THE NETHERLANDS INDIES DURING THE DEPRESSION

A BRIEF ECONOMIC SURVEY

BY

PROF. Dr. A. NEYTZELL DE WILDE
AND J. TH. MOLL

ASSISTED BY A. J. GOOSZEN

Prepared for the sixth conference of the Institute of Pacific Relations held in California 1936. Netherlands and Netherlands Indies papers nr. 2

NATIONAL COUNCIL
FOR THE NETHERLANDS AND THE NETHERLANDS INDIES OF THE INSTITUTE OF PACIFIC RELATIONS

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PERPUSTAKAAN NASIONAL
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PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

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PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

INTRODUCTION

The Netherlands Indies have always been and are to this day, first and foremost, an agricultural country. Nature has blessed these islands with an abundant fertility and besides they possess a considerable wealth of minerals. On the other hand these regions share the natural fate of most tropical countries in that they have always been decidedly poor in movable capital. These facts explain why in these last 70 or 80 years the ever increasing demand, all over the world, for the products of tropical agriculture and for minerals, should have caused both Dutch and foreign investors to avail themselves of the opportunities offered by the Indian Archipelago.

In foregoing periods the Netherlands Indies had not been of prominent importance to the world at large, except to Holland as the mother country of this great colony. In these last three quarters of a century, however, its international and cosmopolitan importance started and continued to grow steadily by rapid stages.

This natural course of events has to a great extent been stimulated by the opening of the Suez Canal and by the improvement, generally, in communications which, by the mere capacity and volume of modern shipping, enabled trade not to limit itself to costly articles of small volume, but to deal as well with lower priced goods requiring large tonnage.

It is doubtful whether the Netherlands Indies should have been able to make the most of the opportunities offered by the growth of modern world trade, if the mother country had failed to shape her policy in accordance with the requirements of the times.

Holland, however, was wide awake to the trend of history and adopted for her tropical dependencies an economic policy virtually amounting to an equal opportunity for all who desired to take part in the development of the natural resources of her colonies. It should be borne in mind that this course was decided upon long before the phrase of the

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

"open door" came into general use. The process of progressive development in the Dutch East Indies has been well under way since the seventies of last century. This paper has for its subject the effects of the present world-wide depression on this process in the economic field.

Now, for those who are not familiar with the geography and the recent history of oversea Holland, it is useful to recall the favorable position of the Netherlands Indies as a treshold land, a border region between the Indian and Pacific Oceans and as a bridge between Southern Asia and Australia. The country lies open to trade from all directions. Out of the vast area of the Indian Archipelago, the island of Java has been of old the most important in both cultural and economic respects. Although by no means the biggest island of the Indies, its population of 41 millions[1]) outnumbers by far the total of the inhabitants of Sumatra, Borneo, Celebes, New Guinea, Timor, Flores, Sumbawa, Lombok, Bali and the other islands together, viz. 18 millions.[1]) It is customary to speak of the "Outer Provinces" as distinguished from Java.

Moreover, it is worth mentioning that, in accordance with the general policy of an "open door" indicated above, these Outer Provinces were given towards the end of last century much more attention than they had received in earlier periods. It was the famous general J. B. van Heutsz who inaugurated an efficacious policy in opening up these vast, rich regions, in order to link up their economy to that of the country as a whole and to make them available as an outlet, in future, for the overflow of Java's population. This great man crowned his career by holding the office of Governor General of the Netherlands Indies from 1904 till the end of 1909 and by then his far sighted ideals had been practically realized.

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[1]) The figures given are those for the *native* population by the last census, held in 1930. The population having constantly augmented — the total about 1800 has been estimated at 5.000.000 — there is every reason to assume that at the present moment it stands well over the number indicated.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

However, only a few years later when, as we might say, the Indian Archipelago had just been effectively welded into an administrative and economic unity awaiting the prosperity, the progress and the cultural development for which it was then in every respect physically and mentally prepared, the European war broke out, causing deep and vital changes in the course of events everywhere. As in many other parts of the world, this great upheaval with its direct and indirect consequences has in the Dutch East Indies precipitated many and various developments and frustrated as many others in different fields.

During the war and after it, the demand for such products as the Indies used to supply — or were able to supply — became unusually urgent, and no opportunities were missed to adapt production to increased demand. The enterprizes which at this juncture in the Netherlands Indies were either enlarged or established in order to meet the inflated requirements of the world's markets, were mostly Dutch and partly foreign. On all sides considerable investments were made on the faulty assumption that the post-war famine for goods and the post-war high prices were a lasting feature of the new period which had begun. The character of this mistake — made by governments as well as business leaders and other sections of the communities — was remarkably universal, covering widely varying fields of human activity in all sorts of countries in every section of the globe. It may be attributed to the high pitch to which life was tuned after the war and may be regarded as a reaction to the tensions of the war period. Very few countries escaped the illusions of these high strung years and fewer still escaped the calamities which were sure to follow: the Netherlands Indies were not amongst these few.

This paper will, of course, not enlarge upon might have been's nor upon suppositions as to what course events would have taken but for the European war and its world-wide effects. It will content itself with outlining a brief survey of the Netherlands' dependencies in the East during the depression which followed the war at a distance of some

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

eleven years; it will be further narrowed down to the economic aspects of the depression, leaving out, therefore, the cultural and political phenomena and effects which a crisis of the present one's vehemence, intensity and duration must necessarily entail, especially in a tropical community which was overcome by it during a comparatively short, though very lively period of ascendancy in every respect. We are well aware of a certain onesidedness and, therefore, incompleteness in the picture presented in the following pages, but at the same time we are convinced that — given the substratum of the Netherlands Indian world as an agricultural community of a simple and even primitive nature — this way of approaching the subject may be enlightening all the same.

The facts of the situation are such that, for any rise of the population *above* the level of a simple, self-contained agricultural community, the Netherlands Indies can procure the means only by selling its products to the outside world, and is, therefore, to a very great extent dependent upon the willingness and capacity of the world at large to buy and pay for these products.

There is no running away from these facts; they must be coped with. Moreover, we must accept the hard truth that the majority of recent phenomena tend to prove that their character is not that of a "crisis", from which a quick recovery seems always possible; many of the changes wrought by the depression have come to stay and must be dealt with accordingly, which is an entirely different proposition.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

The End of the Post War Boom.

The level to which the Netherlands Indies had risen, economically, by the end of the short lived post war boom, may be gauged to some extent by recalling its share in the world's exports during the years 1928/1929, of ten agricultural articles constituting a suitable example.

The percentage, in weight, of the Netherlands Indies' exports, compared with the world's exports:

Article	1928	1929
Agave (sisal) . . .	19 %	22 %
Chincona	93 %	94 %
Coffee	8 %	6 %
Coprah	30 %	29 %
Kapoc	79 %	73 %
Palmoil	4 %	14 %
Pepper	70 %	69 %
Rubber	35 %	30 %
Sugar	11 %	11 %
Tea	17 %	17 %

Out of this list agave (sisal), chincona, palmoil and sugar are grown on "estates"; coprah, kapoc and pepper are native grown produce; coffee, rubber and tea are partly native grown. We shall revert later on to the shares of native produce and estate grown produce respectively. It may now suffice to state that the great majority of the articles exported are produced on *estates* owned by European companies and run by Europeans; mining also is carried on under European management.

With these facts in view the table printed above is well suited to cause the reader to reflect upon the amount of capital which had to be actually invested in order to make such a level of the country's production possible and upon the amount of mental, administrative and manual labour,

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

transport organization, etc., necessary to obtain these results. The scope of this paper does not permit an enlargement on these points, nor on the development of the facilities of a secondary or accompanying nature, required by this apparatus in the way of banking, insurance and various government services. One of the side issues, however, is too remarkable not to be mentioned here.

Areas like the East Coast of Sumatra and other regions in this island contributed largely to the export crops but their original populations were totally inadequate both in numbers and inclinations to work the estates; therefore these areas had to import their labour from elsewhere. At the end of 1929 — the top year — about 400.000 Javanese were employed in agricultural enterprizes in the province called East Coast of Sumatra. Besides, the estates there employed some 70.000 Chinese labourers.

But even if we disregard a special — though striking — case like the labour migration to Sumatra and other regions, but merely think of the wages earned in general, it stands to reason that the benefits accruing to the native population from European activities in agricultural and other fields were very substantial indeed.

We shall see later on in this paper how, as a result of the depression, these benefits to the population shrank and dwindled, whereas the losses in capital which were involved in the process have as a matter of course to be borne by the investors who do not belong to the native community but are to be found in the mother country and elsewhere overseas.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

II. THE DEPRESSION AND THE MOVEMENT OF PRICES

It was not the Netherlands and the Indies alone, that had been responsible for the causes which, in the years preceding and immediately following the war, had linked the colony up to the economy of the world. What they had done was to rise to the occasion and to play the game; and an arduous but joyful task it was.

It is equally evident that amongst the causes to which the present world depression and the various critical stages thereof may be ascribed, there are none for which the Netherlands Indies bear any responsibility, either as a country or as a part of the Kingdom of the Netherlands. Once more the task of rising to the occasion and playing the game is an arduous one for both the Netherlands Indies and the mother country; it is only less joyful. But the history of both Holland and the Indies is full of instances and precedents, showing their ability to deal with situations as serious as the present one.

This paper will not endeavour to explain the causes of the depression but will limit itself to registering the facts and surveying the reactions in the Netherlands Indies.

From the beginning of the depression until the end of 1933, prices in the Indies show a decline which is practically continuous for both exports and imports. The indices for the earlier years of the depression, including 1931, showed moreover, the great disadvantage of a heavier fall for exports than for imports. This feature disappeared in 1932, when we see the prices of import commodities falling more than prices of exports: this meant a recovery in the basis on which the country could exchange goods, although it was merely an improvement of a negative kind. In 1932 the index for exports declined by 14 %, that for imports by 17 %.

In 1933 the improvement in this respect continued and even assumed a positive character; the index for exports rose

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

by 3 %, whereas imports continued to fall by a further 10 %. In 1934 we see the same trend: the exports index rising by 3 % as against imports declining by another 3 %.

Throughout the years of the depression a favourable balance of trade has been maintained which, however, has not continuously been sufficient to cover the amounts due for capital service and various other services. This is a very important fact which must be constantly borne in mind, because — as we have shown already — the economy of the Indies has been built largely on imported capital. The figures of the balance of exports over imports, although considerable, have constantly shrunk from the beginning of the depression until the end of 1933; in 1934 they show, for the first time again, an increase over the preceding year.

In the development of the depression one feature deserves special attention, viz. the substitution to a certain extent of home production for imports, especially foodstuffs, cement, beer, cigarettes and, on a smaller scale, textiles, paints, soap, etc. We shall revert to this later on.

As far as the native community is concerned conditions seem to be approaching of late a certain stability, albeit on a much lower level. This is borne out by the figures published by different government services, especially by the returns of the government Monopoly of Pawnshops and the government Service of Popular Credit; both show a slight improvement in the position of old debts. This improvement may in part be ascribed to the effects of special legislation introduced by the government with a view to stabilizing prices, which will be reviewed presently.

It appears that the country must, of necessity, look forward to fixing its basis of future stability on a very much lower level, and it stands to reason that the process of adapting the economy of the community as a whole to this reduced level should have caused a considerable and still increasing unemployment. The making of provisions for the unemployed has been left to private societies and committees assisted by a system of subsidies from public funds. A government dole is unknown in the Netherlands Indies.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

With regard to the employment of native labour in the Outer Provinces the following figures concerning the East Coast of Sumatra may be of interest. In the agricultural area of this province, where in the top period (1929) some 400.000 natives from Java found work, their number had fallen, in January 1933, to 175.600 and by January 1934 to 164.700. In April 1934 the figure had risen to 173.800, then declined again and kept fairly constant at about 167.500 during the second half of 1934.

On the other hand we notice, during the depression, a marked increase in the number of people who emigrate not as wage earning labourers, but as peasants on free-hold land put at their disposal by the authorities. This trend of family-wise migration moves away from Java — which is very densely populated indeed; in fact over-populated[1]). So far the stream has been directed principally to various parts of Sumatra. In the Southern parts of this island there is still room for an overflow of population from elsewhere. This natural and historically well known migratory movement has, of course, for many years been encouraged and even helped by the government in every respect. The stream of emigrant families requires thorough organization. It is expected to grow considerably in the near future and will certainly be directed also to other islands of the Archipelago, in order to alleviate the economic pressure to which the population of Java is now exposed by the combined effects of its growing numbers and the general depression.

Wherever the native population is living in closer contact with the sphere of European activities, the effects of the depression are felt most. In these regions the people had, over and above the proceeds of native agriculture, grown accustomed during the foregoing period to important sources of income from the seasonal leasing of land to sugar-estates, from wages, and from supplying various necessities, services, etc. Most of these sources were seriously affected, especially in the sugar cane areas in Java. In other regions

[1]) The density of population in Java is 818 to the square mile.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

where the population is living principally by the cultivation of foodstuffs for home consumption instead of produce for the export market, the effects of the depression are more indirect in character and, therefore, much less noticeable.

On the whole the native population has already gone very far in adapting itself to the altered circumstances and the lowered economic level. What with proceeds of native produce declining and sugar estates in Java abstaining to a considerable extent from renting land for seasonal cultivation, the acreage under native foodstuffs was greatly increased and home production in this line could already in 1932 take the place of part of the supplies which used to be imported until then. In 1933 and 1934 as many or more acres of land could not be planted with sugar cane or export produce in the customary rotation of crops and were, naturally, devoted to various food crops. The cultivation of eatables on which the population was falling back for reasons not of preference or gain, but of safety, had always been a very important item in their economy and now became of paramount importance once more. This explains why, on the whole, the Netherlands Indies have been and remained very well supplied with food throughout the depression.

The Central Bureau of Statistics at Batavia gives the following prices for the principal native foodstuffs, quoted *in guilders per picul:*

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Prices of Principal Native Foodstuffs
In Guilders per Picul [1]).

Yearly average	Rice (in the ear)	Rice (ready for consumption)	Maize	Soybeans (white)	Tapioca	Batatas
1929	4.90	10.81	5.13	10.07	1.45	1.55
1930	4.39	10.15	4.30	9.28	1.66	1.73
1931	2.83	6.82	2.50	6.70	0.79	0.93
1932	2.11	5.07	2.06	5.20	0.51	0.63
1933	1.62	3.92	1.61	4.35	0.47	0.56
1934	1.71	3.98	1.95	4.06	0.53	0.57
1935 monthly average						
January	2.12	4.52	2.04	4.03	0.75	0.71
February	2.19	4.55	2.02	4.05	0.78	0.73
March	2.06	4.45	2.05	4.04	0.78	0.71
April	1.75	4.07	2.05	4.08	0.75	0.71
May	1.59	3.89	2.01	4.07	0.73	0.71
June	1.59	3.86	1.96	4.07	0.67	0.70
July	1.60	3.86	1.86	3.98	0.63	0.64
August	1.65	3.88	1.88	3.69	0.65	0.65
September	1.71	3.93	1.93	3.73	0.64	0.66
October	1.90	4.10	2.11	3.79	0.67	0.67
November	1.92	4.18	2.15	3.88	0.71	0.68
December	1.93	4.17	2.07	3.88	0.67	0.65

[1]) 1 picul = 61,76 K.G. or 136,335 lbs.

For the year 1935 we have inserted the figures for monthly average in which, of course, also seasonal movements are reflected.

As far as *rice*, *maize* and *soy beans* are concerned the above mentioned prices are not the result of the free play of supply and demand. They have been influenced either by legislation or by some other form of government action.

Now, before we proceed to briefly comment on the movements of the prices of these foodstuffs, we must stress one feature of all legislation so far enacted with a view to special measures necessitated by the depression, and that is that all

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

such enactments have, as a matter of principle, been drafted on a *temporary* basis and on the understanding that they shall be withdrawn as soon as circumstances permit. Therefore, whenever a regulation of this nature has been in force for the period fixed at the time of its promulgation, it necessarily comes up again in the "Volksraad" [1]) for either abolition or extension of its validity. This procedure is by its nature very suitable indeed as a means of constantly keeping the whole structure of these emergency regulations abreast of the times and in accordance with the special requirements which they are meant to meet and which, under the rapidly changing circumstances, may greatly vary from time to time.

Reverting to the prices of the principal vegetable foodstuffs, and to rice in the first place, it must be stated that the money-income of the native cultivators was so seriously affected by the slump in the world markets for rice — caused by an oversupply from foreign sources — that the Government of the Netherlands Indies thought it necessary to prohibit temporarily the imports of rice as from March 1933. This provisional enactment was superseded in July of the same year by regulations under which the import of rice from foreign countries was subjected to a government license. At the same time the trade and transport of rice, grown in Java and in special sections of the Outer Provinces, to such regions as were in the habit of importing cheap foreign rice, were actually encouraged.

The increase in the supply of home grown rice was due, as far as Java is concerned, to the fact that the crops of sugar cane and of various kinds of export produce were considerably restricted, either as a result of government legislation or of the cultivators' free will. Acreage, production therefrom, and imports are summarized as follows:

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[1]) Literally: the "People's Council", which is the Legislative Assembly in the Netherlands Indies.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Rice.

Year	Acreage harvested in Java in thousands of Hectares *)	Java production; in thousands of metric tons	Imports into Java; in thousands of metric tons	Total in thousands of metric tons
1928	3.423	3.245	346	3.591
1933	3.778	2.776	106	3.872
1934	3.730	3.543	62	3.605

*) One Hectare is equal to 2.4709 acres or 1 acre = 0.4047 Hectare.

The reader will be struck by the fact that notwithstanding the continuous increase of the population the consumption of rice (home production plus imports) shows a decline in 1934 after 1933. The explanation lies in a change of diet, hardly perceptible in some districts, but very marked in other regions where the inhabitants content themselves with cheaper food than rice for their principal dish.

Two more articles of native food were made the object of government regulation, viz. maize and soy beans. Regarding a surplus production of maize which the Indies found it difficult to dispose of, the Central Bureau for Cereals[1]) in Holland declared its willingness to buy a certain quantity for consumption in the mother country in order to relieve the pressure exercised by this stock on the market price. In exchange for this undertaking the Colony was prepared to buy certain lots of cambrics which were causing a glut in the market at home. The Indian maize which was to be purchased by the home country under this scheme would, of course, have taken the place of a similar quantity which otherwise would have been imported from elsewhere. This arrangement having been concluded, the necessity of operating it did not present itself, because the market had recovered in the meantime so that the maize could be sold in the East. Nevertheless, it is useful to mention

[1]) An institution under government supervision dealing with various problems which arose from the depression in Holland, in connection with cereals.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

not be calculated. The values which found their way into the melting pot and were then exported are mentioned in the Returns of the Central Bureau of Statistics, Batavia, as follows:

Treasure Exported from the Netherlands Indies

1 = one million Guilders

1931	f 32.
1932	„ 39.
1933	„ 31.
1934	„ 23.
1935	„ 19.

However serious the feature of hoarded reserves being liquidated and of declining currency figures may be, two facts ought to be kept in mind. The first is that all the existing denominations of coins were affected fairly equally, except the smallest coin, the half cent. An increased demand for half cents has been noticed and partly satisfied. The inference is that, at the lower price level, the need for a low value medium of exchange was accentuated. The idea of introducing a new coin smaller than the half cent has been suggested more than once, but no action to this effect has been taken so far.

The second fact is that even in preceding periods the economic life of the native population pivoted on "money" only to a limited extent. Payments in kind, barter of goods and necessities, and exchange of services had, in an endless variety of ways, held their own in village economy and in all phases of native life generally. Therefore, when the economy of the country assumed a downward trend; when the settlement of money obligations and the purchase of necessities became more difficult under the pressure of circumstances accompanying the depression, it is only natural that the interchange of values amongst natives should resume to a great extent the old, time-honoured ways of settlement on mutual terms without recurrence to "money" as a medium. Even in pre-depression times the economic life amongst the rural popu-

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

lation went its course without the medium of "money" to a very considerable percentage of the total turnover of values. Viewing various regions one by one, very high percentages will be met with, especially in these last years.

This important feature of native economy in the Netherlands Indies, wholly unobtrusive and therefore overlooked by many observers, goes very far indeed in explaining the remarkable resilience and elasticity displayed by the native community all over the archipelago in accepting and coping with the effects of the depression which, in these ways, were met far over half way.

Measuring values and economic phenomena by the standards of "money" alone, without due consideration of the fundamental characteristics indicated above, would decidedly result in a distorted picture. Guilders and cents and half cents play a very important part indeed in the lives of the natives of the Indies, but they do not mean life or ruin to them to the *same* extent as they do to the natives of Holland or any other Western country. The peoples of the Indies possess in their character, habits and customs, great resources which in Western economics are lost; the nature which surrounds them, puts the first necessities of life within easier reach of them than it does in Northern regions.

Having duly stressed this point, and having thus enabled the reader to estimate the "mental discounts" which must be applied when Western statistics are brought to bear on native economics, we may proceed to quote the indices for the cost of living amongst the native and European communities as revealed by statisticians. Taking the pre-war period at par, we find the following movements reflected in the mirror of money prices (from: Economisch Weekblad, Batavia):

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

by many and various governments so as to create a state of affairs which has been aptly compared to an economic "armed peace" and even to economic "warfare".

With the greatest reluctance — which is proved by its economic history — Holland and the Netherlands Indies have accepted this state of affairs. Our table shows how unfeigned this reluctance is! The following figures have been compiled with the aid of the yearly returns published by the Central Bureau of Statistics at Batavia under the title of "The Export Crops of the Netherlands Indies".

Exports

QUANTITIES IN THOUSANDS OF METRIC TONS
VALUES IN MILLIONS OF GUILDERS

ARTICLE	1900	1910	1913	1920	1929	1930	1931	1932	1933	1934 [1]
AGAVE (Sisal)										
Value	—	—	—	9,2	20,6	22,9	12,4	8,2	8,6	5,8
Quantity	—	—	—	16,1	58,7	65,7	70.	90,6	94,9	67,7
Percentage	—	—	—	—	22.	29.	29.	27.	29,6	23,6
CASSAVE PRODUCTS										
Value	0,6	3,8	6,1	10,6	21,1	13,9	12,1	8,9	8,6	7,2
Quantity	5,9	47,8	106,9	76,7	273,8	130,4	191,8	226,1	171,8	144,7
Percentage	—	—	—	—	—	66.	72.	73.	70.	67.
CHINCONA										
Value	4,2	4,8	5,5	28,6	10,4	11,8	7,2	9,2	6,4	6,4
Quantity	5,3	7,3	8,1	4,9	10,3	11,2	6.	6,9	6,4	6,4
Percentage	—	—	—	91.	94.	93.	92.	90.	89.	90.
COFFEE										
Value	18,9	10,1	18,6	51.	67,9	25,2	23,5	35,1	25,6	22,5
Quantity	32,1	13,2	24.	61,1	80,7	60,6	68.	112,5	71,1	81.
Percentage	—	—	—	5,6	6.	4.	4.	8.	4,5	5.
COPRAH [2]										
Value	10,3	42,2	55.	92,8	97,6	73,7	48,5	42,3	38,4	16,8
Quantity	93,7	248,1	233,5	182,1	508,8	400.	367,9	507,7	503,8	421,8
Percentage	—	—	—	—	29.	27.	25.	35.	29.	24.

[1]) Partly estimated.

[2]) The figures given under this heading comprise the products of the coconut palm in general, — quantities being expressed in terms of coprah.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

ARTICLE	1900	1910	1913	1920	1929	1930	1931	1932	1933	1934[1])
KAPOC										
Value	1.	4,6	6,6	14,3	13,4	15,7	10,1	8,2	7,5	6.
Quantity	4.	9,2	10,1	12,7	17,7	20,7	21.	18,5	22,6	21,1
Percentage	—	—	—	—	73.	79.	80.	81.	82.	79.
PALM OIL[2])										
Value	—	—	—	0,1	11,2	13,6	12,1	11,8	10,7	8,7
Quantity	—	—	—	1,7	30,6	48.	61,4	85.	116,3	121,3
Percentage	—	—	—	—	14.	14.	23.	34.	35.	36.
PEPPER										
Value	4,6	9,6	10,1	13,9	48,4	39,9	19,8	16,2	13,3	15,3
Quantity	11,3	26,6	19.	19,2	28,2	32,4	31,8	35,5	44,9	48,2
Percentage	—	—	—	—	69.	75.	69.	76.	80.	80.
PETROLEUM C. A.										
Value	4,6	37,1	113,4	310,2	185,2	190,1	142,7	94,6	103,5	98,6
Quantity	99.	715.	817.	1563.	4441.	4822.	3416.	3842.	4393.	4912.
Percentage	—	—	—	—	2,4	2,7	2,4	2,7	2,7	2,8
RUBBER										
Value	—	6,9	23,7	164,4	233,4	168,6	79,8	32,6	36,8	87,9
Quantity	—	2,8	6,8	79.	262,7	244.	259.	233.	350.	385.
Percentage	—	—	—	30.	30.	29.	32.	30.	33.	37.
SUGAR										
Value	73,7	139,6	152,8	1050,1	311,6	254,3	129,3	97,7	61,1	44,8
Quantity	751,3	1205,7	1306,1	1514,6	2946,4	2807,6	1842,2	1513,7	1164,3	1103,9
Percentage	—	7,4	7,8	9,1	11.	11.	10.	10.	6.	8,5
TEA										
Value	4,2	13,6	27.	39,5	86,1	69,5	60,2	32,5	26,4	44,9
Quantity	8,8	20,1	36,7	46,3	72,5	72.	78,7	78,8	71,9	64,2
Percentage	—	—	—	15,6	17.	18.	19.	19.	19.	16.
TIN										
Value	8,2	5,9	6.	64,7	79,2	57,9	37,9	17,9	22,5	32,9
Quantity	7.	5,7	4,6	23.	41,7	41,9	34,5	18,6	16,9	23,3
Percentage	—	—	—	24.	19.	19.	20.	20.	16.	20.
TOBACCO										
Value	32,1	37,8	92,1	170,2	83,2	58,6	51.	46,8	36,3	39,3
Quantity	55,1	64,1	89,6	127,8	75,3	80,1	83,3	76,1	50,1	45,6
Percentage	—	—	—	—	—	—	—	—	—	—
TOTAL OF VALUES	(162,4)	(316.-)	(516,9)	2019,6	1269,3	1015,7	646,6	462.—	405,7	437,2

[1]) Partly estimated.

[2]) The figures given refer to palm-*oil* exclusively. Palm-*Kernels* exported by some countries (Western Africa) to be crushed elsewhere, are *not* included.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Some of the articles mentioned in this table are so closely connected with world trade and with recent international developments in the economic field as to warrant some remarks concerning their most striking features from the Netherlands Indies' point of view.

(1) *Rubber.*

In the Netherlands Indies rubber is grown partly on estates under European ownership and/or management, and partly by the natives in various parts of the Archipelago, Borneo and Sumatra being the most important sources. In most cases native holdings are small, even very small. Tapping is very often done by the family of the grower and in the ways of the time-honoured "mutual help" amongst inhabitants of the same village. In such cases labour is to a large extent paid for "in kind" and not in money. High prices induce native growers to hire coolies for tapping. Low prices make them revert to the old time methods.

Owing to the urgent demand for rubber during and right after the war, large stretches of ground had been planted by both European companies and native small holders. These plantations all took their seven years to mature, gradually came into production and continued to increase the potential and the actual output, causing exports to rise to unprecedented figures at a time when high prices had ceased to rule and consumption was on the wane.

The picture of exports mounting and prices dropping is given in the following table compiled with the aid of the Statistical Bulletin of the International Rubber Regulation Committee:

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Rubber Exports from the Netherlands Indies

Year	1 = 1000 Metric tons			PRICES		
	Estate grown rubber	Native grown rubber	Total	for standard smoked sheets in London in pence per lb. Sterling	Gold £	for standard sheets at Batavia per 1/2 kg. Guilder cents
1927	131	151	282	18 7/16	18 7/16	99
1928	141	130	271	10 23/32	10 23/32	58 1/2
1929	149	110	259	10 1/4	10 1/4	54
1930	152	91	243	5 29/32	5 29/32	30 1/2
1931	164	92	256	3 1/8	2 7/8	15
1932	150	65	215	2 11/32	1 11/16	8 1/2
1933	167	115	282	3 1/4	2 7/32	10 1/2
1934	199	186	385	6 7/32	3 27/32	19 1/4
1935	139	152	291	6	3 19/32	18 3/8

The drop in prices caused several owners to stop tapping to a certain extent. By the end of 1932 tapping had been stopped on about 84.000 Hectares (= 207.561 acres) of estate rubber, which amounted to 22 % of the area tappable in December 1931. By the end of 1933, however, prices having risen, only 57.000 Hectares (140.845 acres) were out of production.

The production of native rubber showed still more distinctly the influence of price fluctuations. After a sharp reduction in exports in 1932, tapping and exports were extended again in response to the rise in prices which began in March 1933. Our table proves that the increase of native rubber in 1933 over 1932 was as much as nearly 80 %, whereas the quantity exported of estate grown rubber increased by 11 %.

Throughout 1933 quantities exported as well as prices were influenced by the chances of success of various plans for international cooperation with regard to a restriction of exports.

The expectation of some sort of an understanding caused the price to rise slowly from 11 1/2 cts. in June 1933 to 17 3/8 cts. in April 1934. On the 7th of May 1934 a restriction

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

agreement to last until the end of 1938 was reached between Great Britain (Malaya, Brunei, North Borneo, Serawak, Burma, India and Ceylon), the Netherlands Indies, and Siam [1]). The contracting parties undertook to prevent any augmentation of the acreage under rubber. Quotas were fixed for each of the areas affected by the agreement and in these quotas allowances were made for the acreage under young rubber which would gradually reach the stage of production.

The percentage of restriction was fixed at nil for the months of June and July; at 10 % for August and September; at 20 % for October and November and at 30 % for December 1934. For 1935 the restriction amounted to 25, 30, 35 and 40 % in the 1st, 2nd, 3rd and 4th quarters. For the first half of 1936 a restriction of 40 % was agreed upon. Maintenance or revision of quotas is the result of negotiations in the International Rubber Regulation Committee which meets in London at regular intervals. The rubber restriction agreement did *not* attempt to take in hand or to influence directly the marketing of the product.

The agreement left each of the contracting parties free to adjust its production to the quantity which it was permitted to export.

As far as the Netherlands Indies are concerned this adjustment was not an easy task. The means adopted to this end consisted in a special export duty on a sliding scale basis levied on native rubber. In the case of estate grown rubber every shipment has to be covered by an export license issued by the Government, which only levies a purely fiscal duty when market prices pass a certain level.

With regard to native rubber remarkable reactions have been witnessed. These reactions vary in different regions. Wherever the population has other sources of income besides rubber, the system works to satisfaction and a rise in duty will cause a certain drop in production. In areas, however,

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[1]) French Indo China also became a party to the agreement, but on a special footing. No basic quota was fixed and no restriction was placed on her exports provided that the latter shall not exceed 30.000 long tons in any one year.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

where rubber is the principal means of livelihood, a rise in the duty, dictated by an excess over the export quota, will, at a given price level, cause a drop of the amount in money which the individual cultivator receives for his output and will, therefore, induce him to produce a bigger quantity of rubber in order to restore some sort of equilibrium in his earnings. The effect is that, in such a region, the system leads to the opposite result.

However, this side of the situation, perfectly natural in itself and therefore a remarkable proof of the artificiality of the restriction as a whole, did not come as a surprise to those who were familiar with conditions in the Indies. It does, of course, not affect the obligations undertaken by the Netherlands Indies under the agreement and it will, moreover, gradually lose its importance as other sources of income are being substituted as far as possible in such regions where the inhabitants have been too much dependant on rubber alone.

A system of "individual restriction", which from the beginning had been applied to estates, is being gradually enforced with regard to native cultivators as well. Given, however, the economic, geographic and administrative conditions in various wide areas of native cultivation, the number of the growers and the smallness of their holdings in the majority of cases, the application of individual restriction to native rubber is, naturally, a difficult and ticklish problem, the solution of which has required some time. The number of growers is estimated at somewhere between 400.000 and 500.000; so, even if individual restriction is worked through the native village regime, it will, of course, require an enormous amount of administrative work and organization.

The experience gained in the interval and the effects of the peculiar circumstances indicated above, have necessitated a revision of the Indies' original quota by the International Committee in November 1935. Some of the other countries also obtained revisions of their quotas which need not be discussed here.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

The following table of the *revised* quotas, taken from the Statistical Bulletin of the International Rubber Regulation Committee, shows the importance of these adjustments with regard to the Netherlands Indies; the figures in parenthesis represent the *original* quotas.

Basic Rubber Quotas (1 = 1000 long tons)

	1934 7 twelfths of:	*1935*	*1936*	*1937*	*1938*
Straits Settlements Malaya and Brunei	504	538	569	589	602
Netherlands Indies	352	400	500 (443)	520 (467)	540 (485)
Ceylon	77½	79	80	81	82½
India	6 17/20	12½ (8¼)	12½ (9)	12½ (9)	13 (9¼)
Burma	5 3/20	8 (6¾)	8½ (8)	9	9¼
North Borneo	12	13	14	15½	16½
Sarawak	24	28	30	31½	32
Siam	15	40 (15)	40 (15)	40 (15)	40 (15)
Total	996½	1118½ (1088)	1254 (1168)	1298½ (1217)	1335¼ (1251½)

The proportion in which estate grown rubber and native rubber were allowed to contribute to the quotas of the Netherlands Indies was, of course, fixed internally by legislation; in 1934 and 1935 they were 100 for the estates and 71½ for the native growers. The increase received as from 1936 was allotted wholly to native production, whereby the proportion indicated above changed into 100 as against about 93½ (1936) and about 91 (1937/38).

At the time of writing this problem is well on its way towards a practical solution. The Netherlands Indies have,

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

at great sacrifice of individual interests, fulfilled every obligation undertaken under the restriction agreement.

It is impossible as yet to judge the ultimate result of the measure as a whole[1]).

(2) *Tea.*

Like rubber, tea is grown in the Netherlands Indies both on European estates in Java and Sumatra and by native small holders in Java (Preanger) only. The latter do not finish their product in a marketable form but sell their "wet leaf" to European or Chinese owned "factories" which prepare this tea wholesale for export. Home consumption is an unimportant item in the Indies; of late years it has been stimulated with a certain success from both a commercial and hygienic point of view. The Netherlands Indies interests in tea are exclusively concerned with exports of "*black*" tea.

Unlike rubber, which so far has been cultivated in very few countries, tea is grown in many parts of the world. China, probably the greatest producer, has long ago ceased to lead in exports. She now takes fourth place. Her tea, chiefly manufactured into the "*green*" product, which by now principally suits Asiatic tastes and certain special requirements is still an important factor in certain markets, competing with the teas exported by India, Ceylon and the Netherlands Indies, which are the three leading areas in the export field. Japan and Formosa also go in for Asiatic markets in the first place, but they are at the same time interested in markets principally served by the three great exporting countries. Sovjet Russia, which used to be a great buyer of China tea, importing at the same time considerable quantities of black tea, is said to be well under way to become self-supporting; she expects to be so by the end of 1938. Turkey has started growing her own tea on a scale calculated to make her self-supporting within ten years. Indo China, Malaya, Kenya and Uganda, Nyassaland and Natal are

[1]) Readers who are interested in further details of this subject, may be referred to an excellent study by Dr. Cecile Rothe in Pacific Affairs Vol. VIII No. 1 of March 1935.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

growing tea for export, to a limited extent so far, but they are capable of producing more and, geographically, the African areas are favourably situated near important markets.

The acreage under tea has been considerably extended since 1919 in most of the younger producing countries and in *all* of the three great exporting countries, the greatest increase having occurred in the Netherlands Indies. Consumption did not continue to keep pace with growing exports. Under the influence of stocks accumulating, especially in London, the principal market for black tea, prices have been continuously dropping since 1927 until 1932.

In order to illustrate the developments as from 1928 we present the following table:

Tea exports

In thousands of Metric Tons				Average prices in Dutch Guilder cts. per ½ kg.
Year	*British India*	*Ceylon*	*Netherl. Indies*	
1928	163,4	107,5	69,7	75
1929	174,6	114,2	72,4	70¼
1930	164,7	109,6	72,—	59½
1931	156,5	110,8	78,7	43
1932	168,2	114,8	78,8	28¼
1933	149,2	98,1	71,9	31¾
1934	147,7	99,3	64,2	39½
1935			65,— *)	33¾

*) Estimated.

The slight decrease in exports in 1930 as compared with 1929 was the result of an attempt at voluntary restriction between certain producers in the three countries mentioned. Their agreement had aimed at a much greater restriction, but the attempt was frustrated by a drop in British Indian local demand which forced exports up, and on the other

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

hand by the fact that in the Netherlands Indies various European growers and all native producers were not parties to the agreement.

After this scheme of voluntary and "private" restriction had been dropped, owing to its ineffectiveness, prices would have been left free to find their own level but for the reintroduction of a heavy import duty on all non-Empire teas entering the United Kingdom. This measure, fitting in with the "Ottawa system", had considerable effects with regard to the tea-industry of the Netherlands Indies, where exporters had always been in the habit of marketing a considerable portion of the crops in London. The new English tariff caused Java producers and exporters to look for other channels more intently than they used to do. The London market was certainly not abandoned, but by way of compensation we witness a marked increase in direct exports to Central Europe, Russia, the Near East and the United States, which so far had been partly served by the London market, and into Australia and South Africa, which had refrained from copying the new English tariff. Moreover, costs were vigorously reduced as far as possible but, nevertheless, by the end of 1932 only 10 % of the estates in the Indies were able to carry on without losing money, whereas native growers received extremely bad prices for their "wet leaf".

Nor were the Indies the only place where the tea-culture had become a bad proposition, since, as a matter of fact, the "Imperial" tariff imposed in Britain was not able to prevent the majority of British Indian and Ceylon growers from losing money as well. Negotiations concerning an international restriction agreement were reopened and this time a scheme for a compulsory five years restriction under Government control was evolved by the interested associations of producers in British India, Ceylon and the Netherlands Indies; it was endorsed by the governments concerned, who undertook to enforce it as from April 1st, 1933 till March 31st, 1938.

Parties to the agreement were free to choose one of the years 1929, 1931 or 1932 as the base year for the fixation

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

of each one's "basic quota". The Netherlands Indies chose 1931, whereas British India and Ceylon chose 1929. Restriction percentages were, of course, made subject to revision from time to time.

China, Japan, Formosa, Indo China, Malaya and the African areas, all of which go in for exports, were not in the picture; neither are the non-exporting producers. The aggregate "outside" exports of 62.000 metric tons amount to some 14 % of the total world exports in pre-restriction times, but they comprise over 30.000 tons of "green" tea which hardly hampers the interests of the "restricted" areas. The International Tea Committee have announced that they desire to prevent the price level from being unduly raised, in order to discourage outside competition which, nevertheless, profits by the scheme as a whole. All attempts made afterwards to bring in the outsiders, have failed so far except in regard to British East Africa, which consented to a certain limitation of its *increase* in acreage but persists in its refusal to cut its exports.

The restriction-percentage has developed as follows:

April 1, 1933	—	March 31, 1934: . . .	15,- %
„ 1, 1934	—	„ 31, 1935: . . .	12,5 %
„ 1, 1935	—	„ 31, 1936: . . .	17,5 %
„ 1, 1936	—	„ 31, 1937: . . .	17,5 %

These cuts, calculated on the basic quotas, work out at much higher percentages when applied to the possible productions of individual estates in the Netherlands Indies; these were allowed to export in 1935/36 only 59,6 % and in 1936/37 56,7 % of their potential output, which shows the seriousness of the situation, with regard to both increase of stocks, outside competition and decline of consumption in existing markets.

Under these circumstances it is only natural that the International Tea Committee should concentrate on joint propaganda in order to prevent further decrease of consumption and in order to widen the markets. In the meantime the present price level enables many well managed companies in

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

the Netherlands Indies that have made the necessary adjustments as to costs of production, to work their estates at a modest profit, whereas native cultivators are enabled to sell their restricted quantity of "wet leaf" at a reasonable price sligthly over the minimum enforced by the Government in 1934.

It is, of course, impossible to predict what the net balance of results will be at the end of the 5 years restriction period. Optimism, however, does not appear to be warranted at the present juncture and some sort of a labile equilibrium on a level very much below the turn-over of exports in the "basic year" (1931) seems to be the best thing that can be hoped for.

(3) *Sugar.*

Unlike both rubber and tea, sugar for the world market is not even partly a product of native industry in the Netherlands Indies[1]). Sugar mills in this country are Western factories and cane is cultivated under Western supervision, according to highly scientific methods and, moreover, at very low cost. Java is the only island of the Archipelago which produces sugar. The land for cane cultivation cannot be held by the factories under a free hold title, but merely under leases running for one cane season (about 18 months) and with strict observance of the excellent, time-honoured Java system of crop rotation.

The importance of Java's share in world exports, standing at 11 % in 1928 and 1929, can only be appreciated if one realises that sugar — cane or beet — can be cultivated in practically every climate, excepting only latitudes over say 55.

The interception of transports caused by the great war played havoc with the accustomed ways in which all parts of the world used to satisfy their requirements in this com-

[1]) Native sugar, made from cane, or "cup-sugar", is manufactured to a certain extent. It is principally marketed at home and limited quantities of it find their way to neighbouring countries (chiefly Malaya). Besides various sorts of palm (coconut, "aren", etc.) yield some special kinds of sugar for home consumption.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

modity. When the war was over, this experience induced many countries to either start producing sugar or increase their production, at home or near by, in order to reach or approach self-sufficiency. However, curiously enough the fundamental changes in the sugar situation were very far from being realised right after the war. The explanation of this phenomenon which, at this distant time, must be regarded as an incomprehensible lack of foresight and self control, is offered by the intensity of the "sugar famine" in which the war period had landed the world. So urgent was the demand that an unprecedented sugar boom sprang up which lasted for several years. However, after the war the beet sugar industry in Europe recovered much quicker than was generally expected in the cane growing areas. It even expanded its pre-war capacity. Viewing the world's sugar market as a whole, the supply began to rise above the level of the demand. Prices began to drop from their war and post-war levels, but this was not regarded as anything serious so long as they left great margins of profit. But even when stocks began to accumulate, no action was taken anywhere in the world and the symptoms of the markets becoming glutted, which began to appear in 1928, were — in a general way — ignored. According to Dr. H. C. Prinsen Geerligs' "World Statistics of Sugar", Java-prices developed as follows (per 100 kilograms, in guilders):

1918	glds.	15,—
1919	„	28,40
1920	„	53,45
1921	„	24,40
1922	„	17,74
1923	„	21,34
1924	„	24,26
1925	„	18,77
1926	„	15,76
1927	„	17,60
1928	„	14,25
1929	„	12,37
1930	„	8,23
1931	„	6,07
1932	„	4,87
1933	„	4,40
1934	„	3,64

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

This table, striking as it is, tells only part of the story, because it fails to show the level — varying in itself — at which prices cease to cover the costs of production and, more important still, because it does not reveal the fact that the *quantities* of sugar which Java was able to sell at the prices indicated, did *not* become bigger as the product grew cheaper; on the contrary, sales abroad became smaller and smaller.

An endless variety of causes it was, by which this general collapse of the sugar market was brought about. A detailed analysis of them would lead us too far afield, but we have already indicated the most important one, viz: the desire in many countries which had suffered badly from the preceding sugar famine, to make themselves independant from imports, irrespective of the costs of production at home. As an example which is truly symptomatic we may mention the adoption by Great Britain, in 1924, of a decidedly protective policy as regards home grown sugar, which since then has been subsidized to the tune of millions of pounds a year. The tariff applied to sugar imported into the United Kingdom above the quantity grown at home under the subsidy regime, was already based on the principle of imperial preference, in which gradually special favours for "crown colony sugar" were included.

Britain was not the only one to start growing sugar or growing more sugar behind tariff walls. In a number of producing countries we see the introduction or rise of import duties, producing premiums, and what not, a system which inevitably must make the free world market for sugar grow smaller at an unprecedented pace. This autarchical movement was detrimental to the interests of those countries which had, by virtue of their low cost of production, developed themselves into the "natural" suppliers of the world's free markets, especially Cuba and Java.

Now the sugar industry in Cuba — situated as it is near its protected market in America and comparatively

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

near to European markets — had expanded its output more than any other country. American investors are interested in the Cuban sugar industry to a considerable extent. By 1930, when considerable stocks had accumulated in Cuba, in Java and elsewhere, those American banks that were deeply interested in Cuban sugar through their advances against this commodity, took the initiative for an attempt at international regulation. They only succeeded, however, in inducing a number of producers, interested in *exports*, to come to an understanding, known as the Chadbourne Agreement, signed in May 1931, and valid for five years. They were Cuba, Java, Germany, Czecho Slowakia, Poland, Hungary and Belgium; Peru and Yugo Slavia joined later on; their combined exports comprised only about 60 per cent of the world's exports at the time (1930/31). Every one of the British and American territories and all other exporting countries refused to undertake any obligations under this plan. Moreover, all those countries that had heretofore covered all or part of their requirements by importing sugar refused to undertake any obligations to prevent an increase of home production and a rise of tariff, or to commit themselves to any other measures tending towards a freer movement of sugar in conformity with the laws of supply and demand.

World exports being only about 42 per cent of world consumption at the time (1930/31), the position of the Chadbourne group of producers was from the outset extremely vulnerable through its onesidedness. The results of the scheme fell short of the expectations. Not one of the contracting parties has been able to dispose of the quantities which they had been allotted as their quotas in toto for the five years' period, with the sole exception of Cuba itself that came away best with 99,4 %. The group as a whole disposed of only 62 % of their combined quotas during 5 years as shown by Dr. H. C. Prinsen Geerlig's statistics:

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Cuba: preferential exports to U.S.A.: 1931/35:	8.270.685	total exports:	12.656.678[1])

	Chadbourne quota:	Net export under quota:	difference:
Cuba	4.414.584	4.385.993	28.591
Java	12.500.000	6.172.904	6.327.096
Germany	1.296.666	482.887	813.779
Czecho Slowakia	2.865.045	1.718.740	1.146.305
Poland	1.550.453	851.575	698.878
Hungary	422.441	222.440	200.001
Belgium	145.824	73.849	71.975
Peru	1.853.388	1.720.010	133.378
Yugo Slavia	60.000	minus 1.224	61.224
Total Chadbourne quota:	„ 25.108.401	Net exp.: „ 15.628.174	„ 9.489.227

[1]) In order to appreciate the results of the scheme for the various participants, it should be borne in mind that Cuba's sales in its *preferential* and *protected* market in the United States do not come in under the Chadbourne Agreement. For the other countries *all* exports are subject to the agreement.

For Java by itself Dr. H. C. Prinsen Geerligs gives the following figures over the separate years of the scheme's duration:

Java Sugar Exports

Export Period:	Chadbourne quota for Java:	Quantity exported:	Difference:
April 1, 1931-March 31, 1932	2.300.000	1.534.154	756.846
„ 1932- „ 1933	2.400.000	1.331.519	1.069.481
„ 1933- „ 1934	2.500.000	1.110.651	1.389.970
„ 1934- „ 1935	2.600.000	1.187.580	1.412.420
„ 1935- „ 1936	2.700.000	1.000.000*)	1.700.000*)
	12.500.000	6.163.904	6.328.617

*) Estimate. — Actual exports in this period fell short of this estimate by 120.000 tons.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

The Chadbourne scheme had segregated certain stocks, the sale of which had to be spread over the five years of the agreement's duration; it had moreover fixed the quantities in excess of which stocks should not be permissible at the expiration of the agreement. In order to comply with these stipulations Java had to cut its production most considerably. In 1931 and 1932 the necessary legislation was enacted including a "single seller"-regime, provisions for the restriction of acreage to be planted, and a certain protection of factory produced sugar in the home market.

The effects of this restriction are summarized by Dr. Prinsen Geerligs in the following table:

Sugar Restriction

Year	Number of factories	Thousands of Hectares planted	Production in thousands of Metric tons	Java stocks on April 1st in thousands of M. tons
1929	179	196,7	2.858,-	86
1930	179	198,7	2.969,3	332
1931	178	200,5	2.842,6	688
1932	167	170,7	2.612,4	1.633
1933	97	88,5	1.399,5	2.533
1934	50	34,2	646,2	2.491
1935	39	26,6	513,5	1.611
1936	34		550,- *)	850 *)

By April 1st, 1937 stocks are expected to be negligible. *) Estimate.

The serious consequences of such a drop in production were, of course, felt in every circle of the community whose activities and income were connected directly or indirectly with this once prosperous industry. The land for cane cultivation in Java is not owned by the sugar factories; it has to be rented from the native population which at the same time provides various kinds of labour, services and necessaries in the course of cultivation and manufacture.

The sugar industry paid directly to the *native* population:

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

1 = 1000 Guilders	1929	1930	1931	1932	1933	1934
for wages . .	101.822	97.866	83.978	53.077	21.866	9.712
for rental of land	23.913	25.044	25.026	21.703	11.854	6.526
for necessaries .	3.917	2.864	2.081	795	330	189

As from 1932 considerable sums have been paid in cases where leases of land were cancelled on mutual terms.

It should be remembered that, besides, considerable amounts used to be spent by the sugar industry in pensions, in contributions towards hospitals, in housing schemes, in various public funds of a local character, etc. Except pensions which, naturally, show an increase, all these items have been constantly declining seriously.

The drop in these figures represents the amounts of *money* which the native population failed to make out of the sugar industry. As regards *value* it should be borne in mind that this loss of income was not a *total* loss. The land which was left unoccupied by sugar cane has of course been planted with other crops which were harvested by the population direct. The value thus "recovered" — so to say — is difficult to estimate, but there is not a shadow of doubt that the net loss was very heavy indeed, and that it had a very marked effect on the circulation of money (vide page 18-19) and on the buying power of the community.

Before the commencement of the 1937 harvest, old stocks are expected to be reduced to such a figure as not to cause an incumbrance or a pressure on the market. Future crops will have to be adapted to what is left of Java's markets. The home market requires some 325.000 tons a year. British India, formerly a buyer of Java sugar to the tune of 800.000 tons (1930/31), erected a high tariff wall and increased its home production to such an extent as to require only 290.000 tons in 1935/36. Owing to the unsettled conditions in China, heavy taxation and protection of home grown sugar, exports to that country have also considerably gone back and cannot be expected to be restored to their former importance.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Estimates as to a salable quantity of Java sugar vary from 1.250.000 to 1.500.000 tons each year, which means that at best one half of the sugar producing apparatus may escape final destruction.

We may mention in passing that the International Sugar Council, the institution organised in 1931 in order to run the Chadbourne scheme, did not fail to realise the inadequacy of its own basis. And therefore, when the World Economic Conference met in London in 1933, the said Council made an attempt to arrive at an agreement of a much wider, and indeed comprehensive nature. The results of this attempt were nil; the tendencies toward autarchy proved to be much stronger than the desire to provide consumers all over the world with sugar produced where it can be made best and cheapest. When in the course of 1935 the time arrived to decide about continuing or discontinuing the Chadbourne Agreement, Java decided to let her obligations come to an end at the expiration of the period fixed; Java had fulfilled its obligations at great sacrifice and had found no reason whatsoever to hope for a future compensation for giving up its freedom to the international group which had found a world-wide improvement of the sugar market far beyond its power. The other Chadbourne-countries did not renew their agreement either. However, the International Sugar Bureau, as an organisation, was kept up by the rest of the Chadbourne-countries after Java had withdrawn.

This Bureau is now assisting in the preparation of an international sugar conference in London, the results of which are looked forward to with considerable interest, though not without a certain scepticism on the part of Java growers. The facts which this sugar conference shall have to face involve such a variety of interests, and they are so many-sided in their aspects, that a survey of them would be out of place in this paper. Only one side of the question, which has had a direct bearing on the Netherlands Indies, will be indicated here on the authority of F. O. Licht's statistical data, viz. a comparison of sugar production "then and

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

now" in four important areas, and an estimate of world production which shows an increase as against 1925/26 notwithstanding the dislocation of the market:

Sugar Production (1 = 1000 metric tons)

	British Empire	U. S. A. and Cuba	Netherl. Indies & Holland	Germany	Total of these 4	World production
1925/26	2.870	7.770	2.240	1.590	14.470	23.630
1934/35	5.370	6.220	920	1.700	14.210	24.590

Under such circumstances a satisfactory solution of this world-wide problem will be difficult indeed.

Meanwhile Java is adapting herself to circumstances as best she can. The regulations that will in future govern those portions of the Java sugar industry that will prove their fitness to survive, are still under legislation. The enactments, necessitated by Java's participation in the Chadbourne scheme, have in the opinion of many interested parties so deeply affected the industry that it cannot yet be left free to find its own level in the economic structure of the country and the prevailing general dislocation of the sugar market. For this reason an adaptation of the existing regulations is advocated in order to deal with the situation as it will present itself when the Chadbourne period expires.

(4) *Tin.*

When we look at tin exports in our list on page 25, we find a considerable drop, especially in values, since 1929. Quantities shrink as from 1930. The year 1934 shows the first improvement over its predecessor for both value and tonnage.

All over the world the tin mining industry had suffered from consumption falling short of production. The causes of this decline need not be examined in detail; we will only mention the very high price level caused by the urgent de-

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

mand during the war and during the post-war boom, which in themselves became an inducement for the invention and utilization of substitutes.

On the other hand the tin mining industry holds a strong position in that the number of areas where the metal is found, is limited. This fact caused certain British interests in Malaya to take the initiative in an attempt at an international agreement for the control of exports. They succeeded in bringing Malaya, Bolivia, Nigeria and the Netherlands Indies into line. As from March 1931 these four were bound by a quota system. Siam joined in September of the same year.

Consumption continued to decrease and quotas were reduced. According to the Statistical Office of the International Tin Research Council the Netherlands Indies, where the year 1929 was taken as a basis, had its monthly quota fixed as follows:

Tin quotas

Standard quota of:	taking effect on:	allowed the Indies to export:	This quota remained in force for:
77 3/4 %	March 1st. '31	2.493 tons p.m.	3 months
66 %	June 1st. '31	2.097 „ „	7 „
56 %	Jan. 1st. '32	1.801 „ „	5 „
44 %	June 1st. '32	1.405 „ „	1 „
33 1/3 %	July 1st. '32	1.065 „ „	18 „
[1]) 44 %	Jan. 1st. '34	1.385 „ „	3 „
54 %	April 1st. '34	1.667 „ „	6 „
44 %	Oct. 1st. '34	1.385 „ „	3 „
40 %	Jan. 1st. '35	1.211 „ „	3 „
45 %	April 1st. '35	1.362 „ „	3 „
70 %	July 1st. '35	2.119 1/3 „ „	3 „
80 %	Oct. 1st. '35	2.422 „ „	3 „
90 %	Jan. 1st. '36	2.724 2/3 „ „	3 „
85 %	April 1st. '36	2.573 1/3 „ „	

[1]) The Netherlands Indies obtained an extra quota of 4 % during 1934, in order to balance the difference with the other countries during 1933.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

The International Tin Committee has been able to prevent an accumulation of fresh stocks, and has seen fit to raise the price of the metal. At the same time a tin "pool" operated in London. In this "pool" the Netherlands Indies also participated. This combine occupied itself with the marketing of the product and was in a position to segregate certain quantities during the first years. In 1934 the parties to the international agreement decided to form a "buffer-pool" consisting of 5 % of each country's standard tonnage with the object to prevent strong fluctuations in the price.

In the course of 1933 consumption improved and the efforts of the international committee to liquidate the old stocks and to raise prices were succesful.

Tin

1 = 1000 long tons.

	1931	1932	1933	1934	1935
World production . .	142,2	92,9	85,—	108,6	135,8 [1])
World consumption .	135,4	99,5	127,2	117,7	141,2 [1])
Stocks visible . . .	59,2	55,9	29,1	22,1	16,8
Average price p. ton .	£ 119.	£ 136.	£ 195.	£ 230.	£ 226.
Idem in gold . . .	£ 109.	£ 98.	£ 162.	£ 142.	£ 135.

[1]) Estimated on the returns for the first 11 months of 1935.

The original agreement was to expire in August 1934. Towards the end of 1933 it was resolved to extend the agreement for three years as from January 1st, 1934. Certain adjustments were made in the quotas and two more areas joined, viz. Cornwall and French Indochina. The "outside production", which had been 21 per cent, was thereby reduced to 18 per cent.

In closing this paragraph we may add that in the Netherlands Indies a considerable part of the country's tin is prod-

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

uced by mines in which the Government is directly interested. Some of these mines — viz: those in the island of Banka — are not only owned but also run by the Government, whereas others — in Billiton and Singkep — are under the management of a joint Government and private Company; the interest of the Government in this concern amounts to 62½ per cent of its capital. Therefore, the results obtained in the tin industry affect the country's budget in a very direct manner.

The distribution of profits was as follows:

Government Income from Tin

(1 = 1.000.000 Guilders.)

Working year	from Banka	Year	from Billiton & Singkep
1927/28	49,3	1928	7,5
1929	21,4	1929	7,5
1930	10,4	1930	4,—
1931	2,6	1931	—,—
1932	minus 1,8	1932	—,—
1933	6,—	1933	1,3
1934	7,4	1934	1,3

(5) *Destination of Exports.*

In closing this chapter on exports we present here a table of values and percentages arranged so as to show the countries to which the products of the Netherlands Indies were directed. Apart from the decline in values, this table shows another very important fact, viz. that the share of European countries is increasing and that of Asiatic countries is decreasing. Such a change of markets is in itself important enough for any country's international position at any time. In a world which tends to foster "direct barter" and "reci-

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

procality", this shifting of the country's customers from East to West has gained a very special momentum in consequence of the fact that the origin of imports into the Netherlands Indies has been shifting still more markedly,... in the opposite direction. This indeed makes a very serious coincidence which will be commented upon in the following chapter. The following figures are given on the authority of the Central Bureau of Statistics, Batavia.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Total Exports, excluding treasure, parcel post and passengers' luggage

Countries of destination	VALUES OF EXPORTS IN MILLIONS OF GUILDERS					
	1928	1931	1932	1933	1934	1935 [1])
Netherlands	263	130	104	87	104	117
Great Britain	128	68	48	26	38	32
Germany	47	17	11	11	13	8
France	69	24	20	19	17	13
Belgium & Luxemburg	13	6	5	7	5	3
Others	55	24	28	33	27	22
Total Europe	575	269	216	183	204	195
„ America	204	90	67	56	57	65
Japan	57	33	24	23	19	24
Singapore & Penang	327	151	96	84	96	74
British India	176	58	38	24	20	12
China	60	23	14	15	10	9
Others	82	62	38	31	26	24
Total Asia	702	327	210	177	171	143
„ Australia	51	24	18	18	24	21
„ Africa	36	8	11	11	13	14
Not otherwise specified	9	29	19	23	18	19
Grand total	1577	747	541	468	487	457

[1]) Estimated on the basis of the returns for the first nine months of 1935.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Total Exports, excluding treasure, parcel post and passengers' luggage

Countries of destination	PERCENTAGE OF THE TOTAL EXPORTS FROM THE NETHERLANDS INDIES					
	1928	1931	1932	1933	1934	1935 [1])
Netherlands	16,68	17,45	19,14	18,53	21,36	25,60
Great Britain . . .	7,97	9,17	8,93	5,55	7,80	7,—
Germany	3,—	2,30	2,03	2,39	2,67	1,75
France	4,37	3,15	3,63	4,15	3,49	2,85
Belgium & Luxemburg	0,83	0,77	0,92	1,50	1,03	0,66
Others	3,65	3,15	5,22	6,97	5,54	4,81
Total Europe . .	36,50	35,99	39,87	39,09	41,89	42,67
„ America . .	12,93	12,05	12,35	11,92	11,70	14,22
Japan	3,63	4,42	4,37	4,86	3,90	5,25
Singapore & Penang .	20,72	20,24	17,73	17,95	19,71	16,19
British India . . .	11,11	7,78	7,—	5,17	4,11	2,63
China	3,84	3,14	2,65	3,19	2,05	1,97
Others	5,21	8,25	6,99	6,77	5,34	5,25
Total Asia . . .	44,51	43,83	38,74	37,94	35,11	31,29
„ Australia . .	3,22	3,17	3,32	3,84	4,93	4,60
„ Africa . .	2,29	1,08	2,15	2,35	2,67	3,06
Not otherwise specified	0,55	3,88	3,57	4,86	3,70	4,16
Grand Total . . .	100,—	100,—	100,—	100,—	100,—	100,—

[1]) Estimated on the basis of the returns for the first nine months of 1935.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

IV. IMPORTS AND THEIR COUNTRIES OF ORIGIN

Total imports, excluding treasure, parcel post and passengers' luggage.

Countries of origin	VALUES OF IMPORTS IN MILLIONS OF GUILDERS					
	1928	1931	1932	1933	1934	1935 [1])
Netherlands	197	98	58	39	37	35
Great Britain	120	44	36	31	29	24
Germany	105	52	28	24	21	21
France	11	6	4	3	3	5
Belgium & Luxemburg	19	9	6	6	4	3
Others	44	21	13	10	8	9
Total Europe	496	230	145	113	102	97
„ America	101	54	26	17	19	22
Japan	94	93	78	99	93	83
Singapore & Penang	128	72	54	39	37	34
British India	48	32	17	11	8	10
China	19	14	6	7	7	5
Others	61	45	28	19	12	12
Total Asia	350	256	183	175	157	144
„ Australia	26	18	12	10	10	8
„ Africa	5	5	2	2	2	2
Not otherwise specified	4	2	1	1	2	1
Grand total	982	565	369	318	292	274

[1]) Estimated on the basis of the returns for the first nine months of 1935.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Total imports, excluding treasure, parcel post and passengers' luggage.

Countries of origin	PERCENTAGE OF THE TOTAL IMPORTS INTO THE NETHERLANDS INDIES					
	1928	1931	1932	1933	1934	1935 [1])
Netherlands	20,06	17,45	15,76	12,37	12,98	12,79
Great Britain	12,22	7,77	9,61	9,65	9,86	8,59
Germany	10,66	9,19	7,70	7,62	7,33	7,82
France	1,12	1,11	0,99	1,03	0,92	1,92
Belgium & Luxemburg	1,93	1,54	1,56	1,74	1,36	1,14
Others	4,50	3,75	3,64	3,02	2,64	3,16
Total Europe	50,49	40,81	39,26	35,43	35,09	35,42
„ America	10,24	9,52	6,94	5,46	6,66	7,91
Japan	9,54	16,37	21,26	30,96	31,87	30,26
Singapore & Penang	13,07	12,71	14,48	12,34	12,58	12,48
British India	4,87	5,65	4,71	3,49	2,70	3,65
China	1,92	2,51	1,63	2,08	2,36	1,71
Others	6,26	8,03	7,50	6,11	4,10	4,42
Total Asia	35,66	45,27	49,58	54,98	53,61	52,52
„ Australia	2,66	3,15	3,29	3,19	3,29	3,11
„ Africa	0,52	0,95	0,62	0,70	0,82	0,70
Not otherwise specified	0,43	0,30	0,31	0,24	0,53	0,34
Grand total	100,—	100,—	100,—	100,—	100,—	100,—

[1]) Estimated on the basis of the returns for the first nine months of 1935.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Imports and their Countries of Origin.

In order to illustrate the remarks that follow we refer to the table on the two preceding pages showing the imports into the Netherlands Indies, according to the countries of origin, in value and in percentages for each country. This table has been arranged in the same order as the one on the pages 48 and 49 regarding the destination of the country's exports.

The great decline in imports, revealed in the table for values, must be considered chiefly from four points of view, viz. the drop in commodity prices, the declining buying power of the population, the home production of articles which used to be imported, and finally the loss of market for such articles as are imported, directly, on behalf of the production and handling of export produce such as machinery, fertilizers, gunny bags and other packing materials, etc., etc.

We have already mentioned the fact that the cultivation of rice and soy beans was extended in Java as from 1932 (p. 16-17); imports of these commodities show therefore a considerable drop in this year. Under the same heading, "Eatables", comes a dwindling import of Formosa green tea, which is being partly dispensed with and largely supplanted by a home grown variety of green tea flavoured with melatee flowers. The European community, adapting their standard of living to a lower level, had to go without a good portion of the imported "luxuries"; moreover, the manufacture in Java of beer, cigarettes, mineral waters, sweets and some other articles took the place of a certain percentage of the imports of these goods.

Comparing 1933 with 1932 we find that the quantities of specific native foodstuffs (rice, soy beans, dried fish, Formosa tea) decline more than the category "Eatables" as a whole, and the inference is that the import of goods for the European community must have risen. This is actually confirmed by a detailed analysis of import figures which show an increase in volume for such articles as beer, sweets, etc., imported from Japan at extremely low prices and in considerable quantities. The item "Chemical products", in-

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

cluding fertilizers, reflects in its decline the shrinkage of the sugar industry. In 1934 this item shows for the first time a small rise over the preceding year. The increase of these goods, however, went to the Outer Provinces and not to Java.

Under the heading "Textiles and Yarns" — which does not include gunny sacks — we see in 1933 a rise over 1932 in quantities imported, and a drop in value of 8 %. This symptom — which may be seen in other articles and in other years as well — does not only indicate a drop in commodity prices but also an increased demand for cheaper qualities. Prices per square yard of imported cotton textiles stood at an average of 25,5 guilder cents in 1928; in 1932 the average was 11,6 cts, in 1933 9,8 cts, and in 1934 9,1 cts.

In 1934 textiles imported decreased in quantity as compared with the preceding year. Yarns, however, increased under the influence of greater activity in the weaving industry for which protective measures had been introduced in the meantime. To this topic we shall revert later on.

Under several headings, such as "glass and glass ware", "earthenware and porcelain", "vehicles" (including bicycles) and "machinery and tools", we find in several years an increase in quantity, whereas values either drop or stay at the same level. This development is gratifying, especially in so far as productive goods are concerned, imported on behalf of various home industries, which show an increased activity, specially marked since 1933.

It should be strongly emphasized that of late years the origin of the goods imported into the Netherlands Indies has been shifted to a considerable extent from Western to Eastern countries. In 1932 a well nigh complete revolution in this direction has set in, which was further accentuated in 1933. It was principally Japan whose manufactured goods supplanted those of practically every other country with which it started competition.

"Cotton textiles" rank first amongst the commodities imported into the Netherlands Indies and especially in this line the phenomenon indicated above was distinctly marked.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Imports of Cotton Textiles [1])

Percentages of quantities and of values

Countries of origin :		Netherlands		Great Britain		Japan		Other countries		Total
		%	%	%	%	%	%	%	%	%
1928	Quantity	25.6		27.1		30.8		16.5		100
	Value		26.2		28.6		25.9		19.3	100
1931	Quantity	22.7		9.7		54.1		13.5		100
	Value		25.9		12.2		47.7		14.2	100
1932	Quantity	14.—		9.1		66.4		10.5		100
	Value		19.2		12.7		55.9		12.2	100
1933	Quantity	4.4		4.—		82.8		8.8		100
	Value		7.1		7.1		76.—		9.8	100
1934	Quantity	7.3		2.8		83.1		6.8		100
	Value		10.8		4.6		76.9		7.7	100

[1]) From: Annual Reports of the Javasche Bank, Batavia.

This enormous advance of Japanese imports was gained chiefly at the expense of the Netherlands and Great Britain. Holland supplied little other textiles than bleached goods and Japan had made big strides in manufacturing this kind of material. England on the other hand supplied principally the better class fancy goods, a line in which the elements of variety and quality are not yet entirely outweighed by the element of price; nevertheless, Britain lost as much ground in the Indies as Holland did.

Although textiles are a very striking instance they are by no means the only line in which the tendency of shifting the origin of imported goods from West to East may be witnessed. As a matter of fact the majority of industrial mass products are supplied by the Japanese industry, working at very low costs, at prices against which countries where prices are based on Western standards cannot possibly compete.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Moreover, the quality of the products of Japanese industry has been improved rapidly and systematically, and therefore it stands to reason that imports from Europe and America will be limited more and more to such articles as are not manufactured in Japan or which command very special requirements with regard to their quality.

Under these circumstances it is easily explained why Japan, which took first place in the Netherlands Indies' imports in 1931, attained still greater pre-eminence in this field in the following years. This fact, and also the way in which the import trade of various countries was affected, is shown in the table given on page 50, as well as in the table inserted below, which is built on the same data but reduced to index-numbers.

Index Numbers regarding Imports into the Neth. Indies

(Value 1928 = 100)	1928	1929	1930	1931	1932	1933	1934	1935 [1]
Netherlands	100	108	83	50	30	20	19	18
Great Britain	100	98	73	37	30	26	24	20
Germany	100	111	82	50	27	23	20	20
France	100	97	83	57	33	30	24	48
Belgium & Lux.	100	101	74	46	30	29	21	16
Others	100	95	76	48	30	22	17	19
Europe	100	105	79	47	29	23	21	20
America	100	139	94	54	25	17	19	22
Japan	100	123	107	99	84	105	99	88
Singapore & Penang	100	101	82	56	42	30	29	27
British India	100	126	132	67	36	23	16	21
China	100	99	96	75	32	35	36	25
Others	100	121	91	74	29	31	19	20
Asia	100	113	98	73	52	50	45	41
Australia	100	102	97	68	46	39	37	33
Africa	100	113	111	107	45	44	48	38
Total import	100	111	88	58	38	32	30	28

[1]) Estimated on the basis of the returns for the first nine months of 1935.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

The reader will notice that the import trade of the mother country itself was about the worst hit of all, worse in fact than that of any other European country. Holland used to supply principally the more expensive articles of luxury and also those articles, of which the manufacture has been gradually taken up in the Indies.

Now, generally speaking it is a very natural phenomenon that the shares of Europe and America in the *import* trade into Asiatic countries are superseded increasingly by production in Asia; costs of production are lower in Asia and distances between manufacturing centres and markets are shorter and will favourably affect transportation charges and times of delivery. In the Netherlands Indies this shifting of the origin of imported goods had begun already before the depression; with the depression it gained headway and then it coincided with a very great drop in the prices, which is an important factor for the masses of natives who saw their money-income shrink in the course of the depression. They constitute a market which naturally prefers to be served by the cheapest supplier.

However, the changes indicated above were not the only ones which affected the situation. As mentioned on page 46 destinations of the Indies' export trade were, during the same interval of time, shifted very considerably from East to West, in exactly the opposite direction to imports. This development accentuated the changes in the country's balance of trade with various continents and individual nations.

In this respect again Japan is the most striking example of the developments of these last years, as will be seen by comparing the value of its trade, both exports and imports and the percentages indicating its share in the total of both, as given by the Central Bureau of Statistics, Batavia.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Year	Imports from Japan		Exports to Japan	
	In millions of Guilders	% of total imports into N.I.	In millions of Guilders	% of total exports from N.I.
Average 1909/13	4,372	1,25	20,987	4,26
„ 1914/18	43,220	10,04	32,416	4,38
„ 1919/23	80,899	9,77	130,996	8,13
„ 1924/27	82,363	10,26	96,170	5,91
1928	93,682	9,54	57,178	3,63
1929	114,835	10,55	47,973	3,32
1930	100,125	11,61	46,232	3,98
1931	92,551	16,37	33,051	4,42
1932	78,437	21,26	23,658	4,37
1933	98,428	30,96	22,769	4,86
1934	92,935	31,87	19,431	3,90

If we take into account the commercial policies which of late years have been adopted and practised in most parts of the world, it is evident that the strain which these developments exercised on the economic structures of both Holland and the Indies, was disproportionate and detrimental to their interests.

In pre-depression days, when goods and values moved more or less freely all over the world in response to the laws of supply and demand, reciprocality in the trade between one country and another by no means assumed the importance which it now has gained, owing to great parts of the world having turned as autarchical as possible. As long as this tendency prevails it is vitally important to Japan to diminish the discrepancy between what she buys from Holland and the Netherlands Indies and what she sells them. There is no better payment for imports than exports and the Netherlands Indies, in order to preserve their capacity to feed their population and to discharge their financial obligations, must of necessity maintain their economic machinery which has always been adjusted to the export of their agricultural and mineral products. The country,

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

therefore, has no alternative but to handle its imports in such a way as to make them serve the interests of its exports as well. In a world where the free movement of goods is hampered at every turn, the Netherlands Indies cannot possibly continue to import on such an enlarged scale from one single country, when that country does not provide a market for exports to a much wider extent than it used to do or than it does at present. If a satisfactory approach towards balancing both sides of the interchange should prove to be an impossibility, the result, detrimental to both parties, would be that the volume of the turnover as a whole would have to be cut down.

As far as Japan is concerned the price level, on the strength of which her manufactured goods forced their way into various countries, was not exclusively the result of efficiency and low costs of production. There were in it elements of currency debasement and a measure and forms of government support, to which the rest of the world was as yet unaccustomed. The said price level of Japanese goods made it impossible for such industries as existed or had just begun to develop in the Netherlands Indies to compete and hold their own in their home market; it compelled the government to take protective measures, which will be reviewed below.

On the commercial side we see the importers of European and American goods losing ground to the importers of Japanese (and to a certain degree Chinese) goods. In order to retain their hold on the market and to keep their business going, the majority of the general importers came to the conclusion that it was essential to them to obtain a share in the trade in Eastern goods. If they should fail to do so, their turnover would become insufficient to maintain their organizations even on a reduced scale. One after another we see the importing firms switching over to the trade in Japanese articles in a smaller or greater proportion to their total turnover. The buying side of this business is in many cases taken care of by special buying agents or by branches which the importing firms established in Japan, most of them in

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Kobe and Osaka where they can keep in close contact with manufacturers.

On the other hand a noteworthy peculiarity of the Japanese drive for promoting her export interests in the Indies was an endeavour to have her goods transported, handled and distributed entirely by Japanese agencies and to that end to ignore and thereby oust the existing apparatus of shipping, wholesale trade, middleman and retailer. This cannot possibly be in the interest of the Netherlands Indies and it is even very doubtful if it could have been in the interest of Japan herself. If we consider more closely the way in which imported goods find their way to the ultimate buyers, the natives in the villages, we find that an elaborate system of credits is interwoven with this trade from the moment when the goods leave the importers' godown in the port of arrival, until after they have reached the native consumer in the towns and villages up country. The handling of this system requires not only skill and patience, but also considerable experience, based on a close knowledge of the languages and of local conditions and customs, which vary widely in different parts of the archipelago and even of the same island. This intricate credit system and its routine have been built up through centuries, through ups and downs, booms and crises. Not only the big European firms of importers take part in its handling, but also great numbers of country-born Chinese and Arabs whose families have been settled in the Indies for generations and who act as dealers, middlemen and retailers. To a certain extent, and especially in certain regions, native dealers also participate in the distribution of imported goods.

All these have gained their experience in the course of time at considerable expense and it is inconceivable that any new system or apparatus for handling this peculiar trade should be able to work the system at lower cost and smaller risk — both very important elements for preventing prices of imported goods from being unduly raised in the long run.

Moreover, the furthermost ramifications of certain lines of export trade are closely interwoven with the retail busi-

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Government[1]) amounted to just over 1000 millions of Guilders, whereas by the end of 1935 the figure stood at slightly below 1500 millions.

When judging the importance of this indebtedness one must be careful not to draw inferences regarding the "pro capita" debt in the way this is often done in Western countries. One must never lose sight of the primitive condition of the native community as a whole and of their very limited "money"-income, because otherwise the situation will certainly be misjudged and one will fail to appreciate how comparatively little the natives are able to contribute to the country's budget.

At its present level the public debt of 1.500 million Guilders, which in 1936 requires 59 millions in interest and 21 millions in redemption, is a heavy charge on the country's revenue. The service of the various loans claims 28 per cent of the budget of the current year's expenditure, which in itself is serious enough in a period of high financial stress.

However, the deficit on the 1936 budget has — with great efforts — been reduced to a figure only eleven millions higher than the amount needed in that year for obligatory redemption of loans. Therefore, even if fresh money should be borrowed in order to cover the budget's deficit, the increase of the country's total debt may at least be regarded as inconsiderable. Every effort is being made to prevent fresh accumulation of deficits. The 1937 budget is expected not to show any increase of debt.

With this end in view the mother country has materially supported the Netherlands Indies by affixing its guarantee to some substantial loans (776 millions) contracted in 1934 and 1935, in order to convert old loans of 5 % and higher into 4 % and 3½ % debentures of longer terms than the ones redeemed, which will also help to slacken the tension of the budget in the near future. There are now only a few loans outstanding at an interest of 4½ %, viz. 162 millions

[1]) Provincial and Municipal debts in the Netherlands Indies do not run into very high figures according to Western standards. A rough estimate of the total indebtedness of Municipalities, Regencies, Provincies, etc., shows a total of 88 millions of Guilders in 1928 and of 91 millions in 1934.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

by the end of 1935; the rest of the debt has been contracted at cheaper rates.

Space does not permit a further analysis of the country's budget and of the methods that have been employed in the strenuous task of balancing revenue and expenditure. We trust, however, that it has been made clear that the Western spheres of activity, from which in the pre-depression period sufficient income could be derived to allow an extension of the Government's task along the lines of Western ideals, can no longer be taxed sufficiently to continue this policy. There was and is no alternative but to retrench the work and services of the Government in such a way as to adapt them to the tax-paying capacity of the population as a whole. Many ideals had to be sacrificed and it has required great care and statesmanship not to undo such parts of the splendid work, accomplished in the foregoing period, as may be permanently maintained. It is evident that a top heavy government apparatus in a country which is unable to pay for it from its regular sources of income, would prove detrimental to the interests which it was meant to serve.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

VI. ECONOMIC POLICY DURING THE DEPRESSION

The foregoing paragraphs have already shown that the Netherlands Indies have become a centre of cosmopolitan interests and that their character as a rich source of staple products for the world's markets has linked up their economy very closely with international trade. The centre of gravity in world economy has of late years been moving towards the Eastern hemisphere. This tendency has had important consequences, to which the Netherlands Indies were widely exposed in all directions owing to their geographic situation.

Moreover, the post-war period witnessed a world-wide desire for self-sufficiency causing a certain reluctance to go to market in foreign countries and at the same time we see a world-wide oversupply of goods which involved practically all of the products on which the Netherlands Indies' trade was dependant. Everywhere countries began to protect their home production by raising tariffs, closing their frontiers or granting preference to imports from specially favoured regions. No countries suffered so severely as those whose welfare had been built on the natural desire of the world to buy what it needs from the man who can make it cheapest and best. Not that this desire disappeared; it is too natural and too deeply rooted to vanish. But it was superseded by a complex-like craving in many great countries to arrange their economy as though they were besieged fortresses. And, worst of all, the influence on world economy of the countries where these tendencies prevailed, was infinitely greater than that of the small kingdom of the Netherlands and its tropical dependencies.

Naturally, every country, every region which is hit by this flood of autarchy will have to react differently for the simple reason that conditions and circumstances are different everywhere.

So in Holland and so in the Indies. Therefore, when we wish to understand and judge the way in which the Indies

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

have shaped their economic policy during the depression, we must necessarily take into consideration the peculiar conditions and circumstances under which their economic structure had developed. In the foregoing pages the agricultural and primitive character of their economy has been emphasized. This should be constantly borne in mind, and the second fact of decisive importance is that, in the Netherlands Indies, the majority of the staple products which had become unsalable or only salable in smaller quantities or at a loss, are produced by enterprizes built up by people and with the aid of capital from overseas, chiefly Dutch and to a considerable extent also foreign. This state of affairs calls for a strong export balance in the country's foreign trade, which to the Netherlands Indies is not a luxury but a necessary condition to economic life and to the fulfilment of financial obligations. The Netherlands Indies, strong as they are owing to their fertility, are as yet vulnerable in that the number and range of its products is limited, and moreover, in that conditions donot allow a quick shift to other means of livelihood.

When the sale of the country's staple products in the accustomed quantities ceased to be profitable or even possible, part of the producing apparatus had to be stopped or had to carry on at a loss. Capital losses had to be taken and the economic life of the country was seriously dislocated. The principal object of the country's economic policy was and is, therefore, to mend and counteract this dislocation, to prevent it from spreading further than is absolutely inevitable and at the same time to strengthen the country's power of resistance against the prevailing adverse conditions with a view to future recovery.

The native population is poor as regards money; it is rural, agricultural, static, very strong in numbers, comprising 97,4 % of the total population. Over this great substratum the country possesses a middle class decidedly weak in numbers and chiefly of alien origin: country-born and immigrated Chinese and Arabs. And over both a superstructure of native nobility and Government personnel on the

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

one hand and of European economic activity on the other.

Production for export falling flat, all weak spots in the country's economic structure were laid bare. Could a counterweight be found in industrial production?

Supplanting agricultural exports by industrial exports was, of course, out of the question; the products of industry would have been refused by the outside world even more firmly than the old time exports of staple products. Moreover, the country lacked capital, experience and an industrial apparatus. There were, however, certain possibilities in the industrial field with regard to supplying the home market. When the country's energy could no longer be applied to agricultural exports in the accustomed way, these possibilities came naturally to the fore. Limited they are so far; but they have their value as a means to combat unemployment and as an item in the country's balance of trade, which under the new circumstances requires more attention than ever.

Such industries as existed or could be gradually promoted, needed protection in order to prevent them from being swept off their feet by the unusual circumstances prevailing outside the Netherlands Indies. The legislation introduced to this end, provides the strongest proof of how entirely the Netherlands Indies had been pushed into a defensive position by the developments abroad. It was found necessary first to regulate and restrict the import of different goods which could be produced by industries established in the country. Besides, a destructive competition had to be prevented by reserving to the Government the right to prohibit or limit the establishment of new and the enlargement of existing enterprizes in certain fields.

For the Kingdom of the Netherlands and especially also for the Indies, it is of vital interest to continue taking part on an equal footing in the carrying trade and especially in the international sea-borne transport of goods. One look at the map will convince the reader that an adequate share in the country's shipping is essential to its economic independence. This had always been taken for granted; foreign

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

shipping had always been welcome to a healthy competition and to a fair share in the great work of transport. No need of any special policy or legislation had ever been felt until, in these last years, Japanese shipping — aided by the devaluation of the Yen and, partly, by Government subsidies — was put in a position to undersell the Dutch merchant marine (and for that matter any Western competitor) to such an extent that its very existence was threatened. The shipping routes between Japan and the Indies were, of course, the ones which were most affected by this violent competition.

It is worthy of note that the Dutch steamship company which had to bear the brunt in this contest, the Java China Japan Line, has succeeded so far in holding its own without any financial support from the Government. By closely cooperating with the Dutch importers established in the Indies, with the buying agencies of these firms established in Japan and with Dutch shippers of cargo in both directions, the company has been able to meet the competition. However, the developments in the country's shipping connections with the outside world and also in the interinsular trade proved the necessity of providing the Netherlands Indian Government with legal powers to protect shipping under the national flag in case any foreign action or any other circumstance should make such protection indispensable to its existence.

Another consideration which influenced the country's economic policy with regard to aliens in general, is connected with its natural desire to maintain the right sort of equilibrium in the shares which various foreigners may take in the development of its resources. We have pointed out already that the prosperity enjoyed by the Netherlands Indies in the preceding period, was to a considerable extent due to the cooperation of subjects of different foreign countries who contributed their work and their capital to the development of its production. This international cooperation may of course never be allowed to develop in such a way that in any field of activity a predominant position is attained by re-

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

presentatives of one foreign nation through ousting the vested interests of others. The tendencies in world economy outside the Indies to which we referred above, have necessitated for the time being certain corrections in the "policy of the open door". The object of these corrections is to ensure that the vital characteristic of this policy may be preserved viz. the "equal opportunity for all"; in other words: one group of visitors enjoying hospitality in the country, should not be allowed to crowd out other visitors — or for that matter — the host himself. Therefore, the door has not been closed, but a turnpike has been put at the entrance.

An instance of special interest in this connection is the country's import trade and the protection of the vested interests of existing firms of importers which, together with the closely connected middlemen's business and retail trade, constitute a chain of great importance to the system of distribution. Above we have already referred to the special developments which have necessitated Government interference and legislation destined to ensure that — notwithstanding the changes of origin of the goods imported — the intricate apparatus by which these goods are handled, financed and sold to the ultimate buyers should be allowed to continue functioning smoothly, unhampered by sudden and violent disturbances caused by possible failures of important links in this chain on which so much depends (page 59).

Finally we have to consider the changes wrought by the depression in the economic relations between the Netherlands Indies and the mother country. In the foregoing pages it has been pointed out how Holland lost a very important portion of its trade with the Indies, its industry losing parts of its market for which no compensation can be found under present circumstances. At the same time considerable losses on account of colonial investments had to be taken, partly in the shape of writing off the lost capital of enterprizes which are not expected to ever regain their former size or earning power, and partly in the shape of continuously supplying the deficits in such enterprizes as are kept going at a loss, temporarily, in the expectation of

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

future recovery, albeit on a lower level. Outside the sphere of private enterprize — where the difficulties mentioned have to be dealt with — the mother country had to help in safeguarding the colony's credit with regard to her indebtedness and had to assist in financing the deficits on her public budget.

What with the economic and financial difficulties encountered by the mother country itself in connection with the general depression, the claims of oversea Holland were not easily met. Holland did not wish to part with her established policy of an equal tariff on all goods imported into the Netherlands Indies, irrespective of their origin. Closer cooperation between Colony and Homeland was, of course, a natural outcome of the stress of circumstances, but its sphere of activity had to be found outside the tariff on imports into both parts of the Kingdom.

The inference from the foregoing statements is that the Netherlands Indies' economic policy, as it has developed during the depression, has to be considered under the following view-points:

1) Restoration of the balance between the imports into the country and the exports from the country to its principal markets.
2) Economic cooperation with the mother country.
3) Stimulation of suitable home industries.
4) Safeguarding the Dutch share in the carrying trade between the Indies and foreign countries and also within the Archipelago.
5) Safeguarding the equilibrium in foreign cooperation in the economic field generally.
6) Safeguarding the existing system of distribution and its smooth operation.
7) Adjustment of the existing apparatus of production in various fields to changed conditions and protection of

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

such parts of the said apparatus as appear to be viable and indispensable to the interests of the country as a whole.

8) With regard to international regulation of the production of certain articles, participation in those agreements which appear to serve also the interests of the Netherlands Indies.

If we consider these objectives in the light of the traditions formed in a long and prosperous period, during which the country's economic policy had been based on entirely different principles, we can easily understand that the legal and administrative equipment of the country and of the Government services had to be adjusted to the requirements of this important change of policy.

We will not tire our readers with a complete enumeration of all the ordinances which have been enacted in the course of these last years in order to provide various government measures with the necessary legal foundation[1]). We will only mention the most important enactments and their purport.

In the first place the so called "Crisis Import Ordinance of 1933" (Official Gazette No. 349) deserves our attention as one of the fundamental enactments of the present policy. On the strength of it various subsidiary ordinances have been enacted which, in their mutual connection, have a bearing on the first six of the view-points mentioned above. The theory underlying these enactments is that, in shaping an essentially defensive policy, regulating the imports is the simplest and surest way to eventually reach the best obtainable and most satisfactory position in the country's relations with the outside world.

With this end in view powers are under these ordinances conferred on the Government to prohibit or regulate imports in various ways according to circumstances. Three forms of

[1]) Readers interested in this subject and familiar with the Dutch language may be referred to an excellent article by H. J. Manschot in Koloniale Studiën 1935 No. 4/5 page 253-281.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

application of these powers have come to the fore in the course of time.

(*a*) With a view to setting off imports against exports in suitable proportions, quotas in the import of certain goods may be assigned to one country or another specially interested in such articles. In this way the mother country obtained allotments in the importation of beer, bleached and unbleached cotton goods, coloured woven cotton materials, cotton blankets, towels, sanitary earthenware, fertilizers, electric bulbs, cotton sewing yearns, wrapping paper, etc. On behalf of other countries import quotas may be reserved, when they are prepared to stimulate Netherlands Indian exports to their markets. The size of such quotas will, of course, be fixed in consideration of the importance of the exports. The Netherlands Indies are, naturally, open to negotiations with any country which is prepared and able to "barter" or to "reciprocate" on a sound basis acceptable to both parties. Negotiations with Japan have been conducted in 1934 but did not yield the desired result. The United States of America, England and others will probably be more succesful in the near future. Germany obtained a quota in beer in December 1933.

It cannot be denied that this granting of quotas to definite sellers of imported goods may have a price-raising effect. For if their goods were the most profitable ones from the consumer's point of view, or unless the importation of such goods has been previously prohibited, the sellers would not have to resort to a quota-agreement. Therefore, the goods imported into the Indies under such agreement must either take the place of a cheaper article of another origin, or they must be considered, for one reason or another, as a disturbing factor in the market which necessitates limitation. The disadvantages to the importing country represent the "price" the community has to pay for the advantage secured on the other side, viz: the possibility of selling a certain quantity of export produce under the barter agreement.

Moreover, it stands to reason that the possibilities of direct barter and reciprocality must be limited if compared with

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

the possibilities of trade movements of a triangular, quadrangular, etc. nature, which were the underlying trends in the pre-depression period, when the interchange of goods and payments was free to find the channels which best suited the interests of all parties concerned. The inference is that agreements of direct barter concluded between governments, can at best cover only a small portion of the field which used to be the domain of international commerce and banking. Nevertheless, they may be, at the present juncture, an indispensable means of preventing worse in the way of stagnation of trade.

(*b*) In the second place "regulation" is resorted to in order to limit the quantities imported of certain articles which are also produced within the country. Rice and soy beans have already been mentioned on page 15 and 18. In the industrial field the measure has been applied to cement, beer, coloured woven sarongs and iron frying pans. In these cases also the natural tendency for prices is to rise under the influence of protective regulation of imports. Such rise of prices may either be considered desirable in itself (as in the case of rice and soy beans) with a view to preserving or restoring the buying power of the population; or it may be accepted as an unavoidable disadvantage which may, however, be justified by greater advantages not directly connected with the prices paid, such as alleviating unemployment, the safeguarding of existing concerns, the fostering of budding enterprizes, etc.

(*c*) A third form of regulation of imports goes by the name of "Import License System", which is embodied in two separate ordinances (Official Gazette of 1935 Nos. 554 and 555) and in a number of special decrees, all based on the Crisis Import Ordinance. This licence system does neither limit the quantity of goods imported nor does it affect their origin. It has, therefore, no price-raising effect. Every shipment of the articles concerned has to be covered by a license. The total imports of the article are fixed at a quantity equal to normal imports in a certain period in the past. Quotas of this permissable maximum are allotted to different firms of

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

importers, who have to apply for a "license" to cover every single shipment. The licenses used are, of course, written off from the quota assigned.

The object of the license system is the protection of the apparatus for import trade and distribution which had already been in existence long before the depression and which, on the whole, had served the country satisfactorily. The special causes which necessitated protection have already been dealt with on page 58—59.

The license system has so far been applied to various articles such as different kinds of glassware, enamel ware, bicycles and bicycle parts, the majority of textile goods, earthenware and porcelain, ironware, tubes, iron wire, nails, screws, brass and bronze, zinc, toilet soap and washing soap, etc.

The allotment of license quotas is, of course, a very delicate matter. The quantity of a certain article imported by each applicant during a definite year, which is chosen as a basic year, has in many cases been taken for a starting point in fixing the ratio of assignment. This plan has worked satisfactorily in the case of articles which, generally, are sold under definite trademarks and which, therefore, are imported by a limited number of firms under standing agreements with the manufacturers abroad. Cement, electric bulbs, fertilizers and sanitary earthenware have been licensed on this basis.

Articles, however, where trademarks or brands are of secondary importance and which are imported by a great number of importers whose share of the trade may vary widely from one year to another, must be treated differently. The basic year idea would in such cases be unjust in practice. Therefore, a "reasonable proportion" for each individual importer must be determined by the authorities, in this case by the Director of Economic Affairs. This Official and his Department are responsible for the proper and equitable distribution of licenses; at the same time interested parties have been granted the right of appeal to the Governor General.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

The "reasonable proportion" idea has been followed in the majority of cases, both when the license system was applied by itself, and also when it was applied to articles which at the same time were subjected to a quotization in the sense indicated above under (*a*) or (*b*).

In preparing various ordinances and measures the different government departments concerned were, naturally, in urgent need of statistical material, collected by an existing and very efficient "Central Bureau of Statistics" at Batavia. On the whole the data required have been forthcoming in a satisfactory way. But the more legislation was enacted and enforced, and the more Government interference was felt in practice, the more consideration was given to the possibility that the collection of statistical material might grow difficult or might meet with opposition in certain sections of the community. In order to prevent complications of this nature and to ensure the prompt and speedy collection of data, if necessity should arise, the "Statistics Ordinance" of 1934 conveyed in this field the necessary powers to the Governor General in Council who may direct the Bureau of Statistics to take the necessary steps.

Some other important enactments will be mentioned when we summarize the view-points enumerated on page 69.

(1) *Balancing Imports and Exports.*

In the preceding chapters enough has been said on this point, so that we may be brief here. A tendency towards balancing imports and exports pervades the world at the present stage and counts among the principal causes of the general stagnation in international trade. Holland and the Netherlands Indies have been forced to follow suit on pain of being suffocated economically. They are doing their utmost to make the best of a bad bargain and to hold their own under the new order, which is none of their making.

The great changes in the origin of the goods imported and the monopolistic aspect which in some specific articles the imports of one country seemed to assume, necessitated another defensive measure, which was embodied in the "Trade

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Control Ordinance" of 1935 (Official Gazette No. 428). The object of this enactment is to meet — or rather to alleviate — the disadvantages of a too exclusive dependence on *one* source for certain important supplies. What was to become of the market and of prices for such articles, in case the supply from this one predominant source should be suddenly stopped for one reason or another? It is only natural that in such case hoarding of the goods concerned and forcing up of prices would prevail to the detriment of the population and would continue until arrangements were made to obtain the goods from elsewhere. Given the geographic position of the Indies and the number of their inhabitants, such arrangements might require much time during which both markets and consumers would suffer seriously.

A possible situation of this kind may be dealt with under the Trade Control Ordinance which, in case of necessity, empowers the Governor General in Council to "mobilize" on behalf of the public interest the available stocks of an article, the supply of which might be cut off. To this end the Governor General may appoint a committee to watch over the trade in certain important necessities which may be liable to a general and disproportionate rise of price. The Governor General may further confer on this committee the authority to take action with regard to owners of the goods concerned. So if owners, who would refrain from selling unless at exorbitant profits, fail to properly comply with the committee's directions to bring the goods into circulation at reasonable prices, the committee may confiscate the goods and cause them to be sold for the owner's account and delivered where needed.

Fortunately a situation necessitating the application of this ordinance has so far never arisen and this piece of legislation deserves our attention only as one of the useful preventive measures which the country had to take under the stress of circumstances abroad.

A "Packing Ordinance" of 1935 (Official Gazette No. 161) empowers the Government to make regulations to the

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

effect that the packing of certain goods which may be specifically designated, shall show the origin, the nature, the composition, the quality and the quantity of the goods. The influence of this ordinance has so far been of a preventive nature, which was useful on behalf of the consumers with regard to both imported articles and products of young home industries.

Powers to regulate undesirable exports, either to foreign countries or from one island to another, have been granted to the Government under the Crisis Export Ordinance of 1933 (Official Gazette No. 262). These powers have so far only been employed to regulate the movements of rice and soy beans between the Outer Provinces and Java. Prohibition or limitation of commercial exports have never been enacted so far. In the case of Germany, where legislation had to be resorted to because of her incapacity to pay, no quotas were applied to the *goods*, but a clearing arrangement was concluded concerning payments both ways. Under this agreement each article was listed for a fixed yearly or quarterly amount in *money* and each exporter was assigned a quota in this sum in accordance with his share in the exports of the article concerned during the years 1932-1934. Since *quantities* of goods are not limited by this system, exporters who desire to sell more than their money quota allows, are at liberty to do so at their own risk. No claims for payment of exports over the money quota of any exporter are honoured from the clearing funds.

(2) *Economic Cooperation between the Home-land and the Overseas Regions.*

Apart from the ordinances already mentioned in the preceding pages, no need of legislation was felt with regard to the special forms of cooperation which during the depression have developed between the mother country and the Netherlands Indies.

In order to appreciate the possibilities of this cooperation and their limitations it is useful to realize the present position of Holland itself.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

As a consequence of her geographic situation at the mouths of the rivers Rhine, Meuse and Scheldt, Holland has always played an important part in the development of international trade. Her consistent free trade policy during the 19th century has linked up her home market as well as her production very closely to the cosmopolitan exchange of goods and services.

Of late years Holland's trade has shrivelled up considerably and has, moreover, been concentrated on a comparatively small number of countries, as is shown in the following table:

Imports from:	1933	1934	1935
Germany	31,2 %	28,7 %	25,6 %
Belgium & Luxemburg	10,2 %	10,4 %	11,- %
Great Britain	9,- %	9,3 %	9,3 %
U.S. of America	6,4 %	6,7 %	6,9 %
France	4,3 %	4,3 %	4,7 %
Netherlands Indies	4,2 %	5,6 %	6,1 %
So that these six countries account for	65,3 %	65,- %	63,6 %

Exports to:	1933	1934	1935
Germany	21,6 %	24,8 %	19,1 %
Belgium & Luxemburg	13,8 %	11,4 %	10,7 %
Great Britain	17,4 %	19,- %	20,1 %
U.S. of America	4,5 %	3,1 %	4,9 %
France	9,9 %	8,1 %	7,- %
Netherlands Indies	4,2 %	4,3 %	4,7 %
So that these six countries account for	71,4 %	70,7 %	66,5 %

The figures for total imports and exports in value show an appalling drop caused by both declining prices and quantities.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

1 = 1.000.000 Guilders.

In	1929	imports	were	fls.	2752	and exports	fls. 1989.
„	1930	„	„	„	2418	„ „	„ 1719.
„	1931	„	„	„	1893	„ „	„ 1312.
„	1932	„	„	„	1299	„ „	„ 846.
„	1933	„	„	„	1209	„ „	„ 726.
„	1934	„	„	„	1038	„ „	„ 712.
„	1935	„	„	„	936	„ „	„ 675.

Protective measures in England and the British Dominions under the Ottawa regime made important items disappear from Holland's balances of trade and payments. The existing unfavourable trade-balance with Germany was accentuated by that country's economic policy and her incapacity to pay. With regard to Belgium conditions improved. The volume of business with the United States diminished, especially in value. Trade with France remained practically on the same level and was at least spared the difficulties and disadvantages of monetary disturbance.

The turnover in actual trade with the Netherlands Indies is of comparatively small importance. During the European war, when shipping communications were intercepted, various countries which used to come to market in Holland for Netherlands Indian products, established direct trade relations with the Indies, and these have since been kept up and extended. Direct trade interests between the mother country and her colony were, however, supplanted and superseded by investment interests with regard to agriculture and mining in the Indies.

The adverse trade balance of Holland began to cause difficulties when the invisible items shrivelled up. Unemployment figures are serious, running into 475.900 (January 1936) as compared with a total population of nearly 8.500.000. The national income on the whole has been dropping at a disquieting rate. Various laws and ordinances were enacted in order to combat the effects of the depression in different fields, social as well as commercial, industrial and

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

agricultural. All this constituted a heavy drain on the budgets of the state and of many municipalities, which have shown considerable deficits in these last years.

Adapting the cost of living to the decreased earning capacity and to the opportunities for employment is very difficult in Holland which is surrounded by countries that have either debased their currency or are incapable of meeting their obligations. Nevertheless, the necessity of bringing the cost of living down in a suitable proportion to wholesale prices is inevitable and may not be shirked under the penalty of economic suffocation. That this task is an arduous one is borne out by a comparison of index figures over a period of years.

Index 1913 = 100.

Year	Wholesale prices	Cost of living	Difference
1928	149	169	20
1929	142	168	26
1930	117	161	44
1931	97	151	54
1932	79	140	61
1933	74	138	64
1934	78	140	62

Under these circumstances, and given the cares of an unbalanced budget, the Government has, of course, to strain all the financial resources of the country to meet the situation and at the same time to assist the Indies in their difficulties.

Direct financial assistance has already been referred to in that the mother country has guaranteed several low interest loans of the Netherlands Indian Government (page 62). Moreover, we may mention that, whenever the home government in shaping its commercial policy with regard to foreign countries has to conclude treaties or arrangements, the economic interests of the Netherlands Indies are duly taken into account and served as far as possible.

The idea has been voiced that the Kingdom of the Ne-

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

therlands should borrow a leaf out of the book of many great countries going back on their traditions, and resort to protection as a matter of principle. We will not discuss the pro's and con's of such a change and we have referred to it only because in this same connection a "customs union" between the Netherlands and the Indies has been advocated. However, so far the view has prevailed that this would be neither profitable nor feasible. Following suit in the matter of protection in a defensive style and to the extent dictated by the necessities of economic survival and independence, may at the present juncture be regarded as inevitable. But a "customs union" is incompatible with existing treaty obligations which on the one hand have conceded specific favours to certain powers in the past and which on the other hand generally contain the most favoured nation clause, precluding the possibility of differential tariffs. Moreover, the price-raising effect of tariffs generally is an extremely delicate matter in a country like the Indies with its numerous population of very limited buying power.

Considered under a practical point of view, the effects of a "customs union" would under present circumstances be considerably lowered by the displacement of commerce already mentioned, viz: the trend in export-trade to move toward Western countries and the tendency of import-trade to move toward Asiatic countries.

Opportunities for incidental direct cooperation between mother country and colony may and will, of course, arise from time to time. As an instance we mentioned on page 17 the intended exchange of cambrics against maize, and also the quotas in various industrial products allotted to the mother country. On the other hand Holland, when levying a new special duty on oil cakes (cattel food), has arranged a preferential rate for coprah cakes from Java, which are produced in that island in considerable quantities.

(3) *Stimulating Suitable Home Industries.*

When we speak of stimulation of home industries, the customs tariff is the thing which most readers will think of

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

first. Now, neither in the Netherlands nor in the Indies tariffs have ever been handled with protective intentions; to this rule there are hardly any exceptions. The Netherlands Indian tariff is fiscally conceived and fiscally handled; the customs revenue constitutes an important item in the country's budget. When, in consequence of the depression, the revenue from this source began to diminish without any hope of compensation in one way or another, it became necessary to raise the basic percentages of the duty. This rise took effect in January 1934. The increased duty was laid on articles of luxury and finished articles generally, otherwise the financial effect would have been insufficient from a budgetary point of view. The basic percentage for "means of production", raw materials and half fabrics was left unaltered because a rise in the duty on these imports would have unduly affected the poorest sections of the community; at the same time the financial results would have been of slight importance.

The few exceptional cases where tariffs were brought to bear on issues of commercial policy occurred in recent years.

A few articles in which Germany was specially interested were reduced in the tariff scale as a result of the negotiations concerning the commercial treaty of 1933 between Germany and Holland, in which Netherlands Indian interests were also taken into consideration.

Secondly in 1933 the import duty on cotton and rayon weaving yarns was withdrawn in order to strengthen the position of the textile industry which was developing itself within the country.

And thirdly in 1934 the Governor General was empowered to exempt machinery for industrial plants from paying import duty and to extend for at most two years this privilege to raw materials needed for the manufacture of finished products, in cases where such exemption may be deemed necessary in the economic interest of the country.

Given the tariff policy as outlined above it is evident that such protection of home industries as has occurred, has been effected on the strength of the Crisis Import Ordinances, either by prohibition or quotization of the articles concern-

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

ed. So in the cases of cement and beer (1933), coloured woven materials, especially "sarongs" and "kain pandjang" (articles of native apparel), and iron frying pans (1934). And every one of these measures has been conceived on a *temporary* basis.

As a matter of fact, of all the home industries the *textile* industry is perhaps the most interesting at the present juncture. It appears to be very suitable to the native workers and it apparently appeals to their tastes. It revives, indeed, ancient traditions of high artistic value.

Its production is so far very limited, covering not quite 2 per cent of the requirements. No big plants equipped with modern, large scale machinery have so far been established; plans in this direction have been made but they have not yet materialized. There are a few medium-sized enterprizes, some of them European owned and of an experimentary character; the biggest of these works, situated at Garoet in Western Java, employs 700 persons at the moment of writing, and produces some 42.000 coloured woven "sarongs" a month. Besides, there are quite a number of small scale workshops in various parts of Java and also in the Outer Provinces, owned and run by Chinese, Arabs and Natives.

The total number of adapted, new looms is beleived to have been 750 in the second half of 1931, all of these being hand looms. In September 1935 their number had increased to 6.000 hand looms, besides which some 700 power looms had been put in operation. These numbers of looms refer only to private businesses, working for the open market. They do-not include the looms operated in various penitentiary and reformatory establishments. The output of these "prison" weaving shops which, by the way, date back as far as 1915, has never come on the open market, but has always been exclusively used in various government services.

The number of hands employed in Java alone is given as 12.000 in 1935; for the Outer Provinces no figures are available.

Since the year 1921 the Government also runs a *textile*

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

school in Bandoeng which has been expanded considerably in these last years; of late branches of this institution have been opened in Semarang, Padang and Macassar. All these establishments are training workers and overseeers and also supervise the manufacture of suitable looms on behalf of people desirous of starting in this industry.

Sarongs, a very common article of apparel amongst the population, worn by both men and women are, so far, the principal object of the new textile industry in the Indies taken as a whole. Other kinds of textiles have been taken up as well, but only to a very limited extent.

As regards sarongs, there are a considerable variety of kinds. From a commercial point of view the most important are the well known "*batik*" and the "*printed*" sarongs. The new developing industry has chosen for its object the "*coloured woven sarong*" that covers only a small portion of the field as compared with the other kinds taken together. Men take to the coloured woven sarong more readily than women who prefer the batik variety. Until a few years ago practically all the coloured woven sarongs used to be imported. However, 900.000 pieces were made in 1934; the output in 1935 is estimated at 1.500.000. In this special line, which historically is closely connected with the ancient art of sarong weaving in the Indies, home production is believed to cover at most 25 % of the requirements.

Industrialization in a general sense has naturally come to the fore in recent years, labour being plentiful and cheap. We will not enlarge upon this problem as a whole and simply mention the establishment of several new works during the depression.

In the *European* sphere these have all been established in Java. A factory of tires and tubes was recently opened in Buitenzorg by American interests. Lever's concern started a soap factory in Batavia which will have to compete with a number of small and miniature shops and a few medium-sized works where soap is manufactured. Imports of soap as

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

a finished article are declining but imports of caustic soda show a marked increase in the last years. The other raw materials for soap are produced in the Indies, such as coconut oil, palm oil and kapoc seed oil.

Other lines where industrial activity has made itself manifest are paints, beer (two modern breweries at Batavia and Sourabaya which supply about 60 % of the demand), margarine, iron drums, pottery and crockery, buttons, electric batteries, felt, chemicals, yeast, chocolate, syrup, maizena, bicycles, leather and, last but not least, cigarettes, for which besides the existing works at Ambarawa big plants have been established in Batavia, Cheribon, Malang and elsewhere. In cigarettes the supply has even surpassed the very important demand and Government intervention became necessary not for promoting but for regulating the output (see below, page 92).

In the *non-European* sphere private initiative for industrial interests has also become more and more active of late years. The existing Government Service for Industrial Information has been expanded. In various suitable centres in Java and in the Outer Provinces branch bureaus of this service have been established where a staff of expert government officials is at the disposal of interested parties. Prospective owners and managers of enterprizes, workshops, etc. may apply there for information on all questions relating to their line of trade, both technical and administrative. All this activity is, of course, directed towards the home market with the exception of certain curios and articles of art appealing to tourists.

In the sphere of this small scale and home industry which, of course, had always existed and is now developing in accordance with present requirements, the country-born Chinese and Arabs are very important groups besides the Natives.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

(4) *Safeguarding the Dutch Share in the Carrying Trade.*

The important changes in the aspect of shipping with regard to the Netherlands Indies have already been touched upon. The possibility of protecting, if necessary, the vital interest of Dutch shipowners has been created and legally founded. To this end a clause has been inserted in various ordinances based on the Crisis Import Ordinance to the effect that, with regard to goods which may only be imported under a license, the Governor General may authorize the Director of Economic Affairs to fix a proportion in which license holders are bound to have these goods carried by vessels under the Dutch flag. Application of these powers in practice will, of course, not be resorted to, unless vital interests of the shipping communications served by the Dutch lines should be endangered by any action which is specially detrimental to national shipping. Fortunately no occasion has arisen so far for putting this measure into effect. The enactment is purely preventive and defensive in character.

Also the coastwise carrying trade between the ports in the different islands of the archipelago was, of course, seriously affected by the depression; and so were various other interests directly or indirectly dependant on shipping. These developments led to the introduction of a bill regarding the adjustment of shipping generally which at the same time limits the number of seaports open to trade under foreign flags. The trade in some of the smaller ports has declined to such a degree that it no longer warrants the expenditure on personnel and equipment necessary to keep them open to Ocean going shipping. At the same time this ordinance lays down the principle that the coasting trade *may* be reserved for vessels under the Dutch flag, *if* such a measure should appear to be necessary in order to protect vital interests of the coastwise services in general. Given the geographic situation it will be easily understood that coastwise shipping, as a united organization, is extremely important in the Indies, not only for commercial intercourse but also for the proper

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

administration of government in this far flung archipelago. The bill referred to is still under legislation.

(5) *Maintenance of a Proper Equilibrium in Foreign Cooperation towards Economic Life Generally.*

This objective is essential to the harmonious development of the Netherlands Indies and has been conscientiously and, for that matter, succesfully pursued ever since the free trade regime was introduced.

Only of late years has it appeared desirable to strengthen the legal basis of this time-honoured policy in order that its practical application may be continued. We need mention only three enactments which have a direct bearing on this policy.

The *admission of aliens* into the country has been based on the principle that the Governor General in Council shall determine each year the number of foreigners who may enter the country for residential purposes during the next year. Each nationality shall be granted an *equal* share in the total number and the Governor General shall determine the number which may not be surpassed by any one nationality. (Official Gazette of 1933 No. 438). The totals for the years 1934 and 1935 were for example fixed at 12.000 whereas the per-nationality-quota for these years has been 800.

In actual practice no difficulties whatsoever have been encountered so far in the matter of admitting an adequate number of foreigners or in the matter of aliens, desirous of admission, being refused. As we have said before on page 68, the open door has certainly not been closed; but a turnpike has been put at the entrance.

The "Crisis Ordinance regarding *Alien Labour*" of 1935 (Official Gazette No. 426) serves the object of alleviating the existing strain on the labour market. This ordinance does not affect anybody who has been lawfully admitted into the country prior to its promulgation. Persons, however, who desire to employ aliens admitted after that date, are bound to apply to the authorities for a permit in writing to do so. The ordinance states, of course, the reasons for which such a

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

permit may be refused. No permit need be granted, for example, if the applicant fails to show to the satisfaction of the authorities that the job in which he wants to employ one or more aliens cannot be suitably filled by resorting to the local labour market.

A third ordinance which deserves our attention in this connection creates the possibility of prompt *retaliation* in case a foreign country should discriminate especially against Netherlands Indian trade.

Furthermore, an enactment must be mentioned which serves a wider purpose than balancing foreign influence in the country's economic life; it has indeed a general bearing on stabilizing the conditions in various fields of activity. This is the "Ordinance for the Regulation of Enterprizes" of 1934 (Official Gazette No. 595), which is intended to check destructive varieties of competition, irrespective of whether they emanate from foreign or from home activities. This ordinance conveys to the Governor General the authority to designate certain groups of enterprizes as being endangered by disproportionate competition.

After an official declaration to this effect, the establishment of new enterprizes in such a line, the enlargement of existing ones or the re-opening of enterprizes which had previously been closed down, is prohibited unless a permit in writing has been applied for and been granted. The term of duration of this ordinance has been limited to three years. We will revert to its application on page 91, but mention of it under this heading was necessary because in certain cases it *may* also affect aliens.

(6) *Safeguarding the Existing System of Distribution and its Smooth Working.*

The view-point has already been stated on page 58—59 and the means of putting it into practice have been indicated in the introductory paragraphs of this chapter. Suffice it therefore to state that the policy evolved to attain this object is by no means intended to go beyond the very strictest limits imposed by necessity. Moreover, it may at any moment be

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

adjusted to such general changes or such specific conditions as may arise within the country or outside its boundaries.

(7) *Stabilization and Adjustment of Production.*

Since economic life in the Netherlands Indies consists of a compound of native, Dutch and foreign activities, the work of adjusting and stabilizing production will affect native, Dutch and foreign interests alike. This sounds like a truism but if we realize the intricacies of the living organism which is the object of this policy, the delicacy of the task will be readily appreciated.

The community has accepted the fact that the body economic of the Netherlands Indies will not emerge from the struggle forced upon it by the depression, without a good many scars. But the country's policy has been conceived and will be applied with a view to avoiding vital injury.

As regards *native agriculture* rice, soy beans and maize have already been dealt with. Furthermore, kapoc and native grown tobacco have been the objects of legislation.

Kapoc is practically a native grown product. Its growers were given support under a special ordinance of 1935 (Official Gazette No. 165). Exports of kapoc and thereby regulated in such a way as to eliminate, as far as possible, injudicious sales abroad. To this end exporters are registered and have to take out licenses for shipping their goods at certain prices to be mutually agreed upon by the shippers and the Government. Restriction or limitation of exports is emphatically not the object of this regulation, for they would induce exporters to pay less to the native growers; which would be contrary to the avowed intention of the whole measure.

A Kapoc Bureau has been established in order to assist and advise the Director of Economic Affairs regarding the handling of licenses, the fixation of prices, etc. Promotion of consumption abroad and technical instruction to growers form part of the scheme.

Java tobacco, which is partly native grown and partly estate grown, has, of course, shared in the slump that has

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

been the fate of various products. By way of encouragement to tide over the ensuing difficulties in this line, the export duty which used to be levied on this product has been temporarily withdrawn. So far this exemption has been granted for 18 months; it will expire by June 30th 1936 unless extended. The desirability has been voiced of establishing a Tobacco Bureau of the same character as the Kapoc Bureau, but at the time of writing this idea has not yet materialized.

Outside the sphere of legislation many measures have been put in motion in the interest of native agriculture. Amongst the most important we mention the continuous and intensified instruction given by expert officials with regard to seed-selection and improvement of cultivating methods of various crops, including rice, native coffee, cloves, coprah and cotton. Horticulture, forestry, fisheries and live stock are fostered in analogous ways. Exports of fruit to adjoining regions, especially to Singapore and Penang, are being promoted under the auspices of the Government on behalf of the native growers.

In the field of agriculture under *European* management we have already dealt with rubber, tea and sugar. Chincona, a very important article (the raw material for quinine), of which the Netherlands Indies produce fully 90 per cent of the world's output, also suffered from the effects caused by the accumulation of unsalable stocks which were deemed to endanger the culture as a whole. Under a connected set of "Chincona Ordinances" of 1934 (Official Gazette No's 69, 70 and 71), exports were subjected to restriction and quotization, and extension of the acreage under chincona was prohibited. It is worth noting that in the case of chincona the restriction enacted by the government was *not* deferred until the price itself had sunk to a disastrous level. As a matter of fact the price of chincona bark had been kept up by a strong "Association of Chincona Growers", comprising by now about 98 per cent. (nominally) of the country's production. The history of this association, however interesting in itself, need not be enlarged upon. It had occupied itself only with the *quantities* of bark *sold* by its members and with the *price*

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

realized, but not with *production* or *potential* production, which had risen to more than 200 % of the consumption.

The government whose chincona plantations account for about 10 % of the country's output, had several years ago consented to become a member of the growers' association reserving, of course, to itself full liberties of supplying malaria stricken districts with cheap quinine in case of emergency. Moreover, certain agreements had been entered into between the chincona growers and, for example, the quinine factory at Bandoeng to ensure to the refining industry a regular supply of raw material. As the depression developed the seemingly favourable position of the small, non-organized producers of chincona bark began to attract more and more outsiders, natives as well as foreigners, to take up cultivation. Therefore, when this tendency towards an unwarranted further increase of chincona production began to grow into an imminent danger to the culture as a whole, the government took action in order to ward off a general collapse which might have imperilled the future world supply of this indispensable drug. One would, therefore, certainly be mistaken if the chincona ordinances of 1934 were regarded merely from the point of view of a protection extended to vested interests. Due consideration must be given to the importance to the world at large of quinine as a medicine, to the endeavours that have been made to make it available to malaria territories through the agency of the Health Organization of the League of Nations and, finally, to the nature of the culture in itself. The perillous ups and downs of chincona cultivation in the past and the enormous price fluctuations of the product had proved chincona to be extremely risky as an enterprize. Therefore, in view of the stocks accumulated and of the world market for the raw material and the finished product, restriction was decided upon as the only alternative to exposing the culture as a whole to the dangers of a general breakdown in the near future. At the same time the chincona ordinances guarantee to the quinine industry an adequate supply of chincona bark at prices which reasonably correspond to the prices ruling for the finished

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

product. This guarantee will, naturally, expire when the duration of the chincona ordinances themselves will end (1937) but is, of course, susceptible of extension if the said ordinances are extended.

Estate production in the Netherlands Indies has always devoted much attention to practical agricultural sciences. These were fostered in several "*Experimental Stations*", formerly established by private initiative and financed by membership fees. Under the strain of the depression voluntary financial support to these institutions was gradually withdrawn to such an extent that their very existence was endangered. The Government, convinced that, as a system, the experimental stations are indispensable, then intervened by enacting a set of ordinances (Official Gazette of 1933 No's 202-209) which made certain contributions towards these institutions compulsory for estates growing and exporting rubber, tea, chincona, and coffee and cacao. The wellknown experimental stations for sugar have been able to carry on without Government interference. In general all these institutions have, of course, undergone a good deal of retrenchment and adjustment.

In forestry foreign activities were encouraged by granting considerable concessions in Borneo to a Japanese concern.

Mining activities were encouraged by granting concessions for oil in New Guinea to a joint Dutch and foreign concern and for gold and silver in Bantam, a province in the island of Java. Vested tin interests were taken care of under the international restriction agreement mentioned on page 44. The petroleum plants existing in various parts of the Indies have been able to hold their own and did not require Government measures. Bauxite is being succesfully developed in the island of Bintan, off Sumatra.

Stabilization and adjustment of conditions in specific trades on the strength of the "Ordinance for the Regulation of Enterprizes", mentioned in paragraph 5 of this chapter, have so far been applied to four groups of widely different

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

character, viz: to dairy farming in the Bandoeng Regency, to the warehousing trade, to printing offices and to the cigarette industry. Application of this ordinance to ice factories and to weaving works of more than 15 power looms, is under consideration and may be enacted shortly.

(8) *International Production Agreements.*

With regard to this view-point we may refer to what has been said in chapter III concerning rubber, tea, sugar and tin. Other products of the Netherlands Indies have so far not been the objects of an attempt at international regulation.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

VII. CONCLUSION.

In closing this paper it is useful to state that the history of the policy outlined in these pages — short lived as it is so far — is very illuminating indeed as regards the reluctance with which the system has been accepted.

When in 1932 the Government introduced its first attempt at an "*Economic Plan*", it was severely criticized in the "*Volksraad*" or People's Council — which is the Netherlands Indies' legislature — for not doing more in the way of direct protection of those economic interests which had received the first blows in the depression contest. Many members desired the Government to give its economic policy a wider basis. When, however, the Government continued to develop the new ideas, observing on the whole the principles indicated in the beginning, and when to this end one bill after another was introduced during the following years in order to obtain the necessary powers of enforcement, the legislature began to voice more and more its concern at the prospect of so much Government interference in spheres where the country was not accustomed to official activity. This concern is reflected in the rigid time limits which were fixed to the powers conferred upon the Government for the application of these enactments. The system requires, naturally, a certain degree of unity and coherence in order to make it "hole proof". Both the Government and the "Volksraad" are conscientiously treating each separate item in the economic structure which is deemed to require regulation in such a way as to leave no doubt whatever concerning their determination to see the country through. But all the same, time limits are strictly adhered to and private initiative is given the greatest scope which is considered compatible with the nearest objective that must be gained.

No better proof than this could be given of the reluctance with which the country as a whole deviated from its time-honoured policy of free trade, and of its sincere and general hope that the present forced suspension of this policy may eventually prove to have been of a temporary character.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

For the Netherlands Indies, as a country, this is more than a hope. It is an expectation which is based on the general conviction rooted and alive in all the thinking sections of the community there and in the mother country, that the structure of the country is fundamentally sound. It is a productive territory. Its equipment from the point of view of both government and economy is adequate, not to say excellent. It produces goods which, in the long run, the outside world cannot dispense with. The difficulties which at present a world wide depression has forced upon the Netherlands Indies and, consequently, on the mother country, require a great deal of adaptation. This adaptation is painful because it tends towards a lower level of prosperity than what the country has been accustomed to in the preceding period of its history. But all levels of prosperity are relative, fundamentally; and both Holland and the Netherlands Indies are strongly convinced that the level which the rising generation has in front of it for its future, shall not lie "below par". Like in any community, it is the *process* of adaptation that tells on the present generation. Once finished, the policy of adaptation which at the present moment appears to require the concentrated energy of every section of the community, will have mobilized all mental and material powers of resistance in the country. The progress of this policy augurs well for the possibilities of recovery which, however, remain dependant on the developments in the outside world, generally, and in the Pacific, specially.

Spring 1936.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

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REPUBLIK INDONESIA

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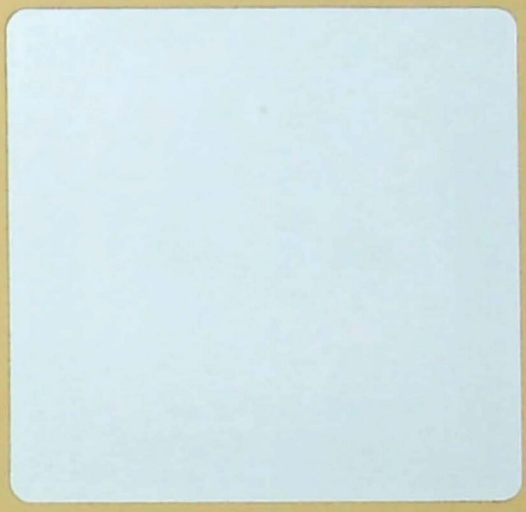

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA