

From A Colonial to A National Company: The Nationalization of Western Private Plantation in Indonesia

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Abstract

This paper discusses the nationalization of Dutch-owned enterprises in post-colonial Indonesia in a process termed Indonesianisasi. It looks at the legal framework necessary for the transfer of assets. It also looks into the process of nationalization in some companies and the regulations created in order to create a semblance of due process.

Keywords:
nationalization;
foreign-owned
companies;
Indonesianisasi

Abstrak

Artikel ini membahas nasionalisasi perusahaan-perusahaan milik Belanda di Indonesia pada masa pasca-merdeka dalam sebuah proses yang sering disebut sebagai Indonesianisasi. Artikel ini melihat kerangka hukum yang dibangun dalam proses transfer aset tersebut. Artikel juga melihat bagaimana proses nasionalisasi berlangsung pada beberapa perusahaan serta aturan-aturan yang diciptakan untuk menciptakan proses hukum yang tampak sah.

Kata kunci:
nasionalisasi;
perusahaan
asing;
Indonesianisasi

Introduction

Plantation companies in Indonesia developed long before Indonesia declared its independence. In the Dutch colonial era, plantation became the main economic sector since VOC era. VOC or Dutch East India Company came to Indonesia and cooperated with the local authorities to develop the spice plantations in the Mollucas and the sugar cane plantation in Java in the seventeenth centuries. The colonial government developed an industrial plantation sector since the Cultuurstelsel (1830-1870) in the form of sugar cane and tobacco plantations and as an economic base of production. After the ending of the Cultuurstelsel, the sector was transferred to western-private groups both in Java and Sumatera (1870-1942) (Wasino, 2013).

After independence, the government nationalized and managed the plantation industries. Nationalization took place through political, legal and economic processes. The legal process was aimed at the transfer of the industrial ownership from colonial to Indonesian hands in line with the political process to fight Dutch colonization through confrontation and diplomacy. In the economic process, nationalization was interpreted as a transition from colonial economy to national economy. On the other hand, according to the legal process, nationalization was based on the rule of law at national and international levels.

Currently, Indonesia's nationalized industrial plantation sector is managed by the Nusantara Plantation Company (*Perusahaan Tanaman Perkebunan Nusantara* or PTPN). The company is a state-owned enterprise under the supervision the Ministry of State Owned Enterprise.

Nationalization

The embryo of nationalization was "Indonesianization". It began as a political process with the implication in economic and legal processes. This idea was developed decades before the proclamation of independence. It is reflected in the political programs of Perhimpunan Indonesia (one of the founders is Mohammad Hatta who became Vice President), and speeches of Suarno, for instance in *Indonesia Menggugat*. This process started to be implemented during the Japanese occupation (1942-1945) and became stronger during the revolutionary years.

After independence, the interests of the freedom fighters to develop the national economy became stronger. One of the important aspects was Indonesianization of assets belonging to foreigners, especially Dutch citizens. John Sutter said that there were six forms of Indonesianization: (1) establishment of new companies in the sectors that were previously closed for Indonesian people, (2) asset transfer that previously belongs to the private colonial companies to Indonesia government, (3) establishment of state-owned enterprises, (4) the increasing of government control

towards business belong to foreigners, (5) the increasing of Indonesian people participation in the management of foreign companies, and (6) an ownership transition from foreign companies to Indonesia government, (7) the transfer of the private-foreign companies to Indonesia and organizations in Indonesia, (8) the increasing of equity ownership of Indonesian people in companies established by foreigners, (9) the return of land tenure for Indonesian people by foreign companies (Lindblad, 2008: 2-4; Sutter, 1959).

Nationalization refers to the elimination of Dutch control and the fundamental economic reorientation of Indonesia during the years immediately after the recognition of Indonesia's independence in 1949. Nationalization was interpreted as a replacement of Dutch employees and managers to Indonesian in the bureaucracy and the private companies during nationalization assets of Dutch business on 1 December 1957. Nationalization created broad structural change (Lindblad, 2011: 6).

Nationalization has a quite specific legal meaning. This concept is different from similar concepts such as "confiscation, intervening, and disenfranchisement" and is often misunderstood. Grades argued that nationalization is a rule to accept (*dwingt te gedogen*) the rights of something or some kinds of thing which belong to someone or group swift to state. Based on the argument, S. Gautama said that nationalization is a way of transfer of right from private ownership to state ownership by force. Therefore, nationalization is a "species" of disenfranchisement (*ontgeining*) (Gautama, 1975: 6).

Ontgeining appeared first in the Temporary Constitution. Article 27 of the constitution stated that the revocation of rights for public interest was not allowed, except by indemnifying based on a constitution. Thus, the word "indemnify" had opened a gap for a process the permissibility of "the revocation of rights" which became a legal basis for the publication of nationalization law

Another *ontgeining* concept which was closed with the revocation of rights was "confiscation". There was a similarity with *ontgeining* concept, that is both of them dealt with "the revocation of rights", but the confiscation was without compensation. This process was a nationalization process as if it occurred in Mexico 1940 (Gautama, 1975: 7).

Nationalization Process

The birth of new post-colonial government brought changes in the colonial asset management. The colonial economic assets were transferred to the national asset by colonial freedom fighters. The process of asset transfer occurred in two ways, namely the switch of the institution from Dutch to Indonesia government and nationalization (Sutter, 1959:1). The institutional transfer usually occurred in the government institution that is from the

Dutch East Indies to Indonesian government. Meanwhile, nationalization was intended to non-government assets, both belonged to private-foreigner and Dutch state-owned enterprise. The process of institutional transfer took place sometime after Indonesia had declared its independence. On the other hand, the nationalization occurred in the process later and reached its peak in 1957 (Dick, 1999: 14).

All of the nationalization was initiated from the people, especially those related to political parties. Indonesian Communist Party (ICP/PKI) was a political party which was able to mobilize many supporters to take over those foreign assets. The nationalization drive became stronger after the Dutch-Indonesian Round Table Conference (*Konferensi Meja Bundar*) (Kanumoyoso, 2001:9). One of the clauses from the Dutch-Indonesian Round Table Conference was the return of West Irian (now Papua) into Indonesia. However, there was an impression that the Dutch government was not serious to realize the result of the conference. As a result of this, many people were angry and it strengthened the sentiment to fight the Dutch. The sentiment grew wider and in the form of anti-Dutch ownership. There were unilateral actions for asset transfer of Dutch companies. In the face chaos, the Indonesian government was nationalized assets of foreign companies, especially Dutch. The execution of nationalization team was armed forces (TNI), especially the army (Hariyono, 127). After 1957, many Dutch companies were transferred into Indonesian ownership. Most State-Owned Companies have its origin in the nationalization.

Indonesia government legalized the nationalization based on the Law no. 86 in 1958 about the nationalization of Dutch-owned companies. In the first article explained that Dutch companies located in Indonesia would be set with the government rules and be subject and be avowed becoming full and free ownership for Indonesia. Nationalization was the responsibility of Indonesian government and was aimed for the benefit of the state in order to develop the national economy and finally would benefit for the Indonesian people. Therefore, the main purpose of the Indonesian government was to strengthen the national economic potential of Indonesia. It was also to liquidate the colonial economy (Lindblad, 2008: 105). The nationalized companies were basically all of the Dutch companies located in Indonesia, either it was the center or branches (general explanation).

As implementation of Law no. 86, Government Regulation No. 2 was published in 1959. It stated that the companies belong to Dutch ownership subject to nationalization were: *First*, a company which all or partly belonged to individual citizen of Dutch and was located in Indonesia; *Second*, a company belonged to a legal entity that all or parts of the capital came from individual Dutch citizen and the legal entity was located in Indonesia; *Third*, a company located in Indonesia and belonged to a legal entity in the

Dutch State area. On the other hand, the nationalized companies included the entire wealth and property reserves, rights and bills. Meanwhile, it was not explained whether those rights had to be located inside Indonesia (Perpu no. 2/1959).

Nationalization of Plantation Companies

Political tensions between Indonesia and the Netherland in 1957 resulted in the nationalization of Dutch assets, including plantation companies. Nationalization was characterized by transfer and takeover of assets belonging to those plantation companies. Among those companies, the most dominant were sugarcane plantation and sugar mills which were mostly located in Java.

The nationalization of sugarcane plantation and its sugar mills was considered important by the Indonesian people because sugar was a significant economic asset. In the period before economic crisis (1930), the sugar industries in Java represented three-quarter of overall Javanese exports and contributed a quarter of all income of the Dutch East Indies government (Djoko Suryo, 2004: 2).

In the first article of the Nationalization Law state that “The Dutch Companies located in Indonesia would be set with The Government Rules that it was subject to nationalization and was avowed becoming full and free ownership for Indonesia”. The companies would get compensation as determined by the committee and fixed by the government (article 2).

Implementation of the nationalization law was stated in the government regulation no 4/1959 and no 19/1959. The Government regulation no. 4 /1959 regulated nationalized tobacco plantation companies. The Government Rules no. 19/1959 regulated general plantation companies belonging subjected to nationalization.

The Government regulation No. 4/1959 and The Government Rules no 19/1959 also regulated plantation companies belonging to N.V. Vereenigde Deli Mij. According to those government rules, 38 tobacco plantation companies had been nationalized in Sumatra and Java. Most were companies located in East Sumatra. Those companies include “Bandar Klippa” tobacco plantation company in Deli/Serdang, “Kwala becomes” tobacco plantation company in Langkat, “Bangak” in Boyolali, “Adiong” in Jember, etc.

The government regulation No. 19/1959 regulated plantation companies outside tobacco plantation. This regulation not only mentioned about the nationalized plantation companies but also that those Dutch plantation companies had been nationalized. Details of those farming and plantation companies were governed in the Government regulation No. 31/1959. This rule was an explanation in the Supplement to Statute No.

1764 and it was published in the Indonesia State Gazette No. 31, 1959. On the attachment of those government rules, 204 administration offices of plantation companies had been nationalized.

The nationalized plantation companies experienced many problems. For example, the nationalization of sugar mills caused the beginning of the collapse of the Javanese sugar industry. The sugar industries were under the control of PPRI (Perusahaan Perkebunan Republik Indonesia, Indonesia Plantation Companies) and later to PTP (Perusahaan Terbatas Perkebunan= The Limited Plantation Companies). Foreigners who previously held important positions in the plantation companies resigned from Indonesia, even though knowledge transfers from foreigners to Indonesian had not run perfectly. Much Indonesian who previously were only low-level employees in the plantation companies were promoted to top leader, a plantation foreman (Indonesia: *sinder tanam*) were promoted to management. In addition, the rupture of international trade network was also significant (Padmo, 2004: 11-12).

Closing

Indonesian independence required not only political freedom but also economic freedom. One means to achieve that was through the nationalization of the Dutch plantation sector by the government. Nationalization initially was a political process transformed into a legal and economic process. The political process was related to the West Irian issue, the legislation of legislation and the economic process was the independent management of plantation assets previously belonging to Dutch people.

Indonesian were proud of the nationalization of Dutch-owned companies, but caused legal problems between the previous owners and Indonesian people, especially on the control and ownership of lands. Nationalization obligated the Indonesia government to give compensation to the owners of Dutch plantation companies, which was settled only in 2002. Conflicts about the control and ownership of lands among the plantation remained ongoing producing horizontal conflicts. A historical approach is required to overcome reconciliation or law process in court.

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