Even the layman can sense the pull of military business in Indonesia. Like any military in a developing country, it disseminates power. It is here that important things occurred in Indonesian history. We also gain a feeling of Indonesian economic history as it unfolded throughout the process of decolonization following the declaration of Independence on 17 August 1945. The rise of business among soldiers in Indonesia from early Independence on was a key event, remarkable for its juxtaposition of three parallel sub-functions: those of national freedom fighters, economic brokers and illicit treasurers. It is difficult to imagine a more striking contrast in Indonesia’s economic history than that between the three roles - military, economic and socio-political - of Indonesian generals and military groups during the process of decolonization. Next to local politics and international diplomacy, the Indonesian military actively participated in institutional as well as individual construction of economic capacity.

Military activities have so far not been considered systematically as an integral part of the process of decolonization, although military business has proved an attractive theme for both foreign and domestic researchers. Much emphasis has been put on Indonesian politics and Indonesian political economy during the New Order period. Those studies generally suggest that military business was formed and operated solely during the New Order period when there was military predominance in the country’s socio-political institutions (Robison 1986; Yahya Muhaimin 1990; Iswandi 1998; Indria Samego et al. 1998; Bilveer Singh 2001; Danang Widoyoko et al. 2003). Most historians discussing pre-New Order military business argue that the formation of Indonesian military business dates from 1950 at the earliest, and that the process only gained momentum as the Dutch companies were nationalized in the late 1950s. One exception to the rule is Twang’s description of export trading and military finance during the Indonesian Revolution (Twang 1998).

One of the earliest studies on this topic, conducted by Harold Crouch,
reflects the general opinion among scholars that the 1950s were the starting-point for the formation of military business in Indonesia (Crouch 1975/76). Richard Robison’s oft-quoted synthesis explicitly avoids discussing the economic realities of the years 1945-1949. To Robison, capital formation and military involvement in Indonesian economic and political history began with the collapse of colonial capitalism and the failure of domestic private capitalism in the period 1949-1957. He considers the Japanese occupation and the Indonesian Revolution to be of no significance in terms of economic history (Robison 1986:36). Even in the two chapters about the years 1949-1965, Robison remains largely silent on the topic of military business. This is all the more surprising as he himself argues that the emergence of the military as the most powerful ‘politico-bureaucratic’ force in Indonesia was probably the single most significant development between 1957 and 1965 (Robison 1986:36-101). Instead, Robison focuses on business activities of political parties, indigenous entrepreneurs and economic policies.

A similar approach is found in two Indonesian works which both acknowledge the importance of the period 1945-1949 in the formation of Indonesian military business. Unfortunately, not much information on military business can be gleaned from these two books (Indria Samego et al. 1998; Danang Widoyoko et al. 2003). Yet, on the basis of fragmentary information, it has been shown that the military was involved in economic life and capital formation at an early stage and remained so throughout the entire process of decolonization.

This study traces the emergence and development of military business in Indonesia between 1945 and the early 1960s. Despite the fact that the Dutch at long last acknowledged Indonesian Independence officially in December 1949, and despite differences of opinion among historians as to the status of Indonesian Independence prior to the Round Table Conference (RTC), it remains an undeniable fact that the process of decolonization, whether political, social or economic, began immediately after Sukarno and Hatta had proclaimed Independence on 17 August 1945. Several fundamental questions arise. When exactly did the Indonesian military get involved in the economy and participate in capital formation? To what extent did the process of decolonization shape military business in Indonesia? Why did the Indonesian military conduct business outside its core task as an institution for defence? Who, or which military groups, conducted these businesses? Were there different strategies adopted by different military groups in their response to opportunities to do business?

The period of declining colonial influence and increasing assertion of Indonesian identity and authority between 1945 and the early 1960s can be divided into five phases: