

The Indonesianisasi of Koninklijke Paketvaart Maatschappij in 1950-1960

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ABSTRACT

Interisland shipping plays an essential role in the social and economic development of the archipelago. Dutch firms have had significant contributions in the growth of the Dutch East Indies, especially the shipping company Koninklijke Paketvaart Maatschappij, by binding islands and overcoming distance, and continued to do so after Indonesia declared its independence. In the transitional period of 1950-1960 subsequent to Indonesia's national revolution, nationalist leaders recognized that political independence did not entail social and economic independence. The construction of the architecture of postcolonial Indonesia that is in line with the principles embedded within the state's foundation of Pancasila would not be realized under the existing colonial framework. However, Indonesia was still heavily dependent on the technology, capital, and management of its former colonizer, which created the necessity of the formulation of a system of cooperation that may guide the economy to achieve stability before concluding in absolute independence. This created a momentum in implementing the process of economic decolonization through Indonesianisasi, to address the concern of Indonesian personnel advancing to higher positions within firms and in addressing issues of ownership. With the framework of economic decolonization, the economic factor behind Indonesianisasi had been the focus when assessing the process. However, there are numerous elements influencing the Indonesianisasi itself, which derive from the local dynamics and from international pressure. Three of the most prominent elements include the economic factor, the personal consideration taken by President Sukarno, and the dispute between the Netherlands and Indonesia regarding the territorial claim of West New Guinea. These elements are assessed respectively to identify the most imperative factor that had shifted the gradual approach in the elimination of Dutch economic dominance into an approach that is done rapidly, without adequate planning, with the KPM as its main target as a symbol of Dutch economic dominance. External factors alone do not have the capacity in influencing the measure in the implementation of the decolonization process to a great extent, internal forces and personal interests were rather the drive that had resulted in the downfall of the Indonesian economy.

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Chapter 1: Introduction

The Indonesian archipelago extends more than 5,000 kilometers from east to west with over 17,000 islands containing an extensive geographical and cultural diversity. With the extreme variations in population density across the islands, degree of development is unequal throughout the archipelago. This creates a reliance on a regular and reliable transport system, placing interisland and ocean shipping with an essential role in the social and economic development of the nation of islands. Dutch firms had significant contributions in the growth of the Dutch East Indies, especially the interisland shipping company Koninklijke Paketvaart Maatschappij (KPM) in binding together the countless islands, overcoming distance in politically demarcated areas, and continued to do so in post-colonial Indonesia after the achievement of independence.

Through the years of Indonesia's transitional period of 1940-1950, efforts have been made in embedding the nation's sovereignty through agreements with its former colonist, through various products of law. Most notably was the 1949 Hague Round Table Conference, which became a turning point in the Indonesian – Dutch relations. The settlement concluded at the conference and subsequent recognition of the Indonesian independence by the Dutch, four years after its declaration of independence on 17 August 1945. This marked the transition of the East Indian archipelago into a modern national state, highlighting the end of colonial sovereignty.

While Indonesia was politically independent by 1950, dissatisfaction on the internal situation of the nation grew among its people. The independence implanted high expectations by the people in resolving numerous questions posed at the start of the revolution concerning its aims and its methods, however they remained largely unresolved. For most national leaders, the revolution had meant a change of regime from the Dutch rule to Indonesian rule.¹ With the end of revolution, leaders assumed the government was then faced with the task of rebuilding Indonesia, with matters on politics, economy, and social base granted under Indonesia's authority. The objective of nationalist struggle was for the achievement through the removal of Dutch colonial administration and replacing it with Indonesian. Though political independence was essential, social and economic independence was no less important. While the national parliament was controlled by Indonesia, a colonial framework would still apply if foreigners still had control over

¹ Brown, Colin. *A Short History of Indonesia: The Unlikely Nation?* Short History of Asia Series. Crows Nest, N.S.W: Allen & Unwin, 2003, p. 173

economy and society was still governed by feudal hierarchies.² Measures in attempting complete decolonization were taken, as it was realized that political independence does not necessarily entail unconditional independence, especially in the economic sphere.³

An effort of decolonization was taken by the Indonesian government in elevating the role of Indonesian in the reorientation of the economy through the process of Indonesianisasi. The intention behind the concept of Indonesianisasi itself had led to a number of interpretations throughout the years as it transpired at a highly dynamic period of time in Indonesian history. The process of Indonesianisasi was followed by the transfer of assets and property owned by foreign business to indigenous Indonesians and was finalized by nationalization. During this period, the Indonesian government exerted its independence by establishing the state shipping company Indonesian National Shipping (Pelni) in 1952 with the aim to take the role of KPM in interisland and short-sea transport.⁴ The establishment of Pelni introduced competition in maritime transport with the Dutch shipping line KPM until President Sukarno's policy in discontinuing relations with the Netherlands through the enactment of Government Regulation no. 86 of 1958 on the Nationalization of Dutch Enterprises. This policy was followed by a massive exodus, creating tension as the Dutch viewed measures taken by Indonesia in nationalizing its maritime and industrial enterprise were not based on general interest. These were rather for the purpose of exerting pressure in a political dispute.

Indonesianisasi

Decolonization is a multi-layered process, where sovereignty is asserted through many aspects. For over three centuries, trade in the archipelago had generally followed the Dutch flag, and by the 20th century, both the government of the islands and the economy was under control of the Netherlands.⁵ Indonesia claimed its political independence with its declaration in 1945 and continued their struggle for another four years to secure its formal recognition in 1949. Achieving political decolonization is a precondition to take its decisive steps toward political independence.

² Ibid.

³ Lindblad, J.Th., and Peter Post, eds. *Indonesian Economic Decolonization in Regional and International Perspective*. BRILL, 2009, p. 20

⁴ J.N.F.M. à, Campo. "Business Not as Usual: Dutch Shipping in Independent Indonesia, 1945-1958." *International Journal of Maritime History* 10, no. 2 (1998), p. 26

⁵ Sutter, John O. "Indonesianisasi Politics in a Changing Economy 1940-1955." *Department of Far Eastern Studies Cornell University* 1, no. 36 (1959), p. 4

With an existing economy rooted by colonial legacy, indigenous Indonesians attempted to construct a viable national economy that would make it truly independent of its former colonizer by embarking on the process of Indonesianisasi.

Indonesianisasi is defined as the effort in increasing participation and elevate the role of the indigenous population in the advanced sectors of the economy and a fundamental reorientation of the economy of Indonesia at the time of decolonization.⁶ The true implementation of the process only gained its momentum in 1949 after the acknowledgement of Indonesian independence by the Netherlands.⁷ There are two main objectives of the process: first, Indonesianisasi addresses the concern on the outlook of Indonesian personnel advancing to higher positions within firms. From samples taken from the ‘Big Five’⁸ Dutch companies, it is shown that Indonesians are less likely to be promoted into the higher echelons of the company.⁹ Dutch firms have also been criticized for the lack of incentive in training indigenous workers and failing to recruit an ample amount of them as employees. The second objective is to address issues of ownership. With the process of achieving economic decolonization, independent Indonesia considered continued Dutch enterprise as an ‘intolerable relic’ of the colonial period.¹⁰ This is especially pertinent in terms of interisland shipping, with the Dutch shipping company Koninklijke Paketvaart Maatschappij (KPM) monopolizing the industry, Indonesia’s economic dependence on the Netherlands was significantly apparent. The Indonesian government envisaged absolute control on interisland shipping and the participation in national private shipping companies.¹¹

Despite Indonesia’s undertaking in exercising its sovereign power to actualize a nationalized economy through Indonesianisasi, there are opposing standpoints on the process itself. With a large percentage of Indonesian economy dominated by Dutch firms of different sectors, Indonesia still needed foreign expertise and capital for economic development. This is a major challenge as it may result in a setback for the overall development of the nation. Another opposing view raises the concern that a truly national economy could never be achieved within the

⁶ Ibid, p. 2

⁷ Kerkhof, Jasper van der. “Indonesianisasi of Dutch Economic Interests, 1930-1960 : The Case of Internatio.” *Bijdragen Tot de Taal-, Land- En Volkenkunde / Journal of the Humanities and Social Sciences of Southeast Asia* 161, no. 2 (2009):, p. 205

⁸ Dutch export and import firms dominating the industry that had founded cargo-handling companies in almost every important port, known as the ‘Big Five’: Internatio, Borsumij, Jacoberg, Lendeteves Stokvis, and Firma Geo. Wehry.

⁹ Sutter, *supra* note 2, p. 184

¹⁰ Ibid, p. 205

¹¹ Shamsheer, Ali. “Inter-Island Shipping.” *Bulletin of Indonesian Economic Studies* 2, no. 3 (1966), p. 33

existing colonial framework. This group believes that the act of Indonesianisasi is not sufficient, and rather counterproductive. Instead, support of the transfer of Dutch assets to the indigenous population or Indonesian government through the process of nationalization or expropriation is necessary. Regardless of these views, the challenge of implementing Indonesianisasi was imperative as a move to detach Indonesia from its colonial identity, and the process of Indonesianisasi itself had origins that can be traced to more than only one aspect.

1.1. Research Questions

Within the first 100 years in the archipelago, the Dutch realized its potential in establishing a monopoly of trade, rather than in creating an empire.¹² This started with the Dutch East India Company gaining control of the sea lanes and by becoming more involved in the internal affairs of the islands.¹³ Having a high population density, and a diverse ethnic and cultural background, the unequal rate of development within the archipelago became inevitable.¹⁴ It is evident that interisland shipping holds an important role as a channel that unites the islands. With KPM monopolizing the industry, Indonesia's economic dependency of the Netherlands was significantly apparent, providing more reasons for the newly independent nation to claim its economic independence. This introduces the central question as follows:

What element is most imperative in influencing the process of Indonesianisasi for KPM in 1950-1960?

The question breaks down the different elements behind the decolonization process of Indonesianisasi, specifically towards the Dutch shipping company KPM. The thesis will be structured with three sub-questions analyzing each element, that would collectively guide the thesis in answering the central question. The questions are as follows:

¹² Drake, Christine. "The Uneven Effect of Historical and Political Experiences." In *National Integration in Indonesia, Patterns and Policies*. University of Hawai'i Press, 1989, p. 23

¹³ Ibid.

¹⁴ Rutz, Werner OA, and James R Coull. "Inter-Island Passenger Shipping in Indonesia: Development of the System." *Journal of Transport Geography* 4, no. 4, 1996, p. 275

1. Which economic reasons did the Indonesian government have for the Indonesianisasi of KPM?

The economic element of decolonization is the most accepted and most discussed out of the other factors. With KPM being a symbol of Dutch economic dominance, the economy is a crucial factor taken into consideration by the Indonesian government to have absolute independence.

1. What personal considerations did President Sukarno have in enforcing the process of Indonesianisasi?

Sukarno tried to gain the public's acknowledgement of his influence, both internally and from the international sphere, especially subsequent in obtaining recognition to Indonesia's independence. This was done through exerting his power for the arguable purpose of his personal motives or for the greater good of the nation.

2. What role did the West New Guinea dispute have in the Indonesianisasi of KPM?

The West New Guinea dispute became a backdrop to the decline of relation between the two nations. There have been many discussions on whether Indonesia had a genuine interest towards New Guinea or whether the issue was only used as a leverage for an underlying motive. To determine this notion, an analysis is made on whether the process of Indonesianisasi would have turned out differently without the rising dispute on the West New Guinea.

1.2. Literature Review

1.2.1. Economic Interest

Economic decolonization was implemented particularly during the 1950s, targeting the existing economic dominance by the Dutch within Indonesia and to convert the colonial economy into a national economy.¹⁵ In 1950 the Indonesian government proposed a joint venture called the

¹⁵ Lindblad, J.Th., and Peter Post, eds. *Indonesian Economic Decolonization in Regional and International Perspective*. BRILL, 2009, p. 20

“Indonesian Steamship Company” (ISSC) with a proposed forty nine percent participation by KPM and fifty one percent by the Indonesian state. With KPM required to cooperate in training and recruiting Indonesian personnel as the projected ISSC would take over all KPM ships and facilities, the proposal was dismissed. It is apparent that the proposal presented was not based on good faith and was rather a move by Indonesia to an instant transfer of fixed capital and a gradual transfer of operations. Instead, KPM proposed a contract for a new company, Indonesische Paketvaart Maatschappij (IPM), operated by KPM with split ownership and ships registered in Indonesia.¹⁶ This Dutch counterproposal was not accepted as it is believed to be incompatible with the Indonesian constitution.¹⁷ This was when Djuanda Kartawidjaja, then prime minister of Indonesia, proclaimed a policy of “marching apart together” which put an end to any long term prospect for KPM and similar enterprises in Indonesia. This was the point where Indonesia aspired to exert its independence by the establishment of Pelni in 1952 with the aim of replacing the role of KPM in interisland and short-sea transport. Pelni was at a disadvantage due to their smaller vessels, resulting in losses. It was apparent that one had the upper hand compared to the other in the competition between KPM and Pelni, with one consisting of a giant colonial corporation and the other a poorly performing national company.

It was clear that if Indonesia had its economic interest and cooperation as the priority, this would not be the approach carried out. With nationalization as the final step of the economic decolonization process, a number of Indonesian economists are opposed to the idea of forced economic nationalization as this would cause an economic stagnation to Indonesia.¹⁸ Especially considering the size and significance of the role of KPM in the Indonesian interisland shipping, as there was no shipping with adequate experience to take over the role of KPM. The nationalization of Dutch companies and the expulsion of Dutch nationals from the territory resulted in little to no progress on the development of transport,¹⁹ which Sukarno admitted a paralyzed economy that eventually led to a political collapse in 1965. Colin Brown also presented an argument on why economic interest is not the sole motivation behind the implementation of Indonesianisasi.²⁰

¹⁶ J.N.F.M. à, Campo. “Business Not as Usual: Dutch Shipping in Independent Indonesia, 1945-1958.” *International Journal of Maritime History* 10, no. 2 (1998), p. 25-26

¹⁷ Ibid.

¹⁸ Sulistiyono, Singgih Tri. “The Expulsion of KPM and Its Impact on the Inter-Island Shipping and Trade in Indonesia, 1957–1964.” *Itinerario* 30, no. 2 (July 2006), p. 104

¹⁹ Rutz, Werner OA, and James R Coull. “Inter-Island Passenger Shipping in Indonesia: Development of the System.” *Journal of Transport Geography* 4, no. 4 (December 1996), p. 278

²⁰ Brown, *supra* note 1, p. 171

Negotiations carried out during the RTC were used to support Brown's argument, as the conclusion of the RTC agreement provided that Indonesia's government would continue to recognize the rights and licenses that had been granted by the colonial government. This means that the Indonesian government must comply in respecting agreements where its existing resources would continually be exploited by the Dutch capital, including the fact that KPM still held the virtual monopoly of the interisland shipping line.²¹ Another opposing argument is from Bruce Glassburner, underlining that the outcome of the Dutch expulsion was a one-way road, with foreseeable result.²² Having taken that step, Indonesia has no means solved her economic problems, rather it was creating many in the process.

Indonesia's economic dependence on the Netherlands was evident, especially in its interisland shipping. The industry was virtually monopolized and was predominantly controlled by the Dutch shipping company KPM. In the effort to exert the nation's sovereignty and carry out the multilayered process of decolonization, Indonesia wanted to terminate KPM's domination of its sea lanes. This is especially due to the fact that interisland shipping is the essence to trade in the archipelago. In theory, Singgih Tri Sulistiyono believes that Pelni had a higher chance of success with its strong support from the Indonesian government.²³ It enjoyed a number of advantages such as the granting of right to transport of government goods and passengers, as KPM had done under the Dutch colonial authority.²⁴ Though Pelni did not have the upper hand on interisland transport, in 1956 the combination of the total share of Pelni and of private shipping companies in the interisland transport as well as shortsea hauls amounted to on only 25%, while the remainder 75% was handled by KPM.²⁵ As a newcomer in the shipping world, it was very difficult for Pelni to penetrate the established Dutch network. In the attempt to conquer the market, the battle between the two companies was fought through the recurrent issues of rising costs and raising rates. However, though Pelni was still too small to compete with KPM, it received financial assistance from the Indonesian government, making it possible to acquire a steady progress into the market dominated KPM.²⁶ The Indonesian government also provided protection to the state shipping

²¹ Ibid.

²² Glassburner, Bruce. "Economic Policy-Making in Indonesia, 1950-57." *Economic Development and Cultural Change* 10, no. 2, Part 1 (1962), p. 131

²³ Sulistiyono, *supra* note 18, p. 110

²⁴ Ibid.

²⁵ Ibid.

²⁶ Thee, Kian Wie. *Indonesia's Economy since Independence*. Singapore: Institute of Southeast Asian Studies, 2012.

company by putting pressure on those who interfere the development of Pelni, particularly the ‘Big Five’ Dutch export and import companies and KPM.

The Dutch government recognized Indonesian independence in 1949, after four years of diplomatic and military struggle. During the 1949 The Hague Round Table Conference, the Dutch raised a number of their interests, largely about their ongoing economic ventures as many Dutch nationals residing in the archipelago at the time were working for Dutch companies in Indonesia, which became one of the focal points of the negotiations. The result of this conference became a significant factor in determining the relationship between the two nations. The Financial and Economic appendix to the RTC Treaty, known as Finec, assured continued dominance of Dutch enterprise in the archipelago, in exchange with firms providing training for Indonesians to obtain staff positions.²⁷ In the early 1950s, the euphoria of independence inspired Indonesians to claim its complete sovereignty through the process of Indonesianisasi. This process led to a ‘gentlemen’s agreement’²⁸ between the Indonesian government and Dutch firms, agreeing on a ratio of 70% of personnel in operating Dutch companies to be indigenous Indonesians. However, this was found to be difficult to implement and was met with reluctance by Dutch companies with assertions of Western superiority.²⁹ In 1952 a regulation was passed by the Indonesian government limiting the number of work permits granted for Dutch citizens, forcing Dutch businesses to train Indonesian employees to prevent decrease in the functions in the companies.³⁰ This resulted in the decline of number of Dutch living and working in Indonesia due to uncertain situation. It was not until 1957 that Indonesianisasi took full effect toward Dutch enterprises with nationalization of firms and expulsion.

In 1957, the Indonesian Ministry of Foreign Affairs contacted the Dutch Chargé d’Affaires to present a note announcing that all Dutch citizens must leave the country within the shortest period possible and laid down the legal foundation for the nationalization of Dutch enterprises³¹ through Government Regulation number 86 of 1958 on the Nationalization of Dutch Enterprises. The expulsion in 1957-1958 contributed a significant breakdown in the Dutch-Indonesian

²⁷ Financial and Economic Appendix to the Round Table Conference article 12d

²⁸ Lindblad, J.Th., and Peter Post, eds. *Indonesian Economic Decolonization in Regional and International Perspective*. BRILL, 2009. <https://doi.org/10.1163/9789004253780>, p. 27

²⁹ Kerkhof, Jasper van der. “Dutch Enterprise in Independent Indonesia: Cooperation and Confrontation, 1949-1958.” *IIAS Newsletter*, no. 36 (2005): 1.

³⁰ Kerkhof, *supra* note 7, p. 29

³¹ Drake, *supra* note 13, p. 30

relations. The internal situation between the two nations marked failure of both Dutch foreign policy and the quest of Dutch enterprises for continuity.

1.2.2. Sukarno's Policy

A shift in policies was implemented by President Sukarno to have a more radical and less cautious or conservative approach when Ali Sastroamidjojo became prime minister of Indonesia in 1954. A crucial factor to this is influenced by the local dynamic at the time with the first Indonesian election being held in 1955. A majority of almost half of Indonesia's population was concentrated in the central and east of Java, which gave to the rise of a Javanese faction in Indonesia's political history. The differences of political opinion and fundamental differences in culture emphasize the division between the two groups. A probability of Sukarno's sudden interest on West New Guinea after concluding the RTC with an indifferent manner towards the matter of New Guinea may derive from President Sukarno's strategy to exert power in the local politics. To the Javanese, one of the biggest threats they may face is the existence of a federation.³² Therefore, it was important for the issue of the West New Guinea to be addressed, to oppose federalism by emphasizing its Dutch quality.³³ These left leaders of the autonomous movements to force Dutch to surrender through pressure and popular mass action.

With the growing of Asian and African states gaining independence by the 1950s, Indonesia took the initiative in the formation of an Asian-African bloc of states, also known as the non-aligned movement.³⁴ Indonesia gained international respect in the sphere of foreign politics by organizing the Bandung Conference of Non-aligned Countries in 1955. President Sukarno invited distinguished delegates to the Asia-Africa Conference and commenced the forum by speaking about the former colonized nations "awakening from slumber."³⁵ During the conference, the issues underlined included matters on racialism, colonialism, and self-determination. The ability to embrace Asian-African nations was seen as a sign of a coming era of liberation by nations that had not yet gained their independence.³⁶ Subsequently, Indonesia's foreign policies

³² Ibid, p. 33

³³ Ibid.

³⁴ Brown, *supra* note 1, p. 182

³⁵ Frederick, William H., Robert L. Worden, and Library of Congress, eds. *Indonesia: A Country Study*. 5th ed. Area Handbook Series 550-39. Washington, D.C: Federal Research Division, Library of Congress : For sale by the Supt. of Docs., U.S. G.P.O, 1993, p. 66

³⁶ Wibisono, Haryo Kunto, S Ap, and M Ap. "Indonesia's Foreign Politics 1955-1965: Between Decolonisation and Beacon Politics." *International Journal of Indonesian Studies* 1, no. 2 (2015), p. 5

experienced a shift, highlighting matters among other regarding colonialism and peaceful co-existence among the nations.³⁷ Values entailed in these policies embolden Indonesia's drive to assert its sovereignty by enforcing a step to an absolute decolonization through the process of Indonesianisasi.

1.2.3. West New Guinea Dispute

Throughout the colonial period, New Guinea was known to be the 'stepchild'³⁸ of the Indie. An effective occupation by the Dutch in New Guinea began in 1898, though at the time, the territory was used as camps for exiled Indonesians.³⁹ In the period between Indonesia's proclamation of independence in 1945 to the formal acknowledgement by the Netherlands in 1949, New Guinea was caught on to the political current and emerged from its status as the stepchild of the Indies to an object of dispute between Indonesia and the Netherlands.⁴⁰ During the 1949 RTC, it was apparent that the Indonesian and Dutch delegates were not seeing eye to eye on the matter of West New Guinea, resulting in a deadlock. The Dutch presented their argument based on the difference of ethnicity between West New Guinea and the rest of Indonesia, and therefore the Dutch intends to provide help to the West New Guinea in its development until it reaches its capacity to exercise the right of self-determination.⁴¹ This was countered by then foreign minister Ide Anak Agung Gde Agung, questioning its validity as Indonesia extends from Sumatra to Western New Guinea, consisting of various ethnic groups of different cultural backgrounds.

Major Dutch firms were aware of the repercussion due to the New Guinea dispute that may develop into a setback and affect their economic interests. The continuing strained relations between the Indonesian government and the Netherlands resulted in Indonesia using the West New Guinea dispute as a leverage in negotiations and in taking arbitrary measures against corporations. KPM found itself in a difficult position caught between its Dutch roots and the Indonesian government, which did not guarantee its future in the archipelago.⁴² The decline in relationship

³⁷ Ibid, p. 6

³⁸ Bone Jr., Robert C. *The Dynamics of the Western New Guinea (Irian Barat) Problem*. New York: Cornell University, 1958, p. 22

³⁹ Drake, Christine. "The Uneven Effect of Historical and Political Experiences." In *National Integration in Indonesia*, 16–63. Patterns and Policies. University of Hawai'i Press, 1989, 59

⁴⁰ Bone, *supra* note 38, p. 23

⁴¹ Agung, Ide Anak Agung Gde. *Twenty Years Indonesian Foreign Policy 1945–1965*. Duta Wacana University Press, 1990.

⁴² Kerkhof, *supra* note 7, p. 112

between Indonesia and the Netherlands over the status of West Papua reached its pinnacle when the Indonesian government failed to persuade the United Nations General Assembly to adopt resolution on negotiation a settlement with the Netherlands regarding the West New Guinea dispute in 1957.⁴³ Anti-Dutch demonstration broke out in Jakarta in 1957 and occupies the head office of the Dutch shipping company KPM, which was considered as a symbol for Dutch economic dominance

Leslie Palmier expressed his disagreement to the more generally accepted notion that the West New Guinea dispute was the most influential motive behind the enactment of Indonesianisasi.⁴⁴ He argues that during the RTC, the issue on West New Guinea was raised and the situation was made clear by the United Nations Commission that the Indonesian delegates accepted sovereignty over Indonesia without West New Guinea. At the RTC, the Indonesian delegations were relatively apathetic about West New Guinea and eight months later with the change of a federal structure of Indonesia, President Sukarno demanded for West New Guinea.⁴⁵ Palmier believes Indonesia's hostility towards the Dutch appeared to source from the state's internal dynamics.

1.3. Innovative Aspects

À Campo points out with numerous studies examining Indonesia's decolonizing period, most academic would focus only on the combination of the security and political sphere.⁴⁶ With Indonesia's geographic location and composition, and its status as an archipelagic state based on the 1957 Juanda Declaration, it would only be thorough if the history of the nation is not only analyzed from the point of view of what had happened on land, but it is also important to introduce its maritime history into the variable.

Interrelated aspects of history in the development of the present-day Indonesia includes the incorporation of the study of national and colonial corporation, especially concentrating on the role of shipping. It would not be complete to examine the topic of national and colonial corporation during the years of 1950-1960 by itself, as the internal condition during the period heavily affected

⁴³ Shamsar, *supra* note 11, p. 29

⁴⁴ Palmier, Leslie H. "Indonesian-Dutch Relations." *Journal of Southeast Asian History* 2, no. 1 (1961), p. 30.

⁴⁵ *Ibid*, p. 32

⁴⁶ Campo, J.N.F.M. à. "Business Not as Usual: Dutch Shipping in Independent Indonesia, 1945–1958." *International Journal of Maritime History* 10, no. 2 (1998), p. 3

the operation of these companies in an increasingly political environment. According to Will Redfern, the takeover of foreign companies in Indonesia in the 1950s is a topic that received little attention in the academic literature.⁴⁷ With the highly dynamic nature of the situation, Bruce Glassburner interprets that it is one of those time periods historians will analyze and reanalyze over generations, interpreting and reinterpreting known facts as the perspective of time changes.⁴⁸

Through this research, the main focus is placed on the influence of the decolonization process of Indonesianisasi, which impacted the competition between KPM and Pelni. This was enacted with the decline of the Dutch-Indonesia relation from 1953 before reaching its pinnacle in 1957 when anti-Dutch demonstration broke out in Jakarta. The process of Indonesianisasi itself had origins that can be traced to more than only one aspect, by analyzing the different factors that had embolden Indonesia's intention to take a step in asserting their sovereignty, the elements can be narrowed down to one that is most imperative during the situation. By assessing the internal politics of Indonesia in the economic sphere, Indonesia's relation with the Dutch, Sukarno's strategies, Indonesia's exchange with the Dutch on the matter of the West Irian dispute, and the competition between KPM and Pelni, the true motive of the Indonesian government behind the act of Indonesianisasi can be concluded.

1.4. Sources and Methodology

A qualitative method analysis method will be used in conducting the research with material on the development of the local dynamics, the dispute on West New Guinea, and the competition between KPM and Pelni are collected from both primary and secondary sources. The primary sources used are divided into several categories.

The first category consists of legal products. This comprises of agreements concluded by Indonesia and the Netherlands during Indonesia's transitional process following its declaration of independence, including those concluded during the Round Table Conference. This consists of the Lingadjati Agreement, the Charter of Transfer of Sovereignty, The Statute of the Netherlands-

⁴⁷ Redfern, Will. "Sukarno's Guided Democracy and the Takeovers of Foreign Companies in Indonesia in the 1960s." *University of Michigan*, 2010, 628.

⁴⁸ Glassburner, *supra* note 22, p. 113

Indonesian Union⁴⁹ and agreements attached,⁵⁰ the Draft Regulation Establishing the State of East Indonesia,⁵¹ and Agreement on Transitional Measure and those attached.⁵² These agreements provide the conclusion of certain negotiation process, which becomes one of the bases of argument to see which factors were taken into account at the time. The development of disposition of the two nations over the said matter can be observed with more recent agreements or through literature on the topic. Relevant presidential, ministerial, and governmental regulations are also used for the analysis of the research.⁵³ The format of these regulations comprise of the considerations and intents of the drafter and purpose of enacting the said regulation, before continuing to the actual content of the main body. By seeing the considerations behind a regulation, the internal situation of the nation can be inferred. This helps in assessing factors influencing certain actions, which is useful for the purpose of this research.

The second category is public records, this comprises of speech transcripts, primarily by Sukarno during the proclamation of independence and the opening address of the Bandung Conference. Exchange of letters between the two nations, mainly in the negotiation of agreements are another set of public records that are used. These exchanges illustrate considerations taken and dispositions on certain issues, and also demonstrate the priorities and urgencies of the nation. Reports from conferences are used to demonstrate the diplomatic and political approach of Indonesia and the Netherlands and also provides an outlook of priorities of the two states that developed into the decisions taken. Statistical Pocketbook⁵⁴ provided by Statistics Indonesia and the Yearly Report by Bank Indonesia⁵⁵ provide statistics and sample data on Pelni and KPM, such as on the number of fleets, the number of freight, and the total passengers over the years. Through these data, the competition between Pelni and KPM over the years can be shown, especially

⁴⁹ Statute of the Netherlands-Indonesian Union, *supra* note 7

⁵⁰ Attached agreements include: Agreement between the Republic of the United States of Indonesia and the Kingdom of the Netherlands to Regulate Their Cooperation in the Field of Foreign Relations, Agreement for the Implementation of Articles 2 and 21 of the United Statute, Financial & Economic Agreement, Cultural Agreements Between the Republic of the United States of Indonesia and the Kingdom of the Netherlands

⁵¹ Aanvaarde tekst der ontwerp-regeling tot vorming van den staat Oost-Indonesië

⁵² Attached agreements include: Agreement concerning the Assignment of Citizens, Agreement Concerning the Position of the Civil Government Officials in Connection with the Transfer of Sovereignty, Agreement on Rendering Assistance with Regard to Personnel by the Kingdom of the Netherlands on Behalf of the Civil Services of the Republic of the United States of Indonesia and Vice-Versa, Regulations on Military Affairs

⁵³ Government Regulation no. 61 of 1954, Government Regulation no. 86 of 1958, Presidential Decision no 2 of 1951, Minister of Transportation Decree No. M.2/1/1952

⁵⁴ Statistical Pocketbook 1958, 1959

⁵⁵ Bank Indonesia – Report of the Year 1958-1959

changes after implementation of certain regulations and throughout the economic decolonization process. These sample data can be used to strengthen analysis and arguments made by providing statistics to support the conclusion over the competition of KPM and Pelni over the years.

The third category of primary resources is original works of literature. One of the main literatures used is the autobiography of President Sukarno co-written by Cindy Adams and Sukarno himself, titled *Bung Karno Penyambung Lidah Rakyat Indonesia*.⁵⁶ A memoir written by former Prime Minister of the State of East Indonesia from 1947 to 1949 and the Foreign Affairs Minister from 1955 to 1956 Ide Anak Agung Gde Agung is also used as a reference, titled *Twenty Years Indonesian Foreign Policy 1945–1965*.⁵⁷ The narrative and statements provided in the book can be biased and one-sided through the lenses of an Indonesian governmental figure, though this book provides a general Indonesian perspective to the internal situation by someone who experienced and was involved in the negotiations, conferences, and decision makings firsthand.

Another category of primary sources is magazine and newspaper articles. Magazines of both Indonesian and foreign publications, such as Indonesian newspaper *Harian Rakjat Djakarta*, *Indonesia Raya*, *Kedaulatan Rakyat* and foreign publications *The Economist* and *The Daily Telegraph*, are used in acquiring the opinions of readers internationally to attain perspective of the public concerning relevant issues. These primary sources are further analyzed with literatures collected as secondary sources to acquire insight on the responses of both states during this transitional time.

Literature regarding postcolonial Indonesia is widely available, sourcing from both Indonesian and non-Indonesian academics, though when looking into the specific time period of 1950-1960 it may be less common. Challenges of the research were mainly due to the limited sources available on the matter of Indonesianisasi and the internal political condition relating to it. It has been encountered that in extensive journals on post-independent Indonesia, only a small load of the article would be dedicated to the decolonization process of Indonesianisasi and nationalization and would often focus only on the economic aspect. Language is also a barrier, as many of the sources are available in Dutch and the author only has the understanding in evaluating English and Indonesian sources. It has also been encountered that most literature are written by

⁵⁶ Adams, Cindy, and Sukarno. *Bung Karno Penyambung Lidah Rakyat Indonesia*. Jakarta: Yayasan Bung Karno, 2007

⁵⁷ Kerkhof, *supra* note 31

non-Indonesian authors, while the topic may not have been the focus of many Indonesian scholars. The limited Indonesian sources available tend to have a more biased view due to the politically sensitive nature of the subject, which poses both as a challenge and an advantage as it would illustrate the sentiment of a nation on a topic at a certain period of time.

Chapter 2: Economic Factors

Introduction

Subsequent to Indonesia's declaration of Independence in 1945, the Indonesian economy was dominated by foreign enterprises, and continued to exercise their dominance for a half decade later. The leading Dutch firms, known as the 'Big Five' acquired prominent positions, particularly after the lifting of controls on foreign trade in 1947. The Big Five were Dutch trading companies in import and export trade, that included Borsumij, Jacobsen van den Berg, Geo Wehry, Internatio and Lindeteves. In addition to these enterprises, the mammoth Dutch shipping company KPM also held virtual monopoly of the nation's shipping line and became the primary target of the government in the attempt of claiming its national economy.

In the time following the 1949 recognition of independence from the colonial government, the wave of euphoria blanketed the archipelago. By January 1950, the seemingly joyful victory over Indonesia's struggle against its colonizer turned into questions posed by its people with the absence of change. This introduces the first sub question on the economic reasons the Indonesian government had in the Indonesianisasi of KPM. The chapter aims to focus on two components, namely the intent of the Indonesian government, which can be best reflected during the period subsequent to the 1945-1949 revolution, and the economic aspect behind the process of Indonesianisasi. The idea of a revolution was anticipated by the people and was engrained with certain expectations of a more liberated outlook on the nation. While Indonesia was politically independent, the concern on the aims and methods of the revolution remained unresolved in the eyes of many Indonesians. This poses a number of questions by the Indonesian people, though two fundamental questions are introduced to further understand the blueprint of the nation as accordingly to Brown⁵⁸: what was the nation's objective in the struggle against the Dutch? And what strategies were to be followed in order to attain this objective? By reflecting on these two questions, the different perception of what a revolution constitutes illustrate the branched-out interpretations of national leaders that made up the government at the time. The government's considerations affect its strategic approach in shaping the future of the nation, and in creating the momentum that was set for a step to implement the process of Indonesianisasi.

⁵⁸ Brown, Colin. *A Short History of Indonesia: The Unlikely Nation?* Short History of Asia Series. Crows Nest, N.S.W: Allen & Unwin, 2003.

2.1. End of Revolution

One of the considerable challenges for sovereign Indonesia was how to construct a viable ‘national economy’ that would make it truly independent from its former colonizer. After a four-year struggle, Indonesia had acquired its political independence, though there were still different perceptions by Indonesian leaders on what the revolution entailed and different notions on the extent of Indonesia’s independence. In order to identify the blueprint to the future of the nation, its foundation should be considered through the understanding of its leaders. An understanding of considerations made behind actions taken by the Indonesian government subsequent to the revolution is crucial in determining the prospects of the nation, especially during a period of reconstruction from an existing colonial framework. This introduces two questions on what the revolution entails, and the approach taken to fulfill these aspirations.

What were the objectives in the struggle against the Dutch? From a bird’s eye view of Indonesia’s political condition, views of political leaders can be drawn into two different camps. The first group consisted of the leaders with the perception that the struggle revolution had not achieved its goals by December 1949 and that the struggle for Indonesian independence had not ended.⁵⁹ According to these leaders, the struggle comprised of much broader objectives and required not only political independence, but independence in other aspects should be placed at equal importance. It was believed that the agreement concluded at the Round Table conference was too much of a compromise for Indonesia and did not fully address and recognize the fundamental interests of Indonesia. Sukarno, who fell under this group of ‘history-minded nationalists’, held the belief that Indonesia was still in a struggle against the colonialism of the mind, and for independence to be achieved, foreign influences would have to be driven out of the country. Through this viewpoint, it was essential for Indonesia to establish its own economic and political system that served its full potential, rather than foreign ones. This group only predominated the Indonesian cabinet by the mid and late 1950s.

Throughout the early 1950s, leaders belonging to the second group – the ‘economics-minded’ group, had a significant influence due to the fact that the group had a more realistic grasp

⁵⁹ Ibid, p. 174

of the economic condition in the newly independent state.⁶⁰ To this group, with the recognition acquired in 1949, the aim of the revolution had been achieved. The 1949 Round Table Conference concluded its agreement based on the assertion of these leaders, putting forward the focus on the internal restructuring of the nation and setting aside its interests, rather than prolonging the war with the Dutch. This was why Indonesian delegates agreed to controversial conditions presented during the negotiations and opted for a quick agreement. Based on this group, the revolution was perceived as merely a change of regime, and therefore Indonesia's struggle was over once the Dutch rule was transferred to the Indonesian rule. Leaders belonging to the group of this perception include Vice President Hatta and Prime Minister Sjahrir, who respectively studied economy and law, both in the Netherlands. These leaders placed an emphasis on the necessity of the nation to rebuild its political, economic, and social bases, and in ensuring the welfare of the nation.⁶¹ Based on this group, points underlined in reference to the details of the economic base of the nation include for the economic system of Indonesia to be best kept as a mixed system, and that foreign capital was not to be eliminated entirely.⁶² Hatta was aware that to overcome the economic challenges of the nation, it was necessary for Indonesia to compromise and maintain a system of cooperation with the Dutch.

One of the common denominators highlighted from the two perceptions concluded from the above question is the clear objective of rebuilding an economic system based on the interests of Indonesia. This raises the second question: what is the method taken to construct a national economy based on the concluded objective? Notions on the approach taken also branched out and invited two opposing standpoints on the matter. The first group viewed the necessity for Indonesia in having foreign expertise and economic development, where state was to assist weak indigenous business to compete with foreign companies.⁶³ This view was supported by elements stipulated in the Financial-Economic Agreement (Finec) that was concluded at the Dutch-Indonesian Round Table Conference. The Finec itself is an appendix to the settled Agreement enforced with the aim to reach cooperation in the financial and economic sphere subsequent to the transfer of sovereignty.

⁶⁰ Lindblad, J Thomas. "The Economic Decolonisation of Indonesia: A Bird's-Eye View." *Journal of Indonesian Social Sciences and Humanities* 4 (2019), p. 7

⁶¹ Brown, *supra* note 58, p. 173

⁶² *Ibid*, p. 174

⁶³ Kerkhof, Jasper van der. "Indonesianisasi of Dutch Economic Interests, 1930-1960 : The Case of Internatio." *Bijdragen Tot de Taal-, Land- En Volkenkunde / Journal of the Humanities and Social Sciences of Southeast Asia* 161, no. 2 (2009), p. 192

It is a controversial guideline that secured maximum economic and financial benefits for the Netherlands, particularly private Dutch enterprises operating in Indonesia. The Agreement comprised of five sections, namely on the (i) rights, concessions, licenses and operation of business enterprise, (ii) financial relations, (iii) relations in and cooperation in trade policy, (iv) settlement of debts, and (v) final provision. The core notion presented by this group is stipulated in article 4 guaranteeing a continued operation of Dutch economic and business interests in Indonesia without any hindrance, and article 5 of the agreement, providing for all enterprises and estates to “cooperate with and enable participation of Indonesian capital subject to this being justified from a business point of view”.⁶⁴ This reflects the notion of cooperation implemented by Hatta and Sjahrir, who were supporters of this group. Hatta realized that Indonesia still needed Dutch capital and enterprise for the reconstruction of its economy and had no alternative in the short run.⁶⁵ The spirit of cooperation set the tone of the 1949 Round Table Conference, in which Hatta quoted the government’s Political Manifesto proclaimed in November 1945 in his opening address to the conference,

“We acknowledge and understand that for the needs of our country for the foreseeable years to come, we will need the help of foreign nations for the development of our country, in the form of intellectuals as well as foreign capitals.”⁶⁶

Hatta emphasized the importance of maintaining a good economic relation with foreign counterparts, as he realized Indonesia’s dependency on the capital, technology, and management of the Dutch.⁶⁷ The group took on the approach of negotiation as the only way to side with and weaken the Dutch, while aiming to ‘swing foreign support away from them and towards the Republic’.⁶⁸

The second group argued that a truly national economy could never be achieved within the existing ‘colonial’ framework, thus it was advocated that the transfer of Dutch assets to the indigenous population through nationalization was necessary.⁶⁹ Political leaders of the first group

⁶⁴ Financial-Economic Agreement, article 5

⁶⁵ Thee, Kian Wie. *Indonesia’s Economy since Independence*. Singapore: Institute of Southeast Asian Studies, 2012, p. 26

⁶⁶ “Perjuangan Di Konferensi Meja Bundar (Pendjelasan Pertikaian Belanda).” Kementerian Penerangan Republik Indonesia, 1949, p. 31

⁶⁷ Lindblad, J. Thomas. *Bridges to New Business: The Economic Decolonization of Indonesia*. Verhandelingen, vol. 245. Leiden: KITLV Press, 2008, p. 57

⁶⁸ Brown, *supra* note 58, p. 159

⁶⁹ Kerkhof, *supra* note 63

dominated the Indonesian cabinets and determined the course of national development in the early 1950s. Through the years the people started to lean more toward the other camp, and by 1957 there was no effective opposition when Sukarno carried out complete Indonesianisasi to Dutch enterprises. A number of cooperation models were introduced to Dutch enterprises and a shift in the approach have been made, in order to pursue the nation's aspiration of having its national economy.

2.2. National Economy

In the early 1950s, economic nationalism was on the rise, not only in Indonesia, but also in other former colonies.⁷⁰ This gained the attention of the international community especially subsequent to the notable Bandung Conference. In an article published in the Portuguese newspaper, *Diario Popular*, it is mentioned that economic development was to be the prime importance of the nation, especially against colonialism, a value highlighted during the Bandung Conference.⁷¹ The national new outlet *Indonesia Raya* also pointed out in an article regarding the Bandung Conference the fact that with nearly all participants of the conference have been colonized by the Western countries, it should be realized that political independence was not enough, and economic independence is also important.⁷² It was clear that the formation of a national economy became a concern both nationally and internationally.

Despite constraints presented by Finec as a result of the Round Table Conference, an ambitious effort was taken by the Indonesian government in matching its political independence with economic sovereignty. During the early Sukarno period, the first cabinet of the unitary Republic of Indonesia, led by Mohammed Natsir, was formed in 1950, and was known to have placed a great focus on the concern regarding Indonesia's economic affairs. With the historically weak position of Indonesian businesses, policymakers since the early 1950s placed a high priority on promoting development of indigenous Indonesian entrepreneurs, and during the program, regulations were established providing preferential treatment to the indigenous importers. One of the most significant attempts was by the Natsir cabinet, in creating an economic urgency program

⁷⁰ Lindblad, J.Th., and Peter Post, eds. *Indonesian Economic Decolonization in Regional and International Perspective*. BRILL, 2009, p. 4

⁷¹ Sauerwein, Jules, "The Bandung Asian-African Conference", *Diario Popular*, April 9 1955

⁷² Asian-African Conference Bulletin No. 9, April 24 1955

with the aim to diminish the nation's dependence on foreign economic interests.⁷³ The urgency program implemented by the cabinet included development of national and indigenous industry in producing import substitutes to lessen dependency on foreign trade.⁷⁴ An attempt is through the restriction of certain markets only to indigenous sellers, referred to as the Benteng (fortress) program. This program was launched in 1950 as an attempt to end the hegemony of leading Dutch firms in the nation and encourage development and participation of indigenous Indonesians. Its emphasis was on reserving the import of certain goods for indigenous merchant and formulating criteria that these 'national importers' had to meet to receive an import license, which led to an increase in the number of Indonesian importers.⁷⁵ It was important to place an emphasis on the indigenous Indonesians as it was the government's full right to make regulations to protect the economically weak groups, especially when the category falls to its own nationals. This program became the precedent of the enforcement of Indonesianisasi and was considered as a controversial economic policy. Elements of the Benteng program reflected the rising political pressure to pull away Indonesia's economy from the hands of private Dutch enterprises in order to complete the objective of the revolution, while at the same time, Indonesia was in urgent need of foreign capital to manage its economic growth. Protection given to indigenous importers was through reserving imports of specified categories of goods, referred to as Benteng goods, and in making provision for credit to be available through the Indonesian National Bank (BNI) for those eligible to participate.⁷⁶ Eligibility for entry to the program required three qualifications, namely: (1) for beneficiary to be a new Indonesian importer that (2) operates a legal corporation or partnership with a capital of at least Rp 100,000, and (3) in possession of an office and employees with previous business experience.⁷⁷ An amount of seventy percent of the capital was to be provided to those who fall under this category. The program developed over time and was amended in several phases. Under the next cabinets – the Sukiman and the Sastroamidjojo cabinet, the Benteng program continued. The initial emphasis of the program was on the listing of goods to be imported by indigenous merchants, however, the focus started to shift on the different criteria that was to be

⁷³ Glassburner, Bruce. "Economic Policy-Making in Indonesia, 1950-57." *Economic Development and Cultural Change* 10, no. 2, Part 1 (1962), p. 123

⁷⁴ Lindblad, J. Thomas. "The Importance of Indonesianisasi during the Transition from the 1930s to the 1960s." *Itinerario* 26, no. 3-4 (2002), p. 54-55

⁷⁵ Kerkhof, *supra* note 63 p. 193

⁷⁶ Thee, Kian Wie. *Supra* note 65, p. 15

⁷⁷ Robison, Richard. *Indonesia: The Rise of Capital*. United States: Equinox Publishing, 1986, p. 44

met by businessmen to be eligible in receiving an import license.⁷⁸ This was aimed to raise the percentage of indigenous Indonesians in acquiring these licenses, yet, a decline on legitimate importing businesses initiated was resulted due to a less careful screening of applicants for import licenses.⁷⁹ The limitation of the policy to non-indigenous merchant invited controversies, as the system not only restricts Western traders, but also discriminated against Chinese importers. To Prime Minister Djuanda, this policy was necessary, especially as a majority of export and import were in the hands of the Dutch and the Chinese at the time.⁸⁰ Placing a focus on the import trade to secure the dominance of indigenous Indonesian was considered to be a viable strategy, as trade was recognized to be most responsive to state direction through controls over the allocation of import licenses. Minister of Finance Ong Eng Die, who is a Chinese Indonesian economist, suggested to withdraw the existing guideline, that led to the formation of the Central Office for Regulation of Imports (KPUI). The KPUI was an agency designated to manage entry of foreign goods and to oversee imports. This institution became known for a widespread of corruption, where bribes and gratifications were given in return for the allocation of licenses.⁸¹ A number of the recipients of the import licenses were identified as established indigenous importers that had close associations with powerful figures in the bureaucracy controlling allocation of licenses and credit. A majority of firms participating in the Benteng program also abused their privilege in obtaining licenses for importing and sold them to foreign importers who often failed to repay their BNI credit. By early 1955, it was discovered that licenses were freely sold at 200 percent to 250 percent of their value.⁸² It became increasingly apparent that the Benteng program was not effective. The Benteng program went through a reform in 1955, with the purpose of eliminating abuses and in discontinuing prior criteria in acquiring licenses based on the assumption of discrimination. To eliminate abuses, a new system was introduced in the form of a foreign exchange auction system for import licenses in 1956.⁸³ However, the implemented auction system developed to be unsuccessful, as it failed to provide indigenous importers with financial resources

⁷⁸ Lindblad, *supra* note 74, p. 55

⁷⁹ Glassburner, *supra* note 73, p. 124

⁸⁰ Thee, *supra* note 65.

⁸¹ Lindblad, *supra* note 74, p. 55

⁸² Robison, *supra* note, p. 45

⁸³ Thee, *supra* note 15.

access to the auctioned foreign exchange quota.⁸⁴ By 1957, the Benteng program was ended under the Djuanda cabinet.

Another effort implemented by Indonesia in creating a national economy is through a ‘gentleman’s agreement’ between the Indonesian government and the Dutch firms. It was agreed that a company must follow the determined 70 percent ratio of the total work force to be indigenous Indonesian. This agreement is in line with article 12 (d) of Finec, stipulating for Dutch firms to include ‘eligible Indonesians into the direction and staffs of the enterprises’, that is done through conducting training courses with the aim of having Indonesian nationals as a predominant part of the leading staff personnel of the enterprises.⁸⁵ However, there was no further specification on the percentage of Indonesians to be promoted to management positions, and most importantly, no time limit was set. This absence of regulation allowed enterprises to implement the inclusion of Indonesian personnel only at lower and intermediate levels. Motives behind the promotion of Indonesians were also based on practical reasons rather than ideological, such as due to the shortage of European expatriates, restrictions on immigration, and the need to reduce costs.⁸⁶ This was especially common by mid 1950s as the situation in the archipelago grew increasingly uncertain and due to the severe restrictions on imposed toward Dutch immigration into Indonesia. The Indonesian government introduced a strict entry quota and reduced work permits for Dutch citizens in Indonesia, a policy to encourage the process of Indonesianisasi within Dutch firms, especially since it was a well-known fact that Dutch companies were reluctant to promote their Indonesian staff to higher and managerial positions. Dutch citizens were able to freely enter Indonesia in 1905, meanwhile after the restriction had been imposed, only 1000 work permits were issued to Dutch citizens by 1953.⁸⁷ The high cost of sending Dutch employees overseas also became a consideration to the companies due to the relatively high salaries and benefits of the staff. The continuity of Dutch businesses in Indonesia was threatened as a result of the accumulation of these factors. The condition left the companies with little choice but to train a larger number of Indonesian staff to occupy higher positions within the company that were vacant due to the shortage of Dutch employees. Trade schools were established by Dutch companies for the training of Indonesian staff, although number of participants were very limited. This limitation

⁸⁴ *Ibid.*

⁸⁵ Finec article 12 (d)

⁸⁶ Kerkhof, *supra* note 75, p. 193

⁸⁷ Thee, *supra* note 65, p. 12

was created as a precautionary measure by the Dutch, as it was a great concern that by allowing more participation of Indonesian capital and in promoting Indonesian staff to higher managerial positions would make way to the nationalization of their enterprises.⁸⁸

The major target of Indonesia's economic nationalism was the elimination of Dutch economic dominance. The Indonesian government have made several attempts – and have failed – in building its way to construct its national economy. The Benteng program, that was believed to be the foundation of the process of Indonesianisasi, proved to be ineffective due to factors arising from its internal dynamics. The 'gentleman's agreement' concluded between the two nations was enacted with precaution by the Dutch companies, which also failed in reaching its intended purpose. The third, and most significant attempt by the government was through the introduction of a system of cooperation between the existing Dutch-owned transport companies with the Indonesian government.

2.3. The KPM and Pelni Competition

Interisland passenger and freight transport play an imminent role in the economic development of Indonesia. Especially in a massive archipelago, it is considered important for the central shipping company to be state-owned and controlled, as this established the main form of inter-island passenger transport. With KPM monopolizing the shipping industry, Indonesia attempted to propose a partnership agreement similar to the joint venture between the *Koninklijke Luchtvaart Maatschappij* (KLM) and the Indonesian government. This became the basis for the formation of the Garuda Indonesian Airways in March 1950, with the Indonesian government holding 49 percent of equity and KLM holding 51 percent majority share.⁸⁹ A contract was concluded between the two parties, stipulating the responsibility granted to KLM for the training of Indonesian airline staff. In October of 1950, the Indonesian Parliament recommended a change in the shareholding structure, placing Indonesia at an advantage with a 100 percent share owned by the Indonesian government. However, Ir. Djuanda, Minister of Communications in the Natsir cabinet, dissented with the proposal presented by the Parliament, and suggested that a ten-year trajectory of

⁸⁸ Ibid, p. 13

⁸⁹ Lindblad, J Thomas. "The Economic Decolonisation of Indonesia: A Bird's-Eye View." *Journal of Indonesian Social Sciences and Humanities* 4 (2019), p. 7

Indonesianisasi was necessary before full ownership and control of the company can be acquired.⁹⁰ Djuanda added that all management positions were still occupied by Dutch nationals and that Garuda personnel were still being trained to take the place of KLM staff.⁹¹ The amount of staff to Garuda rapidly increased and grew to a total of more than 1,000 people, including around 400 from KLM, and two out of the five members of its Board of Trustees were Indonesian. Despite the progress of the initial attempt of Indonesianisasi, concerns were raised as the amount of Dutch presence in Garuda were still considerably high. With further negotiations regarding the terms of cooperation, in 1953 Prime Minister Ali Sastroamidjojo announced the government's plan in acquiring full ownership of the KLM. Djuanda, who primarily suggested a ten-year course of Indonesianisasi to the company, was growing pessimistic and insisted that a very minimum effort has been given to implement Indonesianisasi in Garuda in the last three years.⁹² This had been a reoccurring issue, both in the implementation and monitoring aspect of Indonesianisasi, particularly due to the lack of structure, with no specified targets or deadlines. A new phase of negotiations was initiated regarding the transfer of ownership, resulting in an agreement for KLM to sell all of its shares and to withdraw from all management activities in 1954. In this agreement, an arrangement has been made for the involvement of KLM would only be in the form of providing technical assistance for Garuda until 1960.

The framework of cooperation that became the basis of a national company that is now Garuda Indonesia was expected to be applicable for a Dutch-Indonesian cooperation in interisland shipping. In February of 1950, only three weeks after the establishment of the Garuda Indonesian Airways, the Indonesian government proposed a joint venture under the name of the "Indonesian Steamship Company" (ISSC), with an identical share ratio as its preceding cooperation, with a 49 percent participation by KPM and 51 percent by the Indonesian state. The proposed cooperation of the ISSC was projected to take over all KPM ships and facilities, with the state paying its share under a three-percent mortgage scheme, and KPM personnel would receive a fixed percentage of net profits from operating its business.⁹³ This proposal entails instant transfer of fixed capital and a gradual transfer of operation through training and recruitment of Indonesian personnel by KPM.

⁹⁰ Wicaksono, Dwi Adi. "Nasionalisasi Garuda Indonesia, 1950—1958." *Lembaran Sejarah* 12, no. 2 (February 27, 2018), p. 118

⁹¹ Lindblad, *supra* note 67, p. 113

⁹² *Ibid*, p. 114

⁹³ J.N.F.M. à, Campo. "Business Not as Usual: Dutch Shipping in Independent Indonesia, 1945-1958." *International Journal of Maritime History* 10, no. 2 (1998), p. 25

However, subsequent negotiations failed. KPM dismissed the proposal and considered it to be “legally and commercially ill-founded.”⁹⁴ KPM wanted the company to remain fully Dutch, as KPM had a symbolic connotation for the Dutch, representing the continued Dutch presence in independent Indonesia. In contrast, KPM symbolizes the legacy of the colonial past. KPM showed constant resistance to ideas presented for compromise, even regarding the proposition of increasing the number of Indonesians in higher ranking positions and the appointment of Indonesian nationals to its Board of Trustees.⁹⁵ Initiatives taken by the Indonesian government in creating a substitute for KPM has first been attempted in 1947, although none of the firms created have been proven to be successful. It was apparent that the Indonesian government lacked the financial means to take over KPM. By 1951, Minister of Communications Djuanda suggested a *modus vivendi*, an arrangement until further settlement is decided for both the Indonesian government and KPM. In the arrangement, KPM is permitted in continuing its operation in major shipping lines of the archipelago, preventing any hiatus in services, while at the same time, the Indonesian government would construct its national shipping company.⁹⁶ The government was heading to an independent course, and its core was the established foundation of *Pernilikan Pusat Kapal Kapal* or Central Shipping Authority (Pepuska) in 1950. Pepuska possessed a total of nine small coasters that was passed down by the colonial government and proceeded to purchase six larger ships from Germany and Italy that were funded from the government. Pepuska did not have authorization to undertake commercial operations on its own and chartered its ships to private shipping firms in its operation, thus, its expansion did not create any overlap with KPM’s core activities.⁹⁷ With an unsuccessful turnout, Pepuska was then replaced by the state-owned limited-liability shipping company *Pelayaran Nasional Indonesia* (Pelni) in 1952. The main objective of the establishment of Pelni was to take over the role of KPM in the interisland and shortsea transport. This newly established Indonesian shipping company received financial assistance from the Indonesian government to ensure its capacity in penetrating into the market dominated by KPM and had support from a range of private Indonesian shipping companies. Pelni began its operations in 1952 with ships taken over from Pepuska that amounted to a total of twenty-one ships and had grown to a number of fifty-one vessels totaling 51,100 tons by 1954, within a period of two years after it was established. Even

⁹⁴ Ibid.

⁹⁵ Lindblad, *supra* note 67, p. 115

⁹⁶ Ibid, p. 116

⁹⁷ J.N.F.M. à, *supra* note 93, p. 26

with Pelni's rapid growth, the company would still require a leap of increase in expansion over an extensive period of time to surpass, or even to match KPM. In comparison, KPM's fleet amounted to 100 vessels totaling 184,881 tons in 1954, with an average ship three times as large as the average Pelni vessel.⁹⁸ This was a crucial disadvantage faced by Pelni was the limitation on its vessels, as most of the vessels possessed were too small for long-distance, leading to heavy losses incurred by Pelni, that contrasted with KPM's continuing profits. The Indonesian government placed pressure on those who interfere with the development of Pelni, especially KPM and its networks, including the 'Big Five': Internatio, Bosumij, Jacoberg, Lendeteves Stokvis, and Firma Geo.⁹⁹ These 'Big Five' companies had founded cargo-handling companies in nearly every port, creating even more difficulties for Pelni to enter the established Dutch network.¹⁰⁰ To counter this obstacle, the Government Regulation No. 61/1954 was issued to eliminate the monopolistic network of the foreign companies. This created dependency by KPM and other foreign shipping companies on Indonesian companies, especially in cargo-handling work in port. It may be assumed that Pelni had a high probability of success, taking into account its support from the Indonesian government. Pelni had always been prioritized by the government and enjoyed a number of advantages granted to support its competition with existing Dutch companies in the archipelago. The Indonesian government authorized the right to transport government goods and passengers to Pelni, as KPM had done under the Dutch colonial authority. However, by 1956, the share of Pelni and private shipping companies in the interisland transport and shortsea hauls only amounted to 25 percent, while KPM still had dominance in the market by 75 percent.¹⁰¹ In 1957, the Indonesian government announced a five-year investment plan for Pelni with the target of increasing the total gross weight capacity to 150,000 tons in order to compete more effectively with KPM.

⁹⁸ Ibid.

⁹⁹ Sulistiyono, Singgih Tri. "The Expulsion of KPM and Its Impact on the Inter-Island Shipping and Trade in Indonesia, 1957–1964." *Itinerario* 30, no. 2 (July 2006), p. 112

¹⁰⁰ Ibid.

¹⁰¹ Ibid, p. 110

Table 1. Comparison of Freight, Passengers, and Number of Vessels of KPM and Pelni in 1952 - 1957

Year	Passenger (x1000)		Freight in tons (x1000)		Number of Vessels	
	KPM	Pelni	KPM	Pelni	KPM	Pelni
1952	767		3,835		111	21
1953	789	13	3,630		98	45
1954	701	35	3,312	438	100	51
1955	756	40	3,176	720	98	44
1956	744	48	2,999	968	96	46
1957	520	93		1,006		50

Source: Statistical Pocketbook of Indonesia, 1958

The competition between KPM and Pelni took place on unequal terms, with the former a large colonial corporation possessing large fleets and years accumulation of knowledge, and the latter a national company only supported by government protection. Table 1 illustrates the development of Pelni from the year 1952 when it was first established. It can be observed that there is constant increase in number of passengers, freight, and vessels throughout the years. In the passenger trade, the KPM was able to maintain its dominance with ninety-four percent, though through the introduction of new passenger ships in 1956, it has enabled Pelni to double the number of passengers carried in 1957.¹⁰² It is to be noted that even with the rapid growth of Pelni, it was still a newly established company with uncertain prospect. Strategies taken by the government had not yet been proven to be sustainable, and it was still premature to determined whether Pelni could have the capacity to fill the role of KPM and replace its position in the interisland transport industry. As illustrated in Table 2, the most significant increases are on the total number of passengers and on the number of vessels to a total of 84 vessels. However, with the absence of KPM, Pelni failed to manage half of the average transported passengers of KPM, and the total freight in Pelni remained at nearly one third of KPM's in the last years before its Indonesianisasi in 1957.

¹⁰² Thee, *supra* note 65, p. 10

Table 2. Freight, Passengers, and Number of Vessels of Pelni in 1962

Year	Passenger (x1000)	Freight in tons (x1000)	Number of Vessels
1961	277	1,617	71
1962	N/A	1,036	84

Source: Statistical Pocketbook of Indonesia, 1968

The withdrawal of KPM had impacted Indonesia heavily, especially upon its eastern regions. In terms of quality in interisland shipping services, the condition after 1957 had diminished significantly, causing minor ports to revert to relying upon sailing boats for external communication.¹⁰³ The decline in the national economy was not able to support the condition of the shipping company, causing rapid deterioration in productivity.¹⁰⁴

The differentiating factor of the Indonesianisasi between the national aviation and interisland shipping, may be due to the fact that KLM was rather a young company, that had its first intercontinental flight in 1924 with its final destination in the Dutch East Indies. However, the most distinguishing difference between the two companies came down to the response of the Dutch counterpart. In the case of aviation, ideas were met with cooperation, and therefore nationalization with compensation led to a smooth transition to national control. Contrastingly, resistance and conflict in interisland shipping posed as a challenge to the government. The takeover of KPM acted as a symbol, not only of a heritage of colonialism, but also of Pelni's attempt in standing up against its rival.¹⁰⁵

2.4. Conclusion

It was apparent that economic decolonization became more difficult than political decolonization. The cabinet of the Indonesian government in the 1950s placed a high priority on achieving economic sovereignty. A number of attempts were made in establishing the most significant objective of the revolution, that is: in creating a sovereign economic system. Views of political leaders were divided into two camps, between the economists and the nationalists, in regard to the method of achieving this main objective. However, despite the opposing views, both groups were aware of the challenges faced by the newly recognized state, particularly its dependency on foreign

¹⁰³ Dick, H.W. *The Indonesian Interisland Shipping Industry: An Analysis of Competition and Regulation*. ISEAS Publishing, 1990, p. 33

¹⁰⁴ Ibid.

¹⁰⁵ Lindblad, *supra* note 76, p. 118

capitals. As a result, in the early 1950s the government enacted policies in developing state enterprises to compete with Dutch firms. This led to the enactment of agreements and programs of cooperation between the two nations, in line with the aspirations of the economist group, starting with the operation of the Benteng program in 1950. The program aimed to encourage development of small indigenous industries to produce import substitutes, by providing capital assistance and through restriction of certain markets to indigenous sellers.¹⁰⁶ A gentleman's agreement was also concluded regarding the involvement of indigenous workers in Dutch companies, by establishing a 70 percent quota for Indonesian personnel and in the establishment of training programs to increase competency of Indonesian staff to acquire higher managerial positions. From the failure of the Benteng program due to corruption and by concluding the lack of effectivity of the agreement between the two nations, a new system of cooperation in the form of a joint venture is introduced. The Indonesian government cooperated with KLM, providing training for Indonesian airline staff and created a partnership agreement that became the foundation of the Garuda Indonesia Airline. The Indonesian government pursued the same strategy to KPM, the shipping company monopolizing the archipelago. This idea was opposed by the KPM, therefore the Garuda model could not be replicated, forcing the Indonesian government to opt for competition rather than cooperation. Failures of the multiple attempts enacted by the government emboldened the ambition of the nationalist group to implement Indonesianisasi. This measure was considered to be necessary and was the only viable procedure in order to achieve absolute economic independence from Dutch enterprises, and in particular, from KPM.

¹⁰⁶ Glassburner, Bruce, *supra* note 73, p. 123

Chapter 3: President Sukarno's Personal Considerations

Introduction

One of the most prominent elements behind the enactment of Indonesianisasi was based on the influence of the Indonesian leader, Sukarno. President Sukarno, commonly referred as *Bung Karno*, was known as a symbol of the aspiration of the Indonesian people. In this chapter, elements behind Sukarno's personal considerations in enforcing the process of Indonesianisasi are first explored through the background of President Sukarno himself. His family and Javanese upbringing had a significant role in affecting and shaping his convictions that exposed him to his interest in nationalist politics. Subsequent to Indonesia's proclamation of independence in 1945, Sukarno claimed that giving substance to the declaration was rather far more difficult than the proclamation itself.¹⁰⁷ Two monumental events, namely the 1955 General Election and the 1955 Bandung Conference, are essential in illustrating the political dynamics and external influences at the time. These series of events influenced the decisions and action determined by Sukarno to enforce a complete process of absolute decolonization, which would answer the second sub question on the personal considerations President Sukarno had have in enforcing Indonesianisasi.

3.1. Sukarno

“To the understanding of Sukarno and with that
a better understanding of Indonesia”¹⁰⁸

The epigraph of Sukarno's autobiography illustrates the influence of a man with bold convictions and aspirations, who “cannot be predicted nor controlled.”¹⁰⁹ Sukarno has always portrayed himself as the chosen instrument of destiny, or “a revolutionary” as he proclaimed. He believed that he was responsible in leading his people in their revolutionary struggle, with the desire for his “people to enjoy a better life”.¹¹⁰ It was apparent, even to one American ambassador to Indonesia, that the “charismatic” and “megalomaniac” quality of Sukarno blossomed through the years.¹¹¹

¹⁰⁷ Brown, Colin. *A Short History of Indonesia: The Unlikely Nation?* Short History of Asia Series. Crows Nest, N.S.W: Allen & Unwin, 2003, p. 176

¹⁰⁸ Epigraph of Sukarno; an Autobiography. Soekarno and Cindy Heller Adams. Hong Kong: Gunung Agung, 1965

¹⁰⁹ A letter to Downing Street 10 from a high ranking English diplomatic official, Adams, Cindy, and Sukarno. *Bung Karno Penyambung Lidah Rakyat Indonesia*. Jakarta: Yayasan Bung Karno, 2007, p. 2

¹¹⁰ Louis, Fischer. *The Story of Indonesia*. London: Hamish Hamilton, 1959, p. 157

¹¹¹ Jones, Howard P. *Indonesia: The Possible Dream*. New York, Hoover Institution, 197, p. 49

However, the qualities possessed may have derived from the need for self-respect, and his insistence for the world to see his people for what they were, even when the Republic have been subjugated by a colonial power. Sukarno perceived the world as a division between the “old established forces and the new emerging forces” based on Indonesia’s colonial experience and has shaped his policies in line with the desire to provide his people reassurance through recognition and prestige.¹¹² With the diverse background, distinct values, and ambitions acquired from his upbringing, it may seem that Indonesia during the period, with the mosaic of cultures and its call for order, provided an environment well suited for a man of Sukarno’s attributes to create the foundation of the nation.¹¹³

Sukarno was born on 6 June 1901 in the city of Surabaya. His father, Raden Sukemi Sosroihardjo, was a schoolteacher by profession, and a Muslim Javanese belonging to an aristocratic class; His mother was a Balinese Hindu-Buddhist of the Bahmin class, from a family of a high caste descent. Sukarno’s maternal grandparents and great grandparents were fighters for freedom for the Balinese Kingdom of Singaradja against the invaders, and he claimed that it was no coincidence that his mother’s sentiment against the colonizers was passed on to him.¹¹⁴ As a child, Sukarno lived in East Java, and was raised in a family that was symbolic of what he came to believe of the idea of Indonesia: a nation of diverse ethnicities and religious groups. He was brought up with a Javanese cultural background, which contributed to shaping his beliefs and was a very influential factor to his principles that can be seen once Sukarno’s political orientation was beginning to emerge.

At the age of twelve, Sukarno attended the *Europese Lager School*, a Dutch-language secondary school in Surabaya, and continued his higher secondary school at the *Hoger Burger School*, a school largely reserved for children of Dutchmen and of senior Indonesian officials. He was first introduced to a world of ideas from the collection of Western and Indonesian literature. Turning to the influence of Javanese and Western thoughts, Sukarno was exposed to the concepts of equality, liberty, and the rule of law.¹¹⁵ However, with the differences of the society from that

¹¹² Ibid.

¹¹³ Bishku, Michael B, and Mustafa Kemal. “Sukarno, Charismatic Leadership and Islam in Indonesia.” *Journal of Third World Studies*, United States-Third World Relations in the Post Cold-War Era, 9, no. 2 (1992), p. 100

¹¹⁴ Sukarno, and Cindy Heller Adams. *Sukarno; an Autobiography*. Hong Kong: Gunung Agung, 1965, p. 19

¹¹⁵ Koe, John, and Yusuf Kuliang. “Sukarno: An Examination of a Charismatic Leader in a Non-Western Society.” *The Indian Journal of Political Science* 24, no. 1 (1963), p. 40

of the West, Sukarno aspired to introduce or reinforce a concept tailored to the Indonesian spirit. This was the beginning of the exposure to his growing interest in nationalist politics.

In 1920, Sukarno decided to remain in the Indies to study architecture at the newly established Technical Institute in Bandung. During his time as a student, Sukarno also continued pursuing his interest in politics by building his connections through encounters with members of the Indonesian Communist Party (PKI) and of Indonesia's first nationalist mass movement, the Islamic Union (SI). This was at a time of struggle between the PKI and the SI before both organizations started to break apart. Sukarno held his belief in the nationalist movement and argued that the fundamental elements of the movement—Islamic, communist, and secular—could and should work together towards the goal of achieving an independent Indonesia.¹¹⁶ He underlined the common ground these elements had, the similarity that overpowered all their differences, which was their sense of belonging to one nation.

The year after his graduation in 1926, Sukarno became one of the founders of the Algemeene Studie Club, a study club with a political outlook, and the ambition of achieving independence through active struggle against the Dutch. By 1927, the study club grew into the Partai Nasional Indonesia (PNI), the first nationalist mass movement. The emphasis on the need for unity embedded in the foundation of the nationalist movement may have been a reflection of Sukarno's Javanese cultural background, with its stress on the spirit of compromise, consent, harmony, and mutual cooperation.¹¹⁷ The PNI had claimed a membership of 10,000 followers and had become the most powerful of the nationalist parties.¹¹⁸ With Sukarno's role growing more prominent in the political realm, he became a threat to the colonial authorities and was imprisoned with the indictment of disturbance of public order. The removal of Sukarno and other nationalist leaders from the political scene was inevitable with the rise of popularity of PNI. It was apparent that the move taken by the Dutch was vital in maintaining their position in the government, and it has resulted in the anticipated outcome. Months after Sukarno was sentenced, the party voluntarily dissolved itself. Other leaders of PNI established a new organization known as the Indonesian Party (Partindo). Sukarno was released from prison in 1931, two years after his sentence, and was elected as its Chairman. Partindo had a rapid growth, and had more than 50 branches and 20,000

¹¹⁶ Brown, *supra* note 107, p. 126

¹¹⁷ Koe and Kuliang, *supra* note 115, p. 40

¹¹⁸ Brown, *supra* note 107, p. 148

members by 1933. On the same year Sukarno was released, the conservative Governor-General of the Indies, de Jonge, who was former Minister for War in the Netherlands and a Director of the Royal Dutch Shell company, was appointed and implemented a closer supervision and a stricter control on the nationalist movement.¹¹⁹ By August the end of 1933 Sukarno was arrested for the second time and was sent into internal exile without a trial. The colonial government under de Jonge's rule made several other arrests of influential figures, such as Hatta and founder of the New PNI Sutan Sjahrir, a measure taken under the basis of prevention. By 1941, the Indonesian nationalist movement was in a politically weak position, with a majority of its leaders either in jail or in exile. This left nationalist parties and individuals who were willing to cooperate with the Dutch. Within a short period of time after the absence of Sukarno, Partindo party suffered a lack of success in attracting members. Even from early in his career, it was evident that Sukarno's political skills and personal charm was one of the important elements in the building of followers to actualize his vision of a united and independent nation.

3.2. The 1955 election

On the first plenary session of the Investigating Committee for Preparatory Work for Independence in June 1 of 1945, Sukarno presented a formulation of framework that would act as the foundation of the prospective independent state, the Pancasila (five principles). In the closing address titled *Lahirnya Pancasila* (The Birth of Pancasila), five principles were named with the following values:¹²⁰

1. Indonesian nationalism.
2. Internationalism and humanitarianism.
3. Consultation and democracy.
4. Social welfare.
5. Belief in God.

Subsequent to Sukarno's speech, the Pancasila was adopted to the preamble of the Indonesian constitution with the same spirit, though slight modifications were made. The first of the five principles provided in the constitution is the belief in one God. It was addressed in a letter from former Finance Minister and Bank Indonesia Governor Sjafruddin Prawiranegara, that the creation

¹¹⁹ *ibid*, p. 132

¹²⁰ The Birth of Pancasila Address, President Sukarno June 1 1945, National Archives of Indonesia

of Pancasila was intended to not only be a foundation of the state, but rather the basis of human life.¹²¹ This principle left as a general statement, broad enough to encompass a wide range of religion, particularly those recognized by the state and the Ministry of Religion. As a Javanese, Sukarno grew up in a group that had a long history of assimilating various cultures, which therefore he desired to establish a state that does not only comprise of only one particular group, but a state that is ‘all of all’.¹²² The second principle encompasses humanitarianism, and for it to be righteous and civilized. It is a commitment by the nation to ensure a just and civilized humanitarianism to everyone, both national and foreign individuals, residing within its territory. It is also commitment of internationalism through the support of international order by the state. This principle is a reflection of the relation between Indonesia with its people, and Indonesia with other states. The third principle expresses the commitment to the unity of Indonesia. This is especially important in a vast archipelago comprising of a large number of ethnic groups. The fourth principle emphasizes the system of a people led or governed by policies developed through the process of consultation and consensus. The fifth and last principle underlines the commitment to social justice for all the Indonesian people.

According to Sukarno, the Pancasila is the “*philosofische grondslag*” of Indonesian independence, encompassing the foundation, philosophy, the spirit, and the bedrock of the nation.¹²³ Sukarno spoke of the element of “popular sovereignty” under the pillar of democracy, underlining the idea of an architecture of a governing system for the people through policies concluded by a process of consultation and consensus. These elements were heavily inspired by the Javanese background of Sukarno as the creator of Pancasila, and the fondness of compromise and family-like approach entailed in its values. By June 22 of 1945 the Pancasila was reformulated by a Committee of Nine, and was ratified with its fourth principle stipulating: “Democracy guided by wisdom and consultations of the people’s representatives.” This principle urges the necessity for steps to be taken, particularly in the form of a general election, for an elected people’s representatives to take part in carrying out government policies and in setting up an infrastructure for setting the course of the state.

¹²¹ Open letter to President Sukarno from Sjafruddin Prawiranegara, July 17 1983. “Pancasila as the Sole Foundation.” p. 78

¹²² Bishku, Michael B, and Mustafa Kemal. “Sukarno: Charismatic Leadership and Islam in Indonesia.” *Journal of Third World Studies*, United States-Third World Relations in the Post-Cold War Era, 9, no. 2 (1992), p. 108

¹²³ Ibid.

Conducting a national election was of high importance at the time. In 1949, it was not the unitary republic of Indonesia whose independence had been recognized at a political level. Rather, a federal structure of the United States of Indonesia was dismantled, comprising of fifteen provinces, with its capital in Yogyakarta. Federalism in the republic was a principle initiated and supported by the Dutch government and was presented as a system that would provide the best degree of protection for the interests of the non-Javanese people of the archipelago, while still allowing Java to retain control over national issues such as defense, currency, and foreign relations.¹²⁴ This proposal attracted the support of those outside Java. However, the Javanese strongly opposed this structure of government and viewed it as a threat, particularly by Sukarno, as it prevented Java to have full authority over the republic, placing them in a weaker position. The anti-federalist case in Java was also due to the fact that the independence struggle had come to take on a deeper importance in Java than elsewhere.¹²⁵ Sukarno's constant appeals for unity stemmed from the traditional anxiety on the dispersion of power. According to the traditionalist Javanese framework, federalism was interpreted to mean the decline of Indonesia's international power, and that of Sukarno himself as its political focus.¹²⁶ It was argued by the Javanese that the concept of federalism was a strategy to 'divide and rule' Indonesia, and those outside of Java would simply be marionettes for the Dutch.¹²⁷ Sukarno and other leaders felt it was of utmost importance to have "undivided command", especially as President Sukarno believed that the Indonesian revolution was not yet over, with the nation still heavily dependent on the Netherlands for its political and economic decision making.¹²⁸ He believed that the process of struggle against foreign domination and for complete independence had not ended, but merely entered a new phase.¹²⁹ On August 17 1950, five years subsequent to the declaration of independence, Sukarno announced for the abandonment of the federal system for a unitary republic. It was underlined that the spirit of 1950 was to make the unitary state work.¹³⁰ A temporary constitution was drafted and

¹²⁴ Brown, *supra* note 107, p. 184

¹²⁵ Booth, Anne. "Splitting, Splitting and Splitting Again: A Brief History of the Development of Regional Government in Indonesia since Independence." *Bijdragen Tot de Taal-, Land- En Volkenkunde / Journal of the Humanities and Social Sciences of Southeast Asia* 167, no. 1 (2011), p. 34

¹²⁶ O'Gorman Anderson, Benedict. *The Idea of Power in Javanese Culture*. Cornell University, 1972, p. 23

¹²⁷ Brown, *supra* note 107, p. 185

¹²⁸ Koe and Kuliang, *supra* note 115, p. 41

¹²⁹ Brown, *supra* note 107, p. 193

¹³⁰ Maryanov, Gerald S. *Decentralization in Indonesia as a Political Problem*. Equinox Publishing, 2009, p. 31

adopted on the understanding that a Constituent Assembly would shortly be elected to commence the writing of the permanent Constitution for the nation and for a general election to be held.

The holding of the national elections had been a notable political issue from the first half of the 1950s. Subsequent to the recognition of independence obtained from the colonial government in 1949, national leaders recognized the urgency for modification in the structure of the state, particularly regarding its political system. One aspect that had to be changed from the former governmental structure was the for the system to be parliamentary and ultimately to be legitimated by general elections. The results of the voting of the national election are not only significant in identifying the direction of the policies and governmental structure of the Republic, more importantly, they provide indications of the process of social reorganization, the formation of new classes and class interests, and the result of the ongoing social structural tensions.¹³¹ The election would place democracy on trial, which received critics and prediction that it would have a downward facing effect in the outcome and instead make a mess of their independence.¹³²

With the nearing of the first national election of Indonesia, new political groups frequently sprung into existence due to the personal ambitions of a handful of leaders. Instead of producing a clear result of one party, four parties emerged as victors showing similar electoral strengths.¹³³ These parties are the PNI, Masjumi, Nahdlatul Ulama (NU), and the Communist Party of Indonesia (PKI). With PKI as one of the leading parties in the race, The Philippines, as a neighboring state, raised their initial concern on Manila Times, regarding the possibility of a shift in Indonesia's outlook that is not in line with the uniting principle of Pancasila and the aspiration to establish a democratic nation.¹³⁴ The political orientation of the prominent parties reflected the interests of the overall population. However, based on PKI's support towards the ideology of Pancasila, it was also apparent that the choices made by the people had the tendency of being based on the personal sympathy or loyalty to a particular leader as a more notable factor than the political attitudes the parties had adopted.¹³⁵ Votes collected for the three out of the largest groupings, namely the PNI, NU, and the PKI, originated from the area of Central and East Java, while the votes for the

¹³¹ Der Kroef, Justus M. van. "Indonesia's First National Election: A Sociological Analysis." *The American Journal of Economics and Sociology* 16, no. 3 (1957), p. 237

¹³² Aziz, Qutubuddin. "Indonesia's First General Elections." *Pakistan Horizon Institute of International Affairs* 8, no. 3 (1955), p. 400

¹³³ Der Kroef, *supra* note 131, p. 238

¹³⁴ *Kedaulatan Rakyat*, October 5, 1955

¹³⁵ Palmier, Leslie H. "Indonesian-Dutch Relations." *Journal of Southeast Asian History* 2, no. 1 (1961), p. 27

remaining party, the Masjumi, were collected from outside of this area.¹³⁶ The PNI had a constant leading position in Central Java with a significant difference in percentage with other parties.¹³⁷ Votes collected from islands outside of Java such as Kalimantan and Sumatera, amounted to a significant lead to the Islamic political party, Masjumi.¹³⁸ The voting result displayed the extent to which regional divisions were politically powerful, for the Central and East Java are the home of the Javanese, the largest ethnic group comprising of nearly half of the population in Indonesia. With the extreme variation of population density across the islands with the majority concentrated in the island of Java, many non-Javanese feared that the election would culminate into having their interests subordinated to those of Java. This division between the Javanese and the non-Javanese became a conflict, however the condition placed Sukarno and his party, PNI, at an advantage.

3.3. The 1955 Bandung Conference

During a non-official International Conference for Peace at Bierville in 1926, its memorandum stipulated a concern on Asian countries, providing that Asia must have its rightful place in the consideration of world problem.¹³⁹ This was the first instance for an Asian sentiment to be regarded in a forum that can historically be traced. It was mentioned that the continent of Asia comprises a majority of the world's population, however it did not receive the equal attention as its western neighbors. In 1954, the Prime Minister of India, Indonesia, and Burma concluded in a joint statement regarding the proposal of having a Conference for representatives of Asian and African countries with the intention of promoting the cause of peace and in finding an approach to the common problems which all Asian countries had to face. This includes the problems of national movements for freedom, racial problems, colonial economy, industrial development, intra-Asian migration, the status of women, and cultural cooperation.¹⁴⁰ With the growing number of Asian and African states gaining independence by the 1950s, the Bandung Conference, also known as the Asian-African Conference, became an important landmark in the of cooperation between the nations in both Asia and Africa. Delegates from a total of 29 states attended the Conference from April 18 – 24, 1955, a Conference that marked the formal beginning of a project that aims to

¹³⁶ Ibid.

¹³⁷ Kedaulatan Rakyat, October 4, 1955

¹³⁸ Kedaulatan Rakyat, October 5, 1955

¹³⁹ Appadorai, A. "The Bandung Conference." *India Quarterly* 11, no. 3 (1955), p. 207

¹⁴⁰ Ibid.

guarantee all participating nations to benefit from the building blocks of world order, sovereign statehood, and international law.

The conduct of an international conferences was fairly new to the East, despite its long history and frequent occurrences in the West. The Bandung Conference represented the first notable attempt to mobilize Asian and African concerns and opinion for the pursuit of a determined goal and objectives.¹⁴¹ The Bandung conference was an event for which Sukarno gave his full attention on its every aspect, as he was aware of the magnitude of its impact. President Sukarno began his opening address by presenting the Bandung Conference as a “new departure in the history of the world”¹⁴² to embed the independent postcolonial idea the conference entails. There has been a variety of understanding and interpretation to the meaning behind the purpose of the Conference from different perspectives of the delegates. However, it is evident that the Conference derived from the hopes, disappointments, and solidarities of the Asian and African nations. There has been a noticeable feeling among Asian leaders for some time that world policies are a result of western thinking, and that western dominance not only adds to the general feeling of affront, but it offers no solution for the common problems faced by the countries in the area.¹⁴³ The Bandung Conference stemmed from the challenges of breaking apart from European imperialism, intending to break out of the existing mold to have a forward-looking view in changing the rules of the global order, through asserting presence in the sphere of international politics and international law. The diverse background of the participating states shaped the Bandung Conference throughout its development and became an important moment of decolonization and political configuration.¹⁴⁴ The Conference created an idea of postcolonial solidarity, based on decentering Europe as the cultural compass of the world, by addressing different issues covering the political, economic, and cultural concerns. In addition to the purpose of asserting independence, the agenda of the conference was also on facing an uncertain future and in creating a commitment to changing the condition of life under empire by reclaiming the nation to the natives. President Sukarno encouraged the participating states to “inject the voice of reason into

¹⁴¹ Ahmed, Mushtaq. “The Bandung Conference.” *Pakistan Horizon* 8, no. 2 (1955), p. 362

¹⁴² Opening Address given by Sukarno (Bandung, 18 April 1955). *Asia-Africa Speak from Bandung*. Djakarta: The Ministry of Foreign Affairs, Republic of Indonesia, 1955, p. 2

¹⁴³ Asian African Conference Bulletin, issue 4 (April 19, 1955), Ministry of Foreign Affairs Republic of Indonesia, p. 16

¹⁴⁴ Eslava, Luis, Michael Fakhri, and Vasuki Nesiah. “The Spirit of Bandung.” In *Bandung, Global History, and International Law Critical Past and Pending Futures*. Cambridge University Press, 2017, p. 5

world affairs”¹⁴⁵ as they had the common projected outcome of absolute decolonization by the progress of putting an end to the past: “A new Asia and a New Africa have been born!”¹⁴⁶

For a significant length of the opening address to the Bandung Conference, Sukarno mentioned a component regarding the geographical conception of the world and his belief in the negative relationship between the sea and the world. In an archipelago comprising thousands of islands, Sukarno viewed the waterways as the “main artery of imperialism” that “pumped the life-blood” of colonialism.¹⁴⁷ Although waterways have always played an important role in the development of society, the vast body of the sea was believed to have facilitated the Dutch trade with the East Indies, laying the foundation of the subsequent formal colonization.¹⁴⁸ Delegates from Vietnam shared the same view by placing an emphasis on the colonialism’s exploitation of Asia and Africa in their address, especially on the coastlines with illimitable sources of sea products.¹⁴⁹ It is of utmost importance for a nation to have absolute control over its territory—both land and sea, for Sukarno believed that the biggest threat for a nation, especially with the recently achieved independence, would be the catastrophe of war.¹⁵⁰ Sukarno invited for all participating states to awaken and resist imperialism in all forms. In his aspiration to uphold sovereignty, Sukarno warned the participating nations of enabling access to some groups of humankind with force that is “potentially evil”, for without peace, independence means little, and revolutions would not be allowed to run their course.¹⁵¹

Throughout the conference, Sukarno presented bold dreams for the new nations, critiquing colonialism, imperialism, and racism, as he suggested the newly independent countries would constitute a new and important voice in world politics. The speeches given by chief delegates to the Bandung Conference have shown a common ground on the question of colonialism and world peace, which resulted in a series of principles as the outcome of the conference.¹⁵² These principles were under the headings of: Economic Cooperation, Cultural Cooperation, Human Rights and

¹⁴⁵ Opening Address given by Sukarno (Bandung, 18 April 1955). *Asia-Africa Speak from Bandung*. Djakarta: The Ministry of Foreign Affairs, Republic of Indonesia, 1955, p. 5

¹⁴⁶ Ibid, p. 8

¹⁴⁷ Ibid, p. 3

¹⁴⁸ Esmeir, Sameera. “Bandung: Reflection on the Sea, the World, and Colonialism.” In *Bandung, Global History, and International Law Critical Pasts and Pending Futures*. Cambridge University Press, 2017, p. 83

¹⁴⁹ Address by the Delegation of the Democratic Republic of Vietnam, *Asia-Africa Speaks from Bandung*, Ministry of Foreign Affairs Republic of Indonesia, 1955, p. 138

¹⁵⁰ Opening Address given by Sukarno, *supra* note 31, p. 5

¹⁵¹ Ibid.

¹⁵² Indonesian Observer, April 23 1955

Self-determination, Problems of Dependent People, and Promotion of World Peace and Cooperation. The New York Daily Worker pointed out that the Conference constituted a declaration of independence from Western imperialism and recognition of sovereignty and equality of all people.¹⁵³ To a certain extent, the Conference was an attempt to reposition postcolonial nations as valid subjects of international legal order and was done through the “Spirit of Bandung” that empowered people in the colonized state to assert their own place in the world.

Sukarno acquired both national and international recognition from hosting the Bandung Conference and raised many praises as well as critics from the international media. The Conference has created headlines as the “Dawn of a New Era”¹⁵⁴ and has been recognized as a historic landmark, symbolic of the closing phases of one era and the beginning of another.¹⁵⁵ Subsequent to the event, the Canadian Secretary of State for External Affairs circulated a message drawing certain general conclusions from the Bandung Conference. It was commented that the name Asia-Africa conference was misleading as contribution from African countries were overshadowed by the Asian countries which have recently become independent.¹⁵⁶ An observation was also made on the fact that despite the refusal of the Western nations in abandoning their positions of influence in the East by presenting better solutions to Asian problems, the participating states prefer in any case that Asia be badly run by Asians than efficiently governed by Europeans.¹⁵⁷ This observation reflect the multiple interpretation of the Conference, by demonstrating that a concrete solution may not be the target from the conclusion of the discussion, rather the forum was a medium to exert power. In an article published by the Portuguese newspaper *Diario Popular*, instead of being anti-colonialism and anti-racism, the Conference was viewed to have an anti-Western undertone with vague objectives.¹⁵⁸ Even though delicate subjects are being touched upon, the objectives of the Conference may still be perceived to be unclear due to the tendency of delegates to refrain from controversial arguments, and due to cultural influence in the general approach of the forum.¹⁵⁹ The Economist indicated a resemblance between the Conference with a “flower show” for its lack of

¹⁵³ Asian African Conference Bulletin issue 6 (April 21, 1955), Ministry of Foreign Affairs Republic of Indonesia, p. 11

¹⁵⁴ Harian Rakjat Djakarta, April 18 1955

¹⁵⁵ The Daily Telegraph, Sydney, April 16 1955

¹⁵⁶ Document no. B.43/55 on Canadian External Relations on Bandung Conference of Non-Aligned Nations Chapter VII Part 7, Secretary of State for External Affairs to Heads of Posts Abroad, July 27 1955

¹⁵⁷ Ibid.

¹⁵⁸ *Diario Popular*, Lisbon, April 9 1955

¹⁵⁹ *Indonesia Raya*, April 23 1955

clarity on its aims of discussion, commenting on the large assembly of governmental representatives with “so little idea of what they are going to do”.¹⁶⁰ The Indonesians, particularly Sukarno, are mentioned to be the only ones likely to achieve their purpose, which was primarily to gain prestige and divert attention from their “domestic rift and failures by playing host to a glittering assembly.”¹⁶¹ The Sydney Morning Herald also argued that the conference had its origin purely and simply in the Indonesian governing party’s desire to win prestige in a general election.¹⁶²

3.4. Conclusion

One may argue that Sukarno was the force that constructed the architecture of the postcolonial Indonesia, especially through the Pancasila principle as a basis for unity, that have encouraged the implementation of nationalism and democracy as the pillars of the nation. It may also be argued that it was the pressures and dynamics of the Indonesian people, the internal condition of the Republic, and the international community, that have shaped and produced Sukarno. The struggle in enacting a nationalist movement, especially with hindrance created by the colonial government that have sent Sukarno for more than eight years in exile, have impacted his views and cultivated his sentiment against the Dutch. However, it can be agreed upon that Sukarno had a strong conviction that he can unite conflicting forces, proven by the two landmark events of the 1955 election and the Bandung conference.

Sukarno pursued to diminish and prevent further regional division of the nation by abandoning the federal system initiated by the Dutch government for a unitary republic. The drive for unity may present itself as a veil over Sukarno’s political agenda, for the federal structure may be perceived as a threat disabling him to exercise absolute control. Even with the new structure of Indonesia, it was apparent that the Javanese are still more prominent, especially with around 40% of the Indonesian population concentrated in Java, therefore it does not equate to a solution for the existing problem. This placed Sukarno, as a Javanese, at an advantage, especially during the general election. However, Sukarno knew that just by discarding the state system introduced by

¹⁶⁰ The Economist, London, April 18 1955

¹⁶¹ Ibid.

¹⁶² Sydney Morning Herald, Sydney, April 16 1955

the Dutch would not eliminate future threats. He knew that in order to have complete power, further actions must be followed.

On the same year, Sukarno hosted the Bandung Conference with an objective of being a foundational conference, laying the grounds for his concept of a new emerging force fighting against colonialism in all its manifestations. Attention to the significance of the sea was also given in his opening speech, as he believed that the sea may come as a threat to independence, enabling the access to what had led to colonialism. The “Spirit of Bandung” did not end at the conclusion of the Conference, it has rather transcended through time and inspired Sukarno in his decision-making process in formulating foreign and local policies. Sukarno obtained a large amount of international recognition from the event, and with Indonesia’s development being placed under the spotlight, he enacted a policy in line with the aim of the Bandung Conference, in achieving absolute independence.

It is evident that Sukarno was a symbol of the aspiration of the Indonesian people, and similarly to the title of his biography, he represented his people as their “mouthpiece”, by voicing their ambitions as no one else had. Though despite his ambition in building an independent nation, it can be reflected from both events that Sukarno had an underlying agenda in exerting his power to gain recognition both nationally and from the international sphere, particularly with its manifestation through the process of Indonesianisasi of KPM.

Chapter 4: West New Guinea Dispute

Introduction

The international and domestic dynamics of Indonesia in the years 1950 to 1960 had a very complex nature and comprised of layers of different elements. It is a well-known fact that the West New Guinea dispute had been a significant component behind the decline of the Dutch-Indonesian relations, thus leading to the implementation of Indonesianisasi. The dispute itself was based on the claim of the territory of West New Guinea, which had been a subject of discussion in various agreements between the newly established nation with its former colonizer, even before the transfer of sovereignty to Indonesia during the 1949 Round Table Conference. During the conference, delegates from the nations failed in determining the status of the territory that resulted to a one-year period of negotiation to produce a joint agreement, that still ended in deadlock.

In this chapter, the question of the role and significance of the West New Guinea dispute to the Indonesianisasi of KPM is analyzed. It is an especially complex matter, as both nations had well supported cases as the basis of their claims, which touched matters on historical interests, federalism, democracy, sovereignty, and claim of power. A background on West New Guinea and regarding the dispute are given to understand the claims of both nations, which became the focal point during the Round Table Conference. This conference introduced issues that became obstacles for Indonesia in establishing its new framework of system, that eventually led to the question regarding the fate of the territory.

4.1. The West New Guinea

The geographical location of New Guinea is located in the southwest Pacific, directly north of Australia and at the far eastern part of the Indonesian archipelago. Its indigenous population are of the same ethnicity as the Papuans in the former Australian New Guinea, and have had influences from neighbors from adjacent islands, especially through contacts with East Java and the Moluccas.¹⁶³ Inhabitants of the island represented cultural diversity, with the structure of its society having distinctive fundamentals from the rest of Indonesia. This lack of a common denominator was referred to be the most universal feature of the Papuan culture.¹⁶⁴ The territory first became

¹⁶³ Metzemaekers, L. "The Western New Guinea Problem." *Pacific Affairs* 24, no. 2 (1951): p. 132

¹⁶⁴ *Ibid.*

known by the European by mid 16th century, when Ortiz de Retes, a Spanish maritime explorer, navigated to the north coast and bestowed the island with the name “Nueva Guinea”, due to the resemblance of its inhabitants with those he had encountered along the Guinea coast of Africa. Early European traders came to know of the New Guinea territory during their voyage to the Moluccan Archipelago, for which the area was an epicenter of two important developments of the eastern region of the Indies. The first of these situations was the conflict between the island kingdoms of Ternate and Tidore for naval and commercial hegemony, and the second was the period of development marking the beginning of the European voyagers arriving in the Spice Islands.¹⁶⁵ In the first half of the seventeenth century, the Sultanate of Tidore was in the midst of a conflict with the Dutch and had become the ally of the Portuguese, then the Spanish, for several years. After the losing struggle, a palace revolution shifted Tidore on the side of the Dutch by 1867. The Dutch East India Company had utilized the territory as a barrier against unwanted intrusions of other European powers to the Indies, and in addition, the territory was also used for the purpose of curbing piracy in the Moluccas. The Papuan islands were the bases of pirates among the archipelago, and one of the ways the Dutch had attempted to overcome this issue was through the enactment of treaties developed with the Sultanate over the centuries. In the 1872 contract, a number of elements are stipulated that have also been mentioned in previous agreements, where the Sultan and his officials continued to recognize for the state of Tidore to be constituted as a part of the Netherlands Indies, and that the whole state was under the administration of the Netherlands-Indies Government.¹⁶⁶ A clause regarding cooperation and alliance between the Sultan of Tidore and the Indies Government was provided in the 1894, underlining areas under the Sultan’s realm covering the entirety of the Western New Guinea.¹⁶⁷ The Indies Government allocated its budget to establish its administration in the Western New Guinea in 1898, despite its deficit on funds and manpower. Though this decision received oppositions, it was believed that New Guinea would not be able to achieve its potential for development without the administration.¹⁶⁸ This led to the establishment of the first permanent Dutch military posts in New Guinea, resulting in the

¹⁶⁵ Bone Jr., Robert C. *The Dynamics of the Western New Guinea (Irian Barat) Problem*. New York: Cornell University, 1958, p. 9

¹⁶⁶ Agreement concluded between Resident of Ternate, Frederic Schenk, on behalf of the Dutch Government, with Sultan of Tidore, 26 March 1872, National Archive of the Republic of Indonesia

¹⁶⁷ Agreement concluded between Johan van Oldenbarnevelt with the Sultan of Tidore, 1894, National Archive of the Republic Indonesia

¹⁶⁸ Bone Jr., *supra* note 165, p. 20

continuous relation between the Dutch with the Tidorese. In 1906 the Tidorese throne was vacant, in which the Government saw as an opportunity to implement a takeover of the Tidorese domain under direct administration. Subsequent to the takeover, the Dutch residents of Ternate attempted to lessen the influence of Tidorese in the region, though this only lasted until the outbreak of the Indonesian revolution when the Dutch authorities agreed to the appointment of a new Sultan to Tidore in 1947.

During the final years of the Dutch rule in Indonesia, it was reported that the character of the Dutch rule over the West New Guinea had developed from what was considered to be “purely theoretical” to “purely fictitious” within a few decades.¹⁶⁹ Despite its initial plan to encourage the territory’s potential under the Government’s administration, it was proven that there was little progress made in the economic, as well as political sphere. The utilization of the Western New Guinea was only limited as a barrier against foreign intrusions and a place of exile for nationalist leaders during the rise of the nationalist movement during its colonial period. It was only until the outlines of a new Indonesia began to emerge from its struggle for independence, that the New Guinea became a focal point in a political dispute.

4.2. The Dispute

The dispute of the West New Guinea territory that has significantly impacted the Indonesian-Dutch relations may be traced to the period of the Indonesian revolution, that had started subsequent to the declaration of independence in 1945. According to Hatta, the core of the problem was the contradicting notions by the two states, with Indonesia’s view of West New Guinea as a part of its territory, while the Netherlands claims the right to the continuation of their control and colonial rule.¹⁷⁰ To Indonesia, its claim to West New Guinea represented a continuation of the struggle to complete its national independence, and it was apparent that the dispute could not end until West Irian was ceded to Indonesia.¹⁷¹ On August 17, 1945, President Sukarno addressed the proclamation of independence with its opening, “We the people of Indonesia herewith proclaim the independence of Indonesia”, indicating the independence that has been acquired to the entirety of the former Dutch East Indies. Two days after the declaration, the administrative structure of the

¹⁶⁹ Ibid, p. 21

¹⁷⁰ Hatta, Mohammad. “Colonialism and the Danger of War.” *Asian Survey* 1, no. 9 (1961), p. 11

¹⁷¹ Ibid., p. 13

new nation was decided to be divided into eight provinces, namely Sumatra, Borneo, Central Java, East Java, Sulawesi, the Moluccas, and the Lesser Sundas (Nusa Tenggara). In conformity with the administration division that has been determined by the Dutch, as also stipulated in the 1941 Statistical Pocketbook on Indonesia, the West New Guinea fell under the province of the Moluccas by the division in 1945. During this period, a number of agreements were concluded, and a series of conferences were sponsored by the Dutch East Indies government with the purpose of the reorganization of the Dutch empire. The concern over the future of the West New Guinea was first introduced in the draft of the Linggadjati Agreement, particularly in Article III of the Agreement, as follows:

The United States of Indonesia shall comprise the entire territory of the Netherlands Indies, with the provision, however, that in case the population of any territory after due consultation with the other territories, should decide by democratic process that they are not, or not yet, willing to join the United States of Indonesia, they can establish a special relationship for such a territory to the United States of Indonesia and to the Kingdom of the Netherlands.¹⁷²

Following this clause, article IV provides,

The component parts of the United States of Indonesia shall be the Republic of Indonesia, Borneo and the Great East without prejudice to the right of the population of any territory to decide by democratic process that its position in the United States of Indonesia shall be arranged otherwise. Without derogation of the provisions of Article III and of the first paragraph of this article, the United States of Indonesia may make special arrangements concerning the territory of its capital.¹⁷³

The two articles above reflect the nature of the status of certain territories, particularly Borneo and the Great East, that are not rigid, taking into account the ethnic and cultural differences of those within the territory. This was perceived by Indonesia as a threat for the likelihood of the involvement of the Dutch in obstructing the established independence, as it opens up the door to either an indefinite extension of the Republic or a process of further fragmentation.¹⁷⁴ One of the concerns by the Indonesian government was a set-up of separatist movements led by the Dutch

¹⁷² Linggadjati Agreement, Article III

¹⁷³ Linggadjati Agreement, Article IV

¹⁷⁴ Emerson, Rupert. "Reflections on the Indonesian Case." *World Politics* 1, no. 1 (1948), p. 66

after Indonesia became independent, that would entail the opportunity for the Dutch to have control by providing 'guidance' for the population to enact their right to self-determination.¹⁷⁵ The signing of the Linggadjati Agreement initiated hostilities, especially with the disagreement and mutual suspicions of the two parties. One of the most vital issues that had arisen from the Agreement was the question of sovereignty, with the Republic's claim of obtaining de facto recognition by the Dutch. In contrast, the Dutch had opposing view concerning this matter, and have emphasized that the basic sovereign entity encompassed in the Linggadjati Agreement was not entrusted to the whole Republic, and for the Netherlands to continue having sovereign power in the Netherlands Indies during its provisional period.¹⁷⁶ Suspicions by Indonesians on the intention of the Dutch in reducing the Republic's territories only grew through the series of conferences inaugurated, particularly the Denpasar Conference.

The Denpasar Conference commenced on December 7 – 24 1946, it was during this conference that the Dutch government underlined its position that control over the territory of the West New Guinea would not be handed over at the same time as the rest of the Dutch East Indies. With the established federal structure of Indonesia, Lieutenant Governor-General H. J. van Mook had the objective of creating the State of East Indonesia through the Denpasar Conference. The State of East Indonesia was to extend ranging from Bali to the Southeast Islands, however, it was made clear by the formulation of the draft regulation for the formation of the state on the exclusion of New Guinea, as stipulated within Article 1 (2),

The territory of the Eastern State of Indonesia shall include the territory of the Greater East Region ... except that further decisions shall be taken regarding the division of the territory of the present residence of New Guinea and its relationship to the State of Eastern Indonesia and to the future United States of Indonesia.¹⁷⁷

In response, Nadjamuddin Daeng Malewa, who was later appointed as the Prime Minister of the State of East Indonesia, provided a statement representing the Indonesian opinion on the amalgamation of New Guinea, and raised the issue as an essential point of controversy between the Netherlands and what was to be formed as the United States of Indonesia. In this statement five points were presented. The first point concerns the established political unit under the Dutch

¹⁷⁵ Hatta, Mohammad. "Colonialism and the Danger of War." *Asian Survey* 1, no. 9 (1961), p. 12

¹⁷⁶ Central Intelligence Group. *Basic Dutch-Indonesian Issues and the Linggadjati Agreement*. Washington, D.C: CIA Historical Review Program Release in Full, 1947, p. 6

¹⁷⁷ Aanvaarde tekst der ontwerp-regeling tot vorming van den staat Oost-Indonesië, Article 1 (2)

rule with the territories under the former Government of the Greater East.¹⁷⁸ With the operation of the unit within the Government of the Greater East, it should be implied that the territory of New Guinea was not to be considered as a separate entity from the rest of the Greater East Region, and therefore shall be included in the State of Eastern Indonesia. The second point refers to the genealogy of the population that belongs to the Polynesian race.¹⁷⁹ Recognition of territory and the marking of borders are not to be determined by this matter alone and should heavily consider the historical and traditional ties between New Guinea and the rest of Indonesia. The third point indicates the importance of the role of New Guinea due to its large geographic area, especially as the largest part of Eastern Indonesia, and for its strategic position.¹⁸⁰ This was evident during the Japanese invasion of the surrounding territories, the New Guinea was able to keep itself free from Japanese occupation due to its favored location with respect to one of the countries which was closed to the allied power, hence maintaining the territory, and merging the area with the State of Eastern Indonesia would be deemed necessary. The fourth point concerns the outposts constructed by the American forces for the military defense of Indonesia, and of East Indonesia in particular.¹⁸¹ Through the creation of these military points, it reflects the recognition by the American forces of West New Guinea as an integral component to Indonesia and its role, especially in terms of defense, to the Eastern region of Indonesia. Lastly, the point on the availability of natural resources in the New Guinea territory is regarded.¹⁸² This would be a great advantage, especially in contributing to the positive development of the financial position of Eastern Indonesia. Based on the elements presented in Nadjamuddin's statement, the Denpasar conference urged the Government to consider the inclusion of New Guinea in the East Indonesia State, through the appointment of a commission and a number of representatives from East Indonesia to examine the status and future prospects of New Guinea, for it was deemed necessary.¹⁸³ Through this Conference, the conflict was introduced on whether the West New Guinea would fall under the Indonesian jurisdiction or it would remain as the Netherlands New Guinea. With the encounter of multiple disagreements, the negotiations between the Dutch and Indonesia made only slow and

¹⁷⁸ Ontwerp-motie Nadjamuddin Daeng Malewa c.s. betreffende de samenvoeging van Nieuw-Guinea bij den staat Oost-Indonesië, Point 1

¹⁷⁹ Ibid, point 2

¹⁸⁰ Ibid, point 3

¹⁸¹ Ibid, point 4

¹⁸² Ibid, point 5

¹⁸³ Bone Jr., *supra* note 165, p. 38

inconclusive progress on the implementation of the Agreement. Failing to reach a common understanding, the Linggadjati Agreement was formally signed by the Dutch and Indonesian representatives in March 1947, with each side free to pursue its own interpretation.

4.3. 1949 Dutch-Indonesian Round Table Conference

During the 1949 Round Table Conference at the Hague, the ongoing question on the future of West New Guinea became one of the prominent factors of disagreement between the Netherlands and Indonesia. The Conference was officially opened by Prime Minister Willem Drees, held from early August until early November 1949 where the terms of recognition and acknowledgment to Indonesia's independence were formulated, resulting in the formal recognition by December 1949. Prime Minister Drees addressed the aim of the Conference, as a forum to "come to clear agreements and arrangements, taking into account everyone's dignity, interest and ability."¹⁸⁴ Vice President Hatta, rather, emphasized on the pressing need of a speedy agreement. Hatta's concern reflected the spirit regarded in the Indonesian proclamation addressed four years prior to the Conference by Sukarno, underlining "matters which concern the transfer of power and other things will be executed by careful means and in the shortest possible time."¹⁸⁵ It was deemed as an utmost importance by Indonesia to claim its political independence through the transfer of sovereignty at the shortest time possible. It was believed by Indonesian delegates that further negotiations on a more detailed arrangement of the Agreement can be made once they have retained their sovereignty. Through the Conference, the Indonesian and Dutch delegates agreed on a Charter of the Transfer of Sovereignty, stating that, "The Kingdom of the Netherlands unconditionally and irrevocably transfers complete sovereignty over Indonesia to the Republic of the United States of Indonesia" and therefore recognizes the Republic as an "independent and sovereign State."¹⁸⁶

With the conclusion of the Conference, the main the objective of acquiring political independence for the state was achieved, however, a number of controversial conditions were agreed by the Indonesian delegates. Four issues were particularly contentious, which comprised of two political and two economic issues. In terms of politics, the first issue was on the insistence of

¹⁸⁴ Vandenbosch, Amry. "The Netherlands-Indonesian Union." *Far Eastern Survey* 19, no. 1 (1950), p. 4

¹⁸⁵ Address of Sukarno in announcing the Proclamation of Indonesia's Independence on August 17 1945, Archive of the Ministry of Foreign Affairs

¹⁸⁶ Charter of Transfer of Sovereignty, Article 1

a system of federation to the structure of Indonesia. The second issue concerned the status of the Western New Guinea. On the economic aspect, an issue derived from the Financial-Economic Agreement (Finec) that provided guarantee for Dutch enterprises to conduct operation in Indonesia and in maintaining their businesses. An additional clause in the Agreement stipulates the obligation of the Indonesian government to acquire mutual agreement in nationalizing Dutch firms, and in consulting with the Netherlands on financial measures that would likely to impact Dutch interests, which both created limitation of the Indonesian sovereignty. The last economic issue was regarding the takeover of debt incurred by the Netherlands Indies government at an amount of over \$1.1 billion.¹⁸⁷

It is recognized in the Round Table Conference Agreement that the dispute over the status of West New Guinea was unresolved. The subject of “New Guinea” was listed as the very last topic of the agenda during the Conference, considerably due to its controversial nature, for the topic to be discussed once the conference had been successful in reaching agreement on all other issues. During the discussion, the Netherlands argued that it was necessary for New Guinea to obtain a special status due the lack of “ethnological, sociological or religious ties with the rest of Indonesia.”¹⁸⁸ The Dutch delegates underlined the condition of New Guinea that was still “undeveloped” and had no “essential economic relationship with the rest of the archipelago”, which therefore was concluded that it would be on the best interest of New Guinea to not fall under the Republic’s jurisdiction, and to maintain its political and administrative ties with the Netherlands. The Indonesian delegates asserted that New Guinea was to be integrated as part of the State of East Indonesia due to the ethnological, economic, and religious ties that have been established with the rest of the nation.¹⁸⁹ Indonesian delegates emphasized previous agreement concluded by the two nations, including Linggadjadi and Renville, that have also included provisions regarding the transfer of territory of the former Netherlands Indies in its entirety. To avoid the prolonging of a redundant dispute, the United Nations Commission encouraged for a resolution to be found through further negotiations on the matter within a determined period of time subsequent to the Conference. A deadlock was averted through a compromise for the status

¹⁸⁷ Dick, Howard W., ed. *The Emergence of a National Economy: An Economic History of Indonesia, 1800 - 2000*. ASAA Southeast Asia Publications Series. Leiden: KITLV Press [u.a.], 2002, p. 171

¹⁸⁸ Taylor, Alastair M. *The United Nations and the Indonesian Question: An Analysis of the Role of International Mediation*. Ph.D. Dissertation. Oxford: Balliol College, 1955, p. 305

¹⁸⁹ *Ibid.*

of New Guinea to be recognized as “under dispute”, implying that Indonesia has not waived their claims and rights to New Guinea despite its acceptance to the status quo.¹⁹⁰ With this arrangement, the length of time for the two nations to negotiate on the matter is also determined. Hence, in the Charter of Transfer of Sovereignty, it was acknowledged in Article 2 of the Agreement that due to the fact that the views of the parties on New Guinea remained in dispute,

The status quo of the residency of New Guinea shall be maintained with the stipulation that within a year from the date of transfer of sovereignty to the Republic of the United States of Indonesia, the question of the political status of New Guinea be determined through negotiations between the Republic of the United States of Indonesia and the Kingdom of the Netherlands.¹⁹¹

With the conclusion of the Conference, the Chairman of the Netherlands delegation, J. H. van Maarseveen, circulated a letter to the Indonesian delegations with an interpretation of Article 2 of the Draft Charter of Transfer of Sovereignty. It is mentioned in the letter that the first component of the Article reading, “the status quo of the residency of New Guinea shall be maintained” has the intention of “through continuing under the Government of the Netherlands.”¹⁹² From Maarseveen’s interpretation, the draft of the article specifies the fate of the territory of New Guinea that was still under the Dutch control. On the same day, Hatta responded to the letter on behalf of the Indonesian delegations, acknowledging and agreeing to the interpretation provided by the Dutch on the clause in Article 2 of the Charter. The agreement, particularly regarding New Guinea, was met with a range of reactions by the Indonesian people, from appreciation of the action to frustration and outrage. Former Prime Minister Willem Schermerhorn expressed the anger of the Indonesian people and encouraged the Government to settle the question within the agreed time of a year.¹⁹³ By December 1949, the issue of New Guinea was introduced to the international stage for the first time at the United Nations General Assembly. Concerns were conveyed by Indonesian representatives on the difficult negotiations on the subject which may impede on the cooperation between the two nations.¹⁹⁴ The Indonesian newspaper *Kedaulatan Rakjat* commented on the

¹⁹⁰ Report on Indonesia, Republic of Indonesia Information Office, New York, Vol. 1 No. 18, 1949, p. 2

¹⁹¹ Charter of Transfer of Sovereignty, Article 2

¹⁹² Exchange of letter with regards to article 2 of the draft Charter of Transfer of Sovereignty from Chairman of the Netherlands Delegation to the Round Table Conference to the Chairmen of the Delegations of the Government of the Republic Indonesia and of the Federal Consultative Assembly, 2 November 1949

¹⁹³ Merdeka: Soera Rakjat Republic Indonesia, November 15, 1949

¹⁹⁴ Bone Jr., *supra* note 165, p. 69

result of the Round Table Conference that was far from what they have hoped for, despite the delegates' optimism in entering the Conference.¹⁹⁵

One of the agreements concluded from The Round Table Conference was the Union Statute, in which the two nations agreed to establish the Netherlands-Indonesian Union as a basis of the promotion of their common interests.¹⁹⁶ With the spirit of cooperation, initial steps in finding a solution in the West New Guinea dispute were taken during the Union's first conference, where a number of problems in relation to the two countries were addressed. The Conference resulted in the appointment of a mixed commission for the purpose of overcoming the New Guinea problem. However, no further development was derived from this effort. An interview was conducted among dominant figures in Netherlands business in regard to the New Guinea issue for the Dutch magazine *Aneta*. It was concluded from these interviews that concerns were growing within the business community, especially due to the apathetic outlook businessmen had in political matters, and the concern of the effects the dispute may have on their business interests. The decision in determining the status of the territory was originally scheduled for November, yet the anticipated Special Conference on New Guinea finally convened in The Hague in December. In an official report, the Indonesian perspective of the Conference showed its persistence on their stance for West New Guinea as a part of the Indies, both politically and economically, just as it was a part of the Dutch East Indies.¹⁹⁷ It was also indicated by Indonesian delegates on the desire of the New Guinea people to be included in Indonesia.¹⁹⁸ The Dutch was also insistent in presenting their position, by arguing that the West new Guinea was not ready to be included, and that Indonesia did not have the ability and "lacks of the resources" to improve the standard of living of the population residing in the territory.¹⁹⁹ The argument presented by the Dutch was a valid concern toward the development of the New Guinea, especially with the newly acquired independence status, Indonesia was still in a phase of creating the foundation of the nation, and still heavily depended on foreign assistance in terms of capital. However, Indonesia wanted to put an end on the continuing Dutch influence, hence its persistence in pursuing the claim on West New Guinea.

¹⁹⁵ Kedaulatan Rakjat, November 3 1949

¹⁹⁶ Union Statute, Article 2

¹⁹⁷ Report on Indonesia, Republic of Indonesia Information Office, New York, Vol. 2 No. 14, 1950, p. 5

¹⁹⁸ Ibid.

¹⁹⁹ Ibid.

On December 11, 1950, Foreign Minister Muhammad Roem presented points of compromise, as a basis in regulating the future of West New Guinea. They are as follows:²⁰⁰

1. Recognition of existing Dutch economic and financial rights and concessions in the development and exploitation of soil and forest resources. In addition, a preferential treatment is to be granted for Dutch interests in the areas of trade, shipping, and industry.
2. Eligibility would be granted for Dutchmen to acquire administrative employment.
3. Pensions to be guaranteed by the Indonesian Government for Dutch officials.
4. Immigration of Dutch nationals to Irian to be permitted.
5. Incorporation of West New Guinea into the Indonesian system.
6. Guarantee for freedom of religion.
7. And efforts to be made establish a democratic government in West New Guinea.

The above points presented reflect the attempt by the Indonesian government in accommodating to the interest of Dutch by placing a focus on the economic concerns, especially with the continued economic cooperation between the two nations and find a middle ground for settlement. This proposal was rejected by the Netherlands, insisting that the territory should be under the sovereignty of the Netherlands Government until the population of New Guinea has the capacity of exercising its right to self-determination. Following the negative response from the Dutch, the Conferences ended in a deadlock, where a Joint-Statement could not be produced. The final effort in the reconciliation of the conflict was done through a bilateral negotiation in 1955, the Dutch delegations presented through a statement for the transfer of the territory to the Netherlands-Indonesian Union, with the condition for the Netherlands to continue exercising de facto control over it.²⁰¹ Indonesia deliberated on the elements of the final Dutch proposals and decided to reject it.

4.4. The Issue on Federalism

The federal political system of Indonesia was inherited from the Dutch structure of administration, which was designed to meet the need of a colonial regime. The system was initiated by Lieutenant Governor-General Van Mook and was maintained by the Dutch in the following years. There were

²⁰⁰ Bone Jr., *supra* note 165, p. 92

²⁰¹ *Ibid*, p. 95

several reasons behind the objectives of introducing the system, however it was apparent that the immediate objective of the Dutch government was for retaining control over the territories.²⁰² The concept of federalism itself had been linked to the notion of power-sharing and regional discontent, that may lead to the ‘disintegration of the state’.²⁰³ Federalism was one of the political weapons designed to preserve the diminishing power of the Netherlands in Indonesia. The Dutch established puppet states in areas where the Republic claimed no authority and bestowed positions of prestige to Indonesians in the regions who were willing to cooperate.²⁰⁴ There are two main interests of the Dutch in the establishment of federalism: the first is to use the system in averting the United Nations Security Council’s jurisdiction in adjudicating the Indonesian dispute, and rather claim for the issue to fall under “internal” matter. The second objective is for the Republic to be blanketed with hostile sentiments from within the federal states, and therefore the Republic’s aspirations can be easily negotiated.²⁰⁵ The primary power was concentrated under the authority of the Governor-General, with a top-down approach deriving from Batavia outward. This concentration of power played an important role in the enabling of colonial authority, in maintaining Dutch economic administration of the Indonesian enterprise and in discouraging the emergence of democracy.²⁰⁶ Apart from the impact of the former colonial regime, Indonesia’s geography and culture have also had significant influences in the implementation of a federal structure. As a vast archipelago with a large number of populations and highly diverse regions, factors including resources, religion, language, politics, and culture, play an important role in affecting the interests and issues faced by the different provinces and regions throughout Indonesia. Issues found in the New Guinea and in parts of East Indonesia would not be similar to the extreme Muslim areas of Aceh, and would especially be distinctive from those found in Java. However, with the end of the national revolution, Indonesia altered its focus into strengthening the nation by having a firmer hold and concentrating on its internal matters.

A shift in the political development was initiated through the unitarian movement that had progressed from the beginning of 1950, in response to the challenge of a federal political order

²⁰² G.M.T., Kahin. *Nationalism and Revolution in Indonesia*. New York: Cornell University Press, 1952, p. 441

²⁰³ Ferazzi, Gabriele. “Using the ‘F’ Word: Federalism in Indonesia’s Decentralization Discourse.” *Oxford University Press*, *Publius*, 30, no. 2 (2000), p. 66

²⁰⁴ Der Kroef, Justus M. van. “Indonesia: Federalism and Centralism.” *University of California Press*, *The Far East*, 19, no. 108 (1950), p. 88

²⁰⁵ *Ibid.*

²⁰⁶ Finkelstein, Lawrence S. “The Indonesian Federal Problem.” *Pacific Affairs* 24, no. 3 (1951), p. 287

constructed by the Dutch. Subsequent to the declaration of independence in 1945, Indonesia was presented with dilemmas, including one regarding the structure of government. The new nation was confronted with the urgency of constructing a viable system, especially with an anticipated national election. An administrative and constitutional structure had to be designed to accommodate the interest and needs of the diverse population, hence the issue of federalism became a focal point during Indonesia's transitional period, for it was believed to be a hinderance in the creation of a constitutional order.²⁰⁷ Efforts in 'Indonesianizing' the nation have been made to diminish barriers and in eliminating communal distinctions. The process of Indonesianizing the Republic comprised of measures of consolidation and extension of state power, that are applied throughout the nation, with the New Guinea territory included. The New Guinea is categorized with a distinction for it would require a different approach in Indonesianizing the area due to the difference of its population, in which the process itself is defined as follows:

A complex system of programs which are aimed at adjusting the population of Irian Jaya to the cultural, economic, and political life of the Indonesians through assimilation with other ethnic groups, and participation in the cultural, economic, and political life in Indonesia.²⁰⁸

This initiation was apparent through the instillment of Bahasa Indonesia as a national language, removing obstacles in communication between different ethnic groups. This is also done through the control of education and the media, by introducing the sense of 'one-ness'.²⁰⁹ Economic development and modernization would also impact the lessening of ethnic consciousness. Transportation plays a crucial role in diminishing local differences, especially with the expansion of transport network, mobility of Indonesians would then be increased. This would contribute to new influences and introduce new elements into the dynamic of the Indonesian society.²¹⁰

Political leaders, including Sukarno and Hatta, initially agreed to the implementation of federalism as a necessary temporary measure in acquiring support and cooperation of federalist Indonesians, to create a united front against the Dutch. Subsequently, federalist leaders started turning against the Dutch, especially after the United Nations Security Council turned down the

²⁰⁷ Ibid, p. 285

²⁰⁸ R.S., Roosman, "Operation Task Force: Rural Deveolpment in Irian Jaya," *Yagi-Ambu* 2, no. 2 (1975) 158-68. Quoted in Gietzelt, Dale. "The Indonesianization of West Papua." *Oceania* 59, no. 3 (1989), p. 201

²⁰⁹ Gietzelt, Dale. "The Indonesianization of West Papua." *Oceania* 59, no. 3 (1989), p. 202

²¹⁰ Finkelstein, Lawrence S. "The Indonesian Federal Problem." *Pacific Affairs* 24, no. 3 (1951), p. 286

Dutch claim on enacting hostilities under the scope of an internal affair. It was evident that intimidations and hostilities were indications of the Dutch autonomy, and the demand for federalism was merely an order for the continuation of colonialism.²¹¹ It was decided that further initiative in exerting the objective of achieving national unity – in line with the third principle of Pancasila on the ‘unity of Indonesia’ – is through the formulation of a unitary state, which was concluded in the August 1950 conversion of the Republic of the Republic of the United States of Indonesia. Through the centralization of government in the newly established unitary state, governmental authority was concentrated in Jakarta with extensions to regional and local administration through local representative institutions.²¹²

4.5. The Question of West New Guinea

The 1949 Dutch–Indonesian Round Table Conference resulted in a one-year period of negotiation for the determination of the status of New Guinea. The first official policy pronouncement referring to the subject of West Guinea since the Round Table Conference took place in 1950, where Sukarno emphasized on the importance for West New Guinea to return to the Indonesian fold and for the necessity of incorporating West New Guinea into the Indonesian territory as an essential component of the nation’s struggle towards national unity.²¹³ The reluctance to compromise by the Netherlands brought a new phase in the Indonesian-Dutch relations, replacing reserved cooperation with confrontation.

During the process of negotiation, it was made clear by high-ranking Dutch officials in Indonesia on their stance that favored the transfer of the disputed ‘undeveloped’ territory of West New Guinea.²¹⁴ However, this position on the matter was met with resistance by the Dutch cabinet that had acted based on, what can be perceived as, its own interests. The continuing control was not acted upon with the basis of the financial and/or business development of the Netherlands, as the profit gained from oil fields within the territory itself did not suffice in meeting the required amount for operation. The said control, however, was considered as a symbol of the Netherland’s position emerging from the conference, indicating its significance and its power in Asia. Indonesia underlined the matter on sovereignty over the claim on West New Guinea for it “had been an

²¹¹ Der Kroef, *supra* note 204, p. 89

²¹² Finkelstein, *supra* note 210, p. 288

²¹³ *Der Kroef, supra* note 204, p. 93

²¹⁴ *Ibid*, p. 287

integral part for centuries” along with other territories it has succeeded from the Netherlands.²¹⁵ The West New Guinea issue held a high importance in the Indonesian politics, reflecting the value of nationalism. This is defined by the struggle of the nationalist movement that was achieved under the basis of unity and indivisibility.²¹⁶ If West New Guinea was not regarded as an equally important component to Indonesia, the value of unity would be trivial. Unity is regarded as one of the pillars of the state’s foundation and consequently, the exclusion of West New Guinea is viewed as a threat of national disintegration.²¹⁷ Indonesia assumed *de jure* authority over territories of the same boundaries as the former Dutch Indies based on the result of negotiations on the Linggadjati Agreement, the 1947 Den Pasar Conference, point Number 6 of the Renville Principles, and the detachment of West New Guinea from the Sultanate of Tidore through a decree in 1949.²¹⁸ The term sovereignty itself had been deliberately avoided in the formulation of agreements, placing the Netherlands at advantage in maintaining its *de facto* authority and administration over the disputed territory until a final agreement is concluded. The Netherlands was persistent on the sociological argument on the lack of common denominator of the New Guinean culture, underlining the difference in racial and cultural aspect of the population of the West New Guinea from the rest of the ethnic group within Indonesia.²¹⁹ Leaders of the Netherlands government have alleged that Sukarno’s focus on the West New Guinea issue was merely as a scheme in diverting attention from internal problems in Indonesia.²²⁰ The following claim made by the Netherlands may be justified through a number of reasons. In political terms, the Republic would remain stable with the possession of Java and Sumatra. Indonesia’s political weakness, rather lies internally, with its established hierarchy and dominance of the Javanese over other ethnic groups. This attribute can be used to the advantage of the Dutch to establish an impression of weakness and factionalism within the Republic, by enacting a divide-and-rule strategy, hence the elimination of federalism in 1950.²²¹ In the economic perspective, Indonesia had an advantage in terms of the natural resources it possessed, despite the lack in technological advancement and expertise in exploiting and in

²¹⁵ U.N. General Assembly, *Official Records*, 9th Session (1954), First Committee, p. 389

²¹⁶ Lijphart, Arend. “The Indonesian Image of West Irian.” *University of California Press*, Asian Survey, 1, no. 5 (1961), p. 10

²¹⁷ *Ibid*, p. 11

²¹⁸ Vandenbosch, *supra* note 184, p. 107

²¹⁹ United Nations, General Assembly, *Official Records*, 9th Session (1954), First Committee, p. 394

²²⁰ Genevieve Collins, Linebarger. “The Netherlands-Indonesian Dispute.” *Sage Publications* 125, no. 1 (1962), p. 31

²²¹ Central Intelligence Group. *Basic Dutch-Indonesian Issues and the Linggadjati Agreement*. Washington, D.C: CIA Historical Review Program Release in Full, 1947, p. 10

maximizing the potential of its resources. The Republic had an advantage in terms of trade with the establishment of multiple regulations by the government prioritizing indigenous merchants and companies. The Netherlands, however, had a large amount of its capitals centered in Indonesia, and throughout the colonial period, access to Java and Sumatra was essential in obtaining the foreign exchange necessary for the rehabilitation of the Netherlands and the Indies.²²² From the significant concerns mentioned above, the Dutch and Indonesian bargaining positions are nearly balanced. Despite the necessity in the restructuring of the national economy, the process would not require an immediate measure comprising of the seizing of Dutch capitals and a mass departure of Dutch citizens residing in Indonesia. However, the issue on New Guinea had been a tag of war by the two nations in the attempt to assert power.

Before the final bilateral negotiations conducted by the two nations that ended in a deadlock, Indonesia had taken the issue to the United Nations to pursue a solution for the dispute in the Ninth General Assembly in 1954. The draft resolution obtained more than a majority of the votes; however, the adoption of the resolution had failed due to the required two-thirds vote that was not met. In order to acquire more support in the West New Guinea issue over the Netherlands, Indonesia organized the Bandung Conference, that was held in the city of Bandung in April 1955. As expected, all states present at the Conference adopted a resolution supporting Indonesia in the dispute.²²³ During the Tenth General Assembly in 1955 a resolution was introduced, yet it failed in meeting the two-thirds vote minimum. By the Twelfth General Assembly in 1957, a stronger resolution was drafted, calling for the President of the General Assembly in appointing a Good Offices Commission to assist the negotiation between the two parties in dispute.²²⁴ However, the increase in the number of supports from Asian-African nations, Indonesia did not acquire the minimum vote requirement.

Foreign Affairs Minister Subandrio announced in a public speech on a possible nationalization of Dutch capital, especially based on the general outlook of the dispute. In November 1957 during a visit to Lombok, Sukarno also announced in a speech to a gathering that trade with the Netherlands would have to be discontinued in order to claim the territory of West

²²² Ibid.

²²³ Vandebosch, *supra* note 184, p. 106

²²⁴ Ibid.

New Guinea from the Dutch control.²²⁵ A mass meeting in Jakarta was held that attracted thousands of people, demanding for liberation of New Guinea from the continuing domination of Dutch colonialism.²²⁶ With the failure of the Indonesian government at the United Nations General Assembly, anti-Dutch demonstrations broke out in Jakarta in 1957. Workers of local labor unions began seizing control of Dutch enterprises and business offices, starting with the head office of the Dutch interisland company KPM in Jakarta. It was followed by similar actions throughout Indonesia for the next couple of days. By December 1957 an exodus was declared. The Indonesian Ministry of Foreign Affairs conveyed the message to the Dutch chargé d'affaires by requesting for all Dutch citizens to leave the country.²²⁷ By March 1959, only a remaining of 6,000 Dutch citizens were left in Indonesia.

4.6. Conclusion

The claim to sovereignty over New Guinea is a dispute that stemmed from the attempt of the Netherlands and Indonesia to assert their control over a territory that have been considered as a 'stepchild' to the colony. The foundation of Indonesia's reluctance came from its proclamation, declaring independence to the entire territory of Indonesia, and on the basis of 'unity' accordingly to the third pillar of Pancasila that was regarded as the foundation of the state. In contrary, the Netherlands argued based on their historical relation with the sultanate of Tidore and the claim in providing 'tutelage' to the population of the West New Guinea until they have the capacity to exercise the right to self-determination due to its social, political, economic, and most importantly, cultural difference with the rest of Indonesia. The Dutch believed that New Guinea had only potential value, and that it may be maximized only if the Dutch Government's plan in developing the land and the people can be realized. This dispute was viewed as a threat to the Indonesian leaders as it instilled the system of federalism, which generated issues to the construction of the newly independent state. Federalism was a legacy of the colonial past, that was an instrument of Dutch control resulting in the hinderance of absolute independence. The Indonesian government

²²⁵ Lindblad, J. Thomas. "The Importance of Indonesianisasi during the Transition from the 1930s to the 1960s." *Itinerario* 26, no. 3-4 (2002), p. 67

²²⁶ Ibid.

²²⁷ Lindblad, J.Thoma., and Peter Post, *Indonesian Economic Decolonization in Regional and International Perspective*. BRILL, 2009, p. 30

aimed to 'Indonesianize' the nation to diminish barriers and encourage uniform development as a more united nation. Under the existing system, the emergence of democracy was also discouraged.

After the conclusion of the Round Table Conference, a clause in the Charter of Transfer of Sovereignty stipulates a period of twelve months to further negotiate the fate of the territory and come to a settlement. The effort of negotiation had always ended in a deadlock, and a joint statement could not be produced even until the twelve months period had lapsed. The effort by the Indonesian government to bring the dispute to the United Nations General Assembly was also unsuccessful due to the lack of votes obtained for a Draft Resolution to be adopted with the required two-third of the total vote. The deterioration of relation between Indonesia and the Netherlands led to the Indonesianisasi of Dutch enterprises, that was primarily aimed at KPM, which had resulted in the seizure of assets and the exodus of the Dutch population from Indonesia.

Conclusion

The years between 1950–1960 was a transitional period for Indonesia. After the national revolution that had started months after Indonesia declared its independence in 1945, the people of Indonesia celebrated the attainment of their struggle against their former colonizer through the recognition of independence in 1949. This feeling of triumph was interrupted by questions posed by the Indonesian people on the future of their nation. The dynamic of the newly independent nation in constructing a system that would meet the interests of its population becomes the backdrop of an economic decolonization process that places a focus on the participation and elevation of the role of Indigenous Indonesians and addresses the issues of ownership known as Indonesianisasi. Before the transfer of territory by the Netherlands to Indonesia, the Indonesian economy was dominated by foreign enterprises, with Dutch companies predominantly leading the market. One of these companies was the KPM, which had operated in the archipelago since the 19th century and had contributed largely to the development of the Dutch East Indies. With the monopoly of interisland shipping held by the KPM, the company became a target by the Indonesian government in its attempt of establishing absolute independence from the former colonizer, which entails an independent national economy. Indonesianisasi itself comprises of numerous elements influencing the process, which derive from the local dynamics and from international pressure. This introduces the central question of: what element is most imperative in influencing the process of Indonesianisasi for KPM in 1950-1960? The question is assessed through the three of its most significant factors, namely the economic factor, the personal consideration taken by President Sukarno, and based on the dispute between the Netherlands and Indonesia regarding the territorial claim of West New Guinea. These three factors are interrelated and have consequential impacts respectively. However, there is a notable factor that had prominently affected the course of the process, resulting in the competition between KPM and Pelni that had ended in the rapid takeover and nationalization of the Dutch assets in 1957. The Indonesian government did not establish a guideline nor a determined time limit in implementing the economic decolonization process, which raises the possibility of a more gradual approach in the elimination of Dutch economic dominance within the nation. The approach chosen by the Indonesian government brings into question whether Indonesianisasi was enforced accordingly to its true objectives based on state interest, or

whether certain forces have impacts that have drawn the implementation based on the interests of certain groups or individuals.

Subsequent to acquiring its political independence, Indonesia realized the importance of attaining social and economic independence and in departing from the established colonial framework. The construction of a national system became the focal point of political leaders during this period, and it was evident that the process of Indonesianisasi was inevitable for building a national economic system. Through assessing the economic element of Indonesianisasi, further dimensions of economic decolonization are unveiled, including its social and racial components. The Indonesian government carried out several attempts in overcoming racial challenges that have been embedded within the colonial minds, which became especially difficult when these perceptions had become a hinderance for Indonesian personnel from attaining higher ranking positions in a place of work. Issuance of policies governing programs to reserve imports to indigenous Indonesians were implemented and agreements were concluded with the Dutch in regulating the internal structure of companies. A minimum quota for Indonesian workers were implemented companies are encouraged to provide training programs for indigenous Indonesians to acquire the required knowledge in filling the role of a high-ranking position in the company. However, these efforts were proven to be ineffective as they were met with reluctance by the Dutch. In building its national economy, Indonesian leaders realized the necessity of cooperation, as Indonesia was still heavily dependent on the technology, capital, and management of the Dutch. Indonesia successfully introduced a model of joint venture with the KLM, comprising of the much-required training program and assistance before the Indonesian government acquires its full share. The proposal of a similar model of cooperation was presented to the KPM as a targeted company for its dominance in interisland shipping company, however the KPM was opposed to the idea and responded with reluctance. This led the Indonesian government to opt for competition rather than cooperation through establishing the state-owned inter-island transport company, Pelni. Despite of the support by the Indonesian government in providing capital and in the issuance of regulations to protect Pelni, the newly established company was still unsuccessful in filling the role of KPM. These efforts only emphasized on the Indonesian government's failure in managing its own economy, hence the complete Indonesianisasi of Dutch enterprises that was done rapidly and without adequate planning, which resulted in the downfall of the Indonesian economy. Supposedly the economic interest of the nation was the sole intent behind the process of economic

decolonization, to avoid the dreadful consequence, Indonesianisasi would have been carried out in a more well planned and gradual manner.

The force that had impacted the process of Indonesianisasi was more inclined to derive internally. This was more likely especially with the internal political dynamics in the period where Indonesia was formulating its state system. Sukarno was the appointed president from Indonesia's declaration of independence in 1945 and had become the most influential force that constructed and shaped postcolonial Indonesia. During Sukarno's struggle carrying out a nationalist movement, he was seen as a figure that presented threat to the Dutch. With the rise of the movement, Sukarno was imprisoned twice and was sent for a total of more than eight years in exile. This had fueled his resentment against the former colonial power, which further emboldened his conviction in uniting the nation against the Dutch accordingly the principles he laid down in the foundation of Pancasila. With Indonesia's first national election in 1955, Sukarno had an advantage coming from a Javanese background, and with the popularity of his movement among the people, this placed him on the lead. Sukarno knew he had to maintain his position in the lead, and therefore developed a strategy in acquiring recognition from the domestic sphere, that are also in line based on his own interests in countering the system of federalism and in overcoming the Dutch dominance within the nation. Amid the same period, Sukarno initiated the historic Bandung Conference. The conference became an important landmark for postcolonial solidarity as a gathering of African and Asian nations during a time when revolutionary changes were taking place. Values on self-determination, racial discrimination, and sovereignty were highlighted to resist imperialism in all forms. This attracted attention from the international community, where Sukarno became the focal point of the conference. Sukarno was aware of the recognitions he received, that inspired him to take further action in implementing domestic and foreign policies that are in line with the values discussed during the conference.

In the construction of a national system, one of the major political issues that had become an obstacle and affected the direction of Indonesia's relation with the Netherlands was the impact of the Dutch-Indonesian West New Guinea dispute. The dispute was of a high importance as it touched critical matters regarding sovereignty, federalism, and democracy. During the negotiation on the transfer of territory, Indonesia had assumed the territory based on the boundaries of the former Dutch East Indies as proclaimed during Indonesia's declaration of independence in 1945, however this was countered by the claims by the Netherlands on their long historical relation with

the sultanate of Tidore and in providing guidance for the population of West New Guinea until they have the capacity to exercise their right of self-determination, especially with its conspicuous difference with the rest of the Indonesian population. This dispute was believed to have derived from far deeper roots, as the New Guinea, that was also known as the ‘stepchild’ of the Indie only became an object of dispute after Indonesia’s independence. Sukarno was rather alleged to have taken interest in the West New Guinea claim to divert attention from Indonesia’s internal dynamics at the time. Based on the function over the area in question prior to the Indonesian independence and due to the bargaining positions between the two states, the persistence of claimant over the territory may be based on the attempts of the two nations in asserting power: with one maintaining *de facto* authority over the territory indicating its continuing significance in Asia, while the other claiming the territory based on their independence as a sovereign nation and upholding the principles set forth in the nation’s foundation, as well as in attaining the points proclaimed by Sukarno in his speech on Indonesia’s declaration of independence.

Economic decolonization was a necessary process taken by Indonesia in building its newly independent nation, detaching itself from the existing colonial framework. There were many elements that had influenced the process. However, the approach of implementation of Indonesianisasi, that was done rapidly with lacking concrete calculation, was not due to external forces alone, as they do not have the capacity to influence the process to a great extent. With the backdrop of external conflicts, if Indonesia’s economy was the sole focus of the process, the government would have remained in implementing the system of cooperation that would gradually develop into the Indonesianisasi of enterprises within the nation. The force that had impacted the process to this degree had rather derived internally. Sukarno, as the leader of the emerging nation, formulated a strategy in asserting his power and in obtaining recognition both from the domestic and international sphere. Subsequent of Indonesia’s declaration of independence that Sukarno proclaimed, foreign enterprises continued dominating the archipelago. With the KPM, a mammoth shipping company, holding virtual monopoly of interisland shipping, Sukarno recognized its role and significance in the development of the archipelago, and thus realized that for the nation to have absolute independence, the role of KPM had to be managed by Indonesia. During the time of Indonesia’s transitional period, internal conflicts proceeding the national election, the attention Indonesia received from the success of the Bandung Conference, and the decline of Indonesia’s relationship with the Netherlands, accumulatively, emboldened Sukarno’s strategy in

implementing Indonesianisasi, with the KPM being its main target, as the company symbolized Dutch economic dominance.

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