>9,131.59</td>
<td>3,961.01</td>
<td></td>
<td></td>
<td>6,174.23</td>
</tr>
<tr>
<td>1904/05</td>
<td>7,775.73</td>
<td>5,745.38</td>
<td></td>
<td></td>
<td>18,144.33</td>
</tr>
<tr>
<td>1905/06</td>
<td>38,085.85</td>
<td>40,480.42</td>
<td></td>
<td></td>
<td>27,608.90</td>
</tr>
<tr>
<td>1906/07</td>
<td>35,994.27</td>
<td>10,183.28</td>
<td></td>
<td></td>
<td>12,261.99</td>
</tr>
<tr>
<td>1907/08</td>
<td>35,766.36</td>
<td>4,334.85</td>
<td></td>
<td></td>
<td>3,184.04</td>
</tr>
<tr>
<td>1908/09</td>
<td>96,283.98</td>
<td>160,008.37</td>
<td>12,877.54</td>
<td>75,782.01</td>
<td>29,596.62</td>
</tr>
<tr>
<td></td>
<td>223,037.78</td>
<td>278,492.94</td>
<td>44,841.71</td>
<td>192,374.19</td>
<td>91,090.61</td>
</tr>
</tbody>
</table>

Source: BI/DJB 4839–4845, 4847–4849, 4853.

The statistics above were compiled annually by the agent of DJB in Semarang. Registration did not correspond with a full calendar year as each period ran from 1 April till 31 March. It should also be kept in mind that in some instances settlement negotiations were still pending on 31 March and the given figures could therefore be subject to slight alterations. However, the agent made sure to carefully indicate whenever an amount was an approximation. Given the detailed and careful collection of data it is safe to conclude that these statistics come close to a factual account of bankruptcy cases in any of the given years.

exception. Even before its bankruptcy was officially announced, DJB warned that some of the firm’s Chinese clientele might take this opportunity to wipe the slate clean by defaulting and offering a low percentage of debt restitution. The question was whether European importers in business with these same Chinese would be able to withstand such a blow.154

The ‘Generale’ closed its operations on 14 May 1908 and within two weeks seven of its former clients – all Chinese – had shut down their business as well. DJB was convinced that at least some of these traders had

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154 With all assets of the ‘Generale’ immediately frozen, Chinese customers might point to a drop in turnover since they could no longer dispose of merchandise placed in the godowns of the ‘Generale’. More in general, a faltering business could be ‘sold out’ easier if public attention was already diverted. People would be too preoccupied to question insolvency claims and chances of a thorough examination of the books would be slim. If successful, (part of) the retained credit could then be used for starting a new business. For many, making a clean sweep turned out to be simply irresistible (BI/DJB 1505, 14-05-1908).
deliberately chosen this moment to claim their insolvency. This feeling was shared by the import traders who immediately started to suspect all Chinese who had conducted business with the ‘Generale’. The ‘Generale’ was pressed to settle its debts forthwith which in the eyes of DJB had plunged several Chinese traders into a liquidity crisis and had unnecessarily forced their collapse. This made it impossible to determine who had benefited from the situation and who had actually been victimized. The consequences were less difficult to ascertain. On 1 June 1908 total combined loss for the import sector had already climbed to f432,390.75. Of the European import firms involved, the Import Maatschapij Semawis was particularly hard hit as almost f48,000 of its extended credit vanished into thin air. With more retail traders collapsing ‘Semawis’ lost an additional f98,000 in the following month and this marked the company’s end. At the beginning of August, nineteen Chinese retail traders, one European retail trader and one European wholesale importer had been toppled as a direct result of the downfall of the ‘Generale’. The bad results of 1908/1909 (Table 4.3) show an end score of 24 defaulting retail traders of which 22 (91%) were of Chinese descent. These cases involved 36 wholesale traders incurring a combined loss of more than f850,000.

In the first week of August 1908 the Semarang trading sector was in utter turmoil. For the past six weeks the European import companies had been on the receiving end and the very existence of some was threatened. So far they had barely survived. The question was whether the companies would get time to recover. The answer turned out to be negative as the HVA expected to benefit from fanning the flames. The Malay language newspaper Pembrita Betawi gave a dramatic account of unfolding events in August 1908.

In the early afternoon of Thursday 6 August 1908 H.O.Th. Kilsdonk arrived at the toko of a wealthy Chinese retail trader located in the small and crowded streets of Pecinan Lor, the northern part of Semarang’s Chinatown, close to the western bank of the Kali Semarang. It was the second time that day that Kilsdonk headed in this direction on a matter of business. He had already spoken to the Chinese owner of the shop earlier, but had been asked for a few hours’ grace to consider his proposal. This time, however, Kilsdonk was determined no to let him off the hook so easily. As a HVA salesman he had to follow directives from his superiors and he intended to make sure that these were carried out satisfactorily. Besides, he had his own career and reputation to think off.

155 BI/DJB 89 No. 9: 60; BI/DJB 1505, 27-05-1908; 04-06-1908; BI/DJB 4807, 15-07-1908.
Eager to escape the hot and sultry weather conditions on the street, Kilsdonk entered the toko at exactly two o'clock and was immediately shown to the inner courtyard by one of the servants. The owner, So Kim Seng, is notified about his arrival, but does not appear immediately. Being left alone for the moment Kilsdonk is seated on a bench waiting for So Kim Seng, and carefully studies the bowl of goldfish placed in front of him. Just as he starts to grow impatient So Kim Seng enters the room. After having exchanged the obligatory courtesies both men settle on the bench and the following conversation in Malay – the lingua franca of trade in those days – unfolds:

K.: Apakah sobat soedah berfikir hal perkara itoe?

K.: Have you considered the matter already?
S.K.S.: Yes, but how shall I put this? For the past thirty years I have been in the trading business and I have always behaved properly. I am hesitant to meet your request.

K.: Kalau sobat maeo toeroet, saja bisa memoedahkan hal itoe. Asal sadja sobat sia siakan saja poenja sommatie dari itoe oetang jang f 500, tentoelah ini perkara soedah djadi beres.

K.: If you want to go along with it, I can make the matter easier for you. If you had disregarded my summons regarding that f 500 debt, the matter would already have been taken care off.

So Kim Seng reiterates that he is still wary of accepting Kilsdonk's proposal and asks for a list of his debts at the HVA which are due for payment. Having anticipated such a request Kilsdonk hands over a list he has compiled deliberately for this occasion with the following words:


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malamnja sobat misti memberi taoe pada firma firma jang lain pada siapa sobat ada poenja oetang, bahoea saja soedah toetoep pada sobat, sehingga sobat terpaksa akan berminta accord pada marika itoe. Dalam pada itoe sobat moesti beroepaja sehingga sobat poenja fabriek seroetoe soedah djadi kepoenjaan sobat poenja anak atau isteri.

K.: If you would like to, you can still accept my proposal. On 12 August a debt of ƒ 270 will expire. On that day I will serve you a summons as well. But you should not pay it upon which I will order seizure [of So Kim Seng's goods] at once. On that same evening you must let the other firms to whom you are indebted know, that I have already closed your business down with the result that you are forced to ask them for a settlement. That is why you have to make sure that your cigar factory becomes the property of your children or wife.

So Kim Seng objects strongly to this suggestion, pointing out that the factory is registered in his name and free of debt. It has not been encumbered with a mortgage and none of his outstanding debts have been secured with it. He is therefore extremely reluctant to cede this property even for the sake of appearances. Leaving the subject for the moment, Kilsdonk decides to try another approach. He grabs a pencil and paper and carefully notes down So Kim Seng's answer to his following question:

K.: Tjoba saja maoe taoe: pada siapa siapa dan berapa sobat poenja oetang?
S.K.S.: Pada toko Hoppenstedt 27 riboe, Semawis 25 riboe, Generale 10 riboe, Soenda 17 riboe, ...

K.: Listen, just tell me to whom you are indebted and for how much?
S.K.S.: To Hoppenstedt 27 thousand, Semawis 25 thousand, Generale 10 thousand, Soenda 17 thousand ...


K.: So, with the banks [because of the downfall of] ('Semawis' and 'Generale') you have a total debt of approximately 35 thousand. That is one reason not to let it end this way. You have to pay the banks as much money as that, and you will not see a cent of profit from them.
Kilsdonk’s argument essentially comes down to the reassurance that So Kim Seng owed his debt to Semawis and the Generale and not to the banks. All the more reason, according to Kilsdonk, not to linger and simply await the banks’ collection of this amount which will earn him nothing. So Kim Seng, however, denies that he is not obligated to either the Chartered Bank or the NIEM and points out that he has certainly benefited from the extended credit. After all, the money in question was received in the form of merchandise enabling him to conduct his trading business. He himself may not have had any business with the banks, but could this dismiss him of all responsibility? Besides:

S.K.S.: Apakah toean djoega tida kasihan kalau saja moesti meroegikan pada marika itoe?

S.K.S.: Don’t you too feel sorry, when I cause them such a loss?
K.: No, it has to be like this. Don’t you have friends in Pekodjan where this has already happened? Many of them have already fallen, but they have profited greatly and are feeling fine. You cannot compete with them and sooner or later you will be forced to shut down.

S.K.S.: Seandainja saja maoe membikin accoord; dengan berapa percent kira kiranja saja poenja crediteuren ada merasa senang?
K.: Kalau sobat memberi 60 percent, semoea tentoe soeka dan malah marika membilang terima kasih djoega.

S.K.S.: Suppose I want to settle; with how much percent approximately can I satisfy the creditors?
K.: If you give them 60 percent, they will all certainly like it and they will express their gratitude as well.

Upon hearing this percentage So Kim Seng starts to laugh. While chuckling he makes it very clear that this is not what he had in mind and therefore unacceptable.

157 Busy shopping street in Semarang just north of the official Chinese settlement area across the kali Semarang where many Chinese lived and worked ever since the first decades of the nineteenth century. Running north-south this street connected the European commercial area with Semarang’s China town (Widodo 1988: 6, 8, 13, 20, 31).
158 It cannot be ascertained with certainty whether this outcome was actually intended by the HVA as it would have required intimate knowledge of the financial position of both companies. However, it is not unlikely that the HVA had obtained such information or had picked up rumours on the subject. Compared to the HVA, the losses ‘Hoppenstedt’ and ‘Soenda’ had incurred as a result of defaulting clients were significantly higher and must have been of graver consequence considering the larger resources of the HVA (Table 4.3; SH, 12.08.1908).
owned a profitable cigar factory next to his trading activities. It was estimated that his assets totalled f150,000 against liabilities of approximately f50,000. With a threefold coverage of debt So Kim Seng's credibility was not being questioned by his suppliers. Besides, over the years So Kim Seng had acquired a reputation for paying his debts promptly and in time.

Under the depressed circumstances of that time the HVA, like any wholesale import trader, was very happy to count So Kim Seng among its regular customers. But So Kim Seng conducted most of his business with ‘Hoppenstedt’ and ‘Soenda’. In order to break into these existing relationships the HVA could, for instance, offer lower prices and/or improve its credit facilities, but in the short run these measures would certainly decrease profit. It would take time before a sufficient increase in turnover had been generated to compensate for this. In addition, the response of ‘Hoppenstedt’ and ‘Soenda’ would predictably lead to a long and drawn-out conflict from which only So Kim Seng would benefit. The HVA then, upon decided to force the matter by bringing So Kim Seng down. This would ideally mean the end of ‘Hoppenstedt’ and ‘Soenda’, but at the least it would cripple their financial position and thereby their competitiveness. As it turned out So Kim Seng put up much more of a fight than the HVA had expected.

On Wednesday 5 August 1908, the day before the conversation reported above, the HVA had made its first move by serving So Kim Seng a summons to pay a small debt of f500 which had expired 5 days before, deliberately not sending a reminder beforehand, even though this was customary. As another precaution the claim was made at half past five in the afternoon when money could no longer be withdrawn from the banks. Fortunately So Kim Seng had enough cash in the house to pay the debt, but this was refused to his astonishment. Realizing that he had to act immediately, So Kim Seng went to H.J. Valkenburg, the manager of Import Maatschappij Soenda, and asked him for advice. Valkenburg decided the best thing to do was to call in the help of a lawyer and that very same evening both men paid a visit to lawyer J.H.L. Bergsma. With his help a

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159 De Locomotief, 08-08-1908.
160 So Kim Seng certainly lived up to his creditors’ expectation as he was one of the very few to faithfully pay the banks the money he originally owed ‘Semawis’. On 7 August 1908 he had already repaid about f5,994.78 of acceptances bearing his signature which ‘Semawis’ had used as collateral to obtain credit from the banks. According to Keuchenius this left only one more acceptance to the amount of f2,000 to be paid on 10 August 1908 (BI/DJB 1346, 07-08-1908).
legal document was drawn up recording the evening’s events, whereupon So Kim Seng officially handed over f500 to Bergsma.

We can only guess what kind of discussion took place in the office of the HVA the following day. The plan had failed miserably first of all because So Kim Seng had possessed sufficient cash. Moreover, because of his swift reaction the existence of a legal document now precluded an appeal to the court for outstanding debts. In a get-together the Semarang agent of the HVA, F.C. Drescher, and Kilsdonk decided that the only way to proceed was by obtaining the co-operation of So Kim Seng himself. Kilsdonk would point out to him the obvious gains in defaulting and offering a percentage. He could reassure So Kim Seng by promising that the moment he started a new trading business the HVA would gladly allow him a large credit account. With this message Kilsdonk appeared on So Kim Seng’s doorstep early in the morning of Thursday 6 August 1908. As we have seen, So Kim Seng reacted cautiously by indicating that he needed some time to think about the proposal he was suddenly offered. His request was generously granted by Kilsdonk and both men agree to meet each other again at two o’clock.

In reality, So Kim Seng did not need any time to contemplate matters. As soon as Kilsdonk left his toko, he notified Valkenburg about the fraudulent scheme the HVA had worked out to the detriment of Import Maatschappij Soenda. Valkenburg wasted no time. He immediately informed agent Keuchenius of DJB as well as the agents of the other banks, and conferred with the manager of Firma G. Hoppenstedt regarding their countermove. In order to fend off the threat to their business they needed to prove malicious intent by the HVA. H. Dermout, deputy manager of Firma G. Hoppenstedt and M. Snijders of the Import Maatschappij Soenda, were instructed to overhear the conversation between Kilsdonk and So Kim Seng. Dermout and Snijders succeeded in arriving unnoticed at the Chinese toko a little before Kilsdonk, hiding themselves on the loteng (loft) directly above the court yard. When carefully leaning over they had an excellent view of Kilsdonk three metres below, as he sat on the bench and studied the goldfish. Completely unaware of the fact that the two men were listening to every word he says, Kilsdonk repeated the offer he had made to So Kim Seng a few hours before.

The Chinese played his part well and no suspicion crept into Kilsdonk’s mind as he insisted that So Kim Seng had to declare himself insolvent. Kilsdonk assured him that a settlement of 30–40% was also possible and dismissed all his objections light-heartedly. Meanwhile, Dermout and Snijders in their unenviable position right under the hot zinc roof are
registering the event. When Kilsdonk started to repeat himself and once again lent on So Kim Seng not to pay his debt of 270 guilders on 12 August they decided to expose Kilsdonk and show themselves.

Sekarang soedah tjoeoep, So Kim Seng akan bajar oetang itoe, tapi kamoe H.V.A. kamiorang soedah tandai dan kelakoean maatschappijmoe kamiorang akan memaloemkan.

Enough, So Kim Seng will pay that debt, but we have noted you HVA, and we will make the behaviour of your firm publicly known.

Kilsdonk was dumbfounded, as if struck by lightning. So Kim Seng, quite understandably, was not feeling very comfortable either. The only thing Kilsdonk muttered before slinking away is *di sumber geledek adanya* (all evil is rooted in the source). After his departure the two witnesses headed for their offices to report events while So Kim Seng immediately disappeared to his cigar factory.\(^{161}\)

The remark made by Kilsdonk is very interesting, not because of the attempt to justify his little conspiracy, but because of the implication that the prevailing trading conditions were at the core of the problem. What Kilsdonk seemed to imply was that all traders had been poaching on each other’s territory for years and that fake defaults accompanied by *sluippac-coorden* were part of the game. This view was adopted by several commentators after the affair had come out on Saturday 8 August with a publication by Dermout in *De Locomotief*. The tenor of their argument was that inexcusable though the deeds of the HVA were, only those without fault should throw the first stone.\(^{162}\) While this was generally acknowledged, most people disapproved strongly of the kind of methods the HVA had used, not least the Semarang Chinese who decided not to let this pass.

On 27 August 1908, 28 Chinese merchants signed a notarial agreement which forbade any one of them to trade with the HVA. The conditions stated in the contract were similar to those in the Surabaya case of 1902 indicating that the participants meant business. The HVA was thus faced with another boycott. This time the signatories clearly aimed to make the boycott a truly general movement. Circulars were sent to Chinese traders in Yogyakarta and Solo and even in Surabaya and Batavia attempts were made to boycott the HVA. Considerable pressure was exerted to have all

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\(^{161}\) BI/DJB 1346, 07-08-1908; *Pembrita Betawi*, 12-08-1908; *Kabar Perniagaan*, 11 and 12-08-1908; *De Locomotief*, 08-08-1908; SH, 12-08-1908.

\(^{162}\) *De Locomotief*, 10-08-1908; SH, 15-08-1908. See SH, 13-08-1908 for a contrasting point of view.
traders participate in the movement. In Semarang, for instance, flyers were posted on every wall inside the Chinese settlement with calls to join the boycott and threatening everyone with the “heaviest punishments from the heavens” should they refuse.163

Drescher realized that things had turned for the worse. He had drawn courage from the opinion that virtually no trader had a clear conscience, convincing him that the affair would blow over. But now this prospect was shattered. The morning after the Chinese made their intention public Drescher visited Keuchenius and asked him to use his influence to break the boycott. Keuchenius declined, answering that with Surabaya in mind little could prevent the HVA from once again having to pay the f 25,000 which the Chinese demanded.164 As before, the HVA pulled every possible string in the hope of finding support. In the first days of September, J.H. Roodhuyzen – deputy manager of the HVA in Surabaya – travelled to Semarang where he tried to move the government into action, but officials instead advised Roodhuyzen to settle the matter amicably.165

With the government refusing to intervene Directors and Commissioners in Amsterdam decided that it was time for harsher measures. The minutes of their meetings indicate that they were especially worried about the company’s image. So far the financial consequences of the boycott were bearable as the boycotters cost the Semarang branch f 190,000 of turnover, about 7.5% of an annual total of f 2,500,000.166 However, the uproar seriously damaged the reputation of the HVA. Charges were therefore pressed against Dermout for deliberately misrepresenting the conversation between Kilsdonk and So Kim Seng, but only after Dermout had refused to voluntarily sign a statement to that effect.167 Almost simultaneously and in contradiction to this approach the HVA then proceeded to fire Drescher and Kilsdonk. The public took this as a confession of guilt and pitied the two men who, it was generally assumed, had only followed management directives.168 In the opinion of the Pembrita Betawi the company’s employees did not deserve to be punished for a policy designed by its management. The dismissal of Drescher would not help the HVA.169

163 SH, 01-09-1908; De Locomotief, 29-08-1908 / 01-09-1908.
164 BI/DJB 1346, 28-08-1908.
165 NA/HVA 1 Minute Book 4: 69; De Locomotief, 02-09-1908; SH, 04-09-1908.
166 NA/HVA 1 Minute Book 4: 69.
167 Kabar Perniagaan, 04-09-1908; De Locomotief, 07 and 09-09-1908; SH, 09-09-1908.
168 NA/HVA 1 Minute Book 4: 75; BI/DJB 1505, 15-10-1908; De Locomotief, 12-09-1908 / 13-10-1908; Pembrita Betawi, 12-09-1908; SH, 14-09-1908; Kabar Perniagaan, 15-09-1908.
169 Pembrita Betawi, 12-09-1908.
In the meantime the boycott gained in strength. In Semarang 86 Chinese traders signed the contract during the first week of September. A few weeks later it was alleged that, barring a few exceptions, all Chinese within the city were involved. The rest of Java did not follow quite as enthusiastically and had to be persuaded with more difficulty. For this purpose members of the Chineesche Handelsvereeniging in Semarang\textsuperscript{170} even travelled to Yogyakarta and Solo to explain the boycott’s objectives and convince sceptics of its righteousness.\textsuperscript{171} In the beginning of October 1908 the Board of Directors of the HVA decided that the situation was growing out of control and needed to be investigated on the spot. Director Vroeg arrived in Batavia in early November, and was received by the Governor-General and President Vissering of DJB. Vissering confronted Vroeg with the fact that the HVA did not enjoy a good reputation in general. The company was accused of being too ‘sharp’ in business and both European and Chinese trading firms could muster little sympathy for it.\textsuperscript{172}

DJB would not help out, but was prepared to explore the possibility of an understanding. It requested Kan Hok Soei, an influential Chinese landlord and rice trader, to contact the Chinese in Semarang and carefully inquire about the feasibility of lifting the boycott. In his letter to the Chineesche Handelsvereeniging in Semarang Kan Hok Soei mentioned that DJB was of the opinion that the boycott was starting to acquire the traits of a political campaign\textsuperscript{173} and reeked of extortion. Naturally Chinese feelings were inflamed after excerpts of this letter were leaked to the peranakan newspaper \textit{Warina Warta} and DJB swiftly withdrew afraid of burning its hands.\textsuperscript{174} The HVA was left on its own and had to weigh its options. On 3 December it fired its Chinese cashiers in Semarang, because – as before in Surabaya – business information had been given systematically to the leaders of the boycott.\textsuperscript{175} However, there was actually very little it could do.

\textsuperscript{170} The Chineesche Handelsvereeniging (Chinese trading association) had been established on 31 December 1907. See for its statutes and an early list of its members in Chinese the Collection Vleming (Portfolio 16, Folder \textit{Chinees zakenleven}) kept in Amsterdam at the IISG/NEHA.

\textsuperscript{171} BI/DJB 1505, 04-12-1908; \textit{Kabar Perniagaan}, 04-09-1908; \textit{Pembrita Betawi}, 12-09-1908; \textit{De Locomotief}, 21-12-1908.

\textsuperscript{172} NA/HVA 1 Minute Book 4: 87; BI/DJB 1505, 04-12-1908.

\textsuperscript{173} See \textit{De Locomotief}, 19, 21 and 22-12-1908 for an extensive exploration of this theme.

\textsuperscript{174} BI/DJB 1505, 04-12-1908; \textit{Bataviaasch Nieuwsblad}, 03-12-1908; \textit{De Java-Bode}, 03-12-1908; \textit{De Locomotief}, 04-12-1908; \textit{Pembrita Betawi}, 04 and 05-12-1908; \textit{Kabar Perniagaan}, 04-12-1908.

\textsuperscript{175} \textit{De Locomotief}, 04-12-1908.
In Amsterdam three scenario’s were considered in a meeting on 19 December 1908. First, to buy off the boycott as had been done a few years ago. Second, to quit the import trade altogether. Third, to persevere and fight back as hard as possible. The first two options were discarded, because it would seem as if the HVA had given in to the Chinese. The third option essentially came down to a stubborn determination to continue business for as long as possible. No attempts were made to expand turnover by larger shipments or bigger credits, it was only permitted to sacrifice part of the profit by lowering the sales prices and underbidding the competitors to maintain the current level of turnover.\textsuperscript{176}

At the end of January 1909, six months after the beginning of the boycott, DJB tried one more time to bring both parties closer to a solution. The situation had reached a deadlock; the HVA was financially too strong and too determined to be forced into surrender, but the same could be said of the Chinese. Moreover, their war chest was filled thanks to a small levy on each product sold and was skilfully managed by the Chineesche Handelsvereeniging. To discuss the boycott, Director Gerritsen of DJB travelled to Semarang on 29 January. He visited the President of the Chineesche Handelsvereeniging, the powerful Chinese sugar dealer The Ing Tjiang. The latter promised to bring the subject to the attention of the members. The results were however not encouraging and Keuchenius had to report that the HVA was still generally despised and even hated. It was his opinion that any new attempt to mediate would be utterly useless.\textsuperscript{177}

The Ing Tjiang was a little more confident and decided to wait a few months. In April 1909 he raised the matter again, but this time the HVA in the person of Vroeg himself made a mess of it. Instead of letting The Ing Tjiang work quietly, he sent a rude letter to the Chineesche Handelsvereeniging. Its contents accused the association of lying to the HVA and claimed that several of its leading members were in charge of the boycott.\textsuperscript{178} This ruled out a timely solution. The boycott had to wither away and this might have happened. Unfortunately, the sources remain silent. However, the HVA sold its import business in 1910 (see Chapter 2, Paragraph ‘Wholesalers and retailers: Van Beek, Reineke & Co. / HVA’ and Chapter 5, Paragraph ‘The HVA and agricultural enterprise’). If the boycott was still

\begin{footnotes}
\item\textsuperscript{176} NA/HVA 1 Minute Book 4: 87-91.
\item\textsuperscript{177} BI/DJB 1505, 04-02-1909; BI/DJB 1346, 08-02-1909; Pembrita Betawi, 04-12-1908, 19-01-1909.
\item\textsuperscript{178} BI/DJB 1505, 08-04-1909, 06-05-1909; NA/HVA 1 Minute Book 4: 116–117.
\end{footnotes}
in force at that time, it would have died a silent death. It is interesting to speculate that the boycotts in Surabaya and Semarang contributed their share to the decision of the HVA to concentrate on plantation exports only. But the boycotts did demonstrate the economic strength and indispensability of the Chinese. In 1902 the Dutch still thought they could turn the tide; in 1908 they had recognized the inevitable.