Characteristics of Japanese Entrepreneurship in the Pre-War Indonesian Economy

Abstract

The role of Japanese companies in pre-war Indonesia is analysed by looking at business organization, strategy, investment, performance and their role in promoting the formation of a national economy. After 1914 business organization was connected with the 'Southern advance' ideology and propelled by political leaders, Japanese banks and large trading companies. This resulted in a tight intra-regional business network, covering production (rubber, sugar, timber and oil), import, marketing and distribution. Direct linkages with Indonesian producers and consumers were established, that continued to function also after the Second World War.

1. Introduction [1]

The reassessment of Japan's pre-war and wartime role in the socio-economic development of East and Southeast Asia has developed into an interesting and stimulating research topic over the past decade. Important new findings have recently appeared regarding, for example, the emergence of capitalist business elites in Korea and Taiwan, the transformation of the Chinese business communities in Indonesia during the 1940s, the wartime economic co-operation of the Thai elite, and Japan's central role in the pre-war intra-Asian economy (Man, 1993; Twang, 1987; Sugihara, 1990; Sugiyama & Guerrero, 1994). These studies question the lasting impact of Western colonialism and economic imperialism on modern Asian economic developments. Somehow Japan's inroads into East and Southeast Asian economies have had a more lasting effect and offered Southeast Asian indigenous powerholders a much appreciated alternative to the liberal

[1] This paper article some of the main arguments in: Post (1991). Additional research for this paper was made possible by a fellowship from the Royal Netherlands Academy of Arts and Sciences. I would also like to thank the Masayoshi Ohira Memorial Foundation for their generous support which made possible a lengthy stay in Japan and Singapore from September 1992 to March 1993.

(democratic) market system professed by Euro-American investors (Post, 1994a).[2]

Several studies about Japan's pre-war economic involvement in Indonesia have appeared during the last few years and these have contributed greatly to our knowledge of the subject in regard to colonial Indonesia. So far little is known about how Japanese companies operated in colonial Indonesia and why they behaved as they did. In this article I intend to throw some light upon these matters. As a point of departure I use Wayne Robison's conclusions regarding the way Japanese interests during the early 1970s challenged Euro-American capital dominance in Indonesia (Robison, 1985).

I begin by looking at the organizational aspects of Japanese business in the colonial economy. This will show that the overall business organization was closely related to the emerging *Nanshinron* ('Southern advance') ideology of which repercussions were increasingly felt in Southeast Asia from the mid-1920s onwards. Closely related to these aspects are the strategies undertaken and the performance of Japanese traders, colonists and business companies in order to gain a foothold in the pre-war Indonesian economy. These strategies were, of course, neither fixed nor static. The reverse in fact was true. Like most businessmen, be they Western or Asian, the Japanese entrepreneurs showed great skill in adapting to and benefiting from changing economic and socio-political circumstances. In the same section I focus on the business performance of Japanese enterprises and present some data on Japanese investments in agriculture during the late 1930s. In the concluding section I point out some of the issues regarding the theme of the conference and question its validity in understanding the historical foundations of Japan's current economic dominance in Southeast Asia.

2. The changing organization of Japanese business

The organization of Japanese business in pre-war Indonesia was part and parcel of Japanese community organization at large. Like the Chinese migrants, the Japanese had an active socio-cultural life and a tendency to form closely-knit communities. This propensity was reinforced by the awkward socio-political position they held in the plural society of colonial Indonesia. Having been placed on equal footing with Europeans in 1899, the first Japanese migrants (prostitutes, small traders, colonists and fishermen) were soon to discover that they were not accepted as such by either Dutch colonial officials or the local police. Prior to the First World War they were often maltreated, put in jail or refused an entry permit because the Dutch officials believed them to be Chinese, who were unlawfully demanding a 'European' treatment (Post, 1991, 117–122). Having no consular representative until 1909 these first migrants had to rely

[2] Currently I am engaged on research into the historical development of business ties between Japanese corporations and the *pribumi* business elites during the Sukarno era.

upon themselves for the protection of their businesses interests. From the outset the *Nihonjinkai* (Association of Japanese) was from the outset the most important instrument in tying the community members together. The first such an association, which would soon have more than fifty members, was founded in Medan in 1897 by two owners of *toko Jepang* (Japanese retail shops) (Shimizu, 1988: 7). Before the First World War a similar *Nihonjinkai*, also initiated by local Japanese retailers, had been established in Dobo (1908) where a large Japanese fishing community lived. These associations were set up for cultural, recreative and business purposes, and they became centres of leisure and information. The *Nihonjikai* were responsible for the maintenance of Japanese cemeteries and arranged fitting funerals for less fortunate community members. They helped newcomers to find their way around, advised on colonial Indonesian law and tried to manage conflicts between Japanese migrants and government officials. The board of the *Nihonjinkai* consisted of prominent Japanese in the region, usually the original pioneers.

When a Japanese consulate was established at Batavia in 1909, local Japanese entrepreneurs had the diplomatic backing they had been looking for and soon *Nihonjinkai* were also founded in Batavia (1913), Semarang, Surabaya and Makassar (Ujung Pandang). Someya Nariaki, the first consul-general, and his successors travelled a lot. They visited Japanese migrant communities all over the archipelago, and listened to their problems and aspirations. They coerced Japanese settlers to register with the local *Nihonjinkai* as this was the only way to give them diplomatic protection (cp. Modell, 1969: 130–169). Having been granted the 'most favoured nation' status under the Trade and Shipping Treaty of 1912, the Japanese government insisted that its citizens in the archipelago be recognized and treated as Europeans.

Rather than establishing relations with Dutch trade associations, the first Japanese migrants and entrepreneurs linked up with the Chinese business communities in colonial Indonesia. Prior to the First World War Chinese-Japanese trade associations were established in Batavia and Surabaya. These associations were founded to increase commercial contacts between the 'East Asian' merchants in Southeast Asia to the benefit of both Chinese and Japanese merchants (Post, 1995).

The withdrawal of Western capital and shipping due to the First World War and Japan's acquisition of German territory in the Pacific ushered in a new phase in the overall organization of Japanese business in the archipelago. Before that time Japanese economic expansion in the direction of Southeast Asia had scarcely been co-ordinated, but rested instead upon individual initiative and was dependent upon linkages with overseas Chinese trade networks. But with the establishment of the *Nanyô Kyôkai* (South Seas Association) in 1915 and the coming of the *zaibatsu*, Japanese banks and large trading companies, and hundreds of small *toko*-owners the formal organization of Japanese business was greatly affected. The years of pioneers, adventurism and *karayukisan* (the women who went overseas to work as prostitutes to restore their families' incomes) drew slowly to an end and big business moved in, bringing with it serious administrators and hard-working clerks. In 1918 a total of 624 Japanese entered colonial Indonesia, of whom 30.9 per cent were clerks, 29.5 per cent administrators and 15.9 per cent independent merchants (Post, 1991: 134, n. 13).

Nanshinron ('Southern advance') took on the dimensions of a powerful ideological tool. The South Seas Association, a forum of influential businessmen, *zaibatsu* leaders and high-ranking politicians exerted enormous influence and through the pressure it exerted upon the different ministeries in Japan and Taiwan, Japanese inroads into the economy of colonial Indonesia became more integrated.

It was just at this time that the first large-scale research reports on the overseas Chinese dominance in the economy of the Southasian region had been published and were being widely discussed in business circles in Japan. The reason for Chinese business success was sought mainly in the strong communal ties of the overseas Chinese migrants. Undismayed the *Nanyô Kyôkai* claimed that the Chinese had one disadvantage: they were not backed by a strong national govenment that could support them and protect their business interests (Shimizu, 1987; Peattie, 1993). By doing just that in the case of overseas Japanese business, the *Nanyô Kyôkai* and the Japanese government hoped to challenge Chinese commercial power in Southeast Asia.

In 1919 the consulate in Batavia was promoted to a consulate-general when a new consulate was established in Surabaya. Ten years later a third Japanese consular representative was appointed in Medan and in 1937 a fourth opened an office in Manado. In 1924 the first Japanese Trade Association was established in Surabaya and several years later a similar institution was set up in Batavia. The *Nanyô Kyôkai* opened a Commercial Exhibition House in Singapore in 1918, followed by one in Surabaya in 1924 and in Batavia in 1926.

Daily newspapers and magazines were also important instruments in integrating the Japanese business communities. The first Japanese newspaper in colonial Indonesia, simply called *Shimbun* (Newspaper), was printed in Batavia in 1910 (Goto, 1988: 548). This was followed by the *Java Nippo* (Java Daily) founded in 1920 in Batavia. The Japanese had also access to newspapers like the *Nanyô Nichi Nichi* and the *Nanyô Oyobi Nihonjin* which had been published in Singapore since before the First World War. The *Nanyô Kyôkai* published its own magazine, the *Nanyô Kyôkai Zasshi* (Newspaper of the South Sea Association). In the early 1930s the *Nichiran Shôgyô Shimbun* (Japan-Netherlands *Handelsblad*) appeared in Batavia, as well as the weekly *Java*, of which its readership was concentrated in Surabaya. Japanese businessmen interested in expanding in the direction of Southeast Asia actually had a whole range of newspapers and magazines at their disposal. Magazines like the *Nanyô Jiho*, *Tôyo*, *Nanyô*, *Tôa* and *Nanshi Nanyô* detailed socio-political and economic aspects of the Southeast Asian economies (Hicks, 1992).

By the late 1920s the activities of local *Nihonjinkai* had become integrated into an extensive intra-regional network of Japanese business in which consulates, trade associations, newspapers and the *Nanyô Kyôkai* participated. Rather than tying in with Chinese commercial networks and business organizations, from the mid-1920s the Japanese increasingly focused upon their own trade associations and institutions. Large companies like Mitsui Bussan, Nippon Menka, Mitsubishi Shoji, Taiwan Bank, Yokohama Speciebank, Daido Boeki and Gosho became also members of Dutch-controlled trade associations in the larger cities in Java thereby gaining access to information which was generally beyond the Chinese and indigenous entrepreneurs.

The overall organization of Japanese business did not mean that co-operation among Japanese private and public companies proceeded at an even pace. The fact that large capitalists trading companies and *zaibatsu* moved into product sectors formerly occupied by the smaller merchant houses and retailers led to an increasing competition between the two. The coming of the so-called *kokusaku kaisha* (national policy companies) which were interested in the exploitation of the natural resources in colonial Indonesia, lead to keen competition between the different types of large Japanese corporations. On the eve of the 1930s, a clear division emerged within the Japanese business community, which reflected the dual economic organization in Japan itself. On the one hand a highly urbanized migrant group in the service of the *zaibatsu*, banks, consulates and other large capitalistic enterprises had formed. These 'elite' groups maintained close ties with the politico-economic centres in Japan and Taiwan, in most cases were *Nanshinron* adherents and usually held temporary assignments. Their counterpoise was an even larger group of small traders and importers, retailers and smallholders who had settled permanently in colonial Indonesia. They had no direct contacts with the power centres in Japan's East Asian empire and relied on informal local networks and local *Nihonjinkai* for their external contacts. After the depression of the 1930s hit colonial Indonesia and the Dutch colonial governement launched an active crisis policy in 1933, both groups were confronted with each other.

In 1932 the Japanese retailers established the *Kyôwakai* (Association of Retailers) in the major towns of Java. Through these associations the owners of independent *toko Jepang* hoped to make their voices heard against the might of the powerful large trading firms and *zaibatsu*. The *Kyôwakai* scored little success. Its protests against the price-cutting war of the large Japanese importers most of the time fell on deaf ears. They were given to understand that in the interest of Japan's industry they too had to tighten their belts. Disillusioned very few retailers were paying-members of the *Kyôwakai.*

The larger Japanese importers and wholesalers were better organized. In 1934 the *Shoyûkai* (Association of Japanese Importers and Wholesalers) was founded. This forum was initiated by Okano Shigeru, 'the grocery king of the South Seas' and one of the most prominent and most successful Japanese entrepreneurs in pre-war Indonesia. Almost all large import houses participated in this association, which developed into a powerful pressure group during the Dutch-Japanese trade negotiations in the 1930s. The alliance of Japanese Trade Associations which was established by the *Nanyô Kyôkai* in January 1935 enjoyed a similar success. This alliance united all local Japanese trade associations and it was chaired by K. Miyamoto of Mitsubishi Shôji.

The 'politicization' of economic relations between colonial Indonesia and Japan during the 1930s and the growing impact of *Nanshinron* ideas led to increased governmental control of Japanese business organization in pre-war Indonesia. The Japanese government and capitalistic business leaders eventually dominated the *Nihonjinkai*, once the stronghold of local Japanese business interests. In 1940/41 there were 51 *Nihonjinkai* in the archipelago. All the presidents in the major cities were managers of the *zaibatsu* and other large companies. In the rural district centres the original pioneers stayed on, but by then they received their orders from consular officials and visiting diplomats (Goto, 1988: 296–301; Post, 1993a: 150–151).

3. Japanese business strategies and business performance

It is an established fact that Japan's penetration of colonial Indonesia consumer market was extremely successful. Having captured large shares of the import market for cloth, yarn, earthenware, sundry goods and textiles by the mid-1920s, Japan's share in total imports entering colonial Indonesia rose tremendously after 1929 and the devaluation of the yen in 1931. By the mid-1920s Japan had already captured 32 per cent of clothes imports, 31 per cent of yarns, 53 per cent of earthenware, 24 per cent of sundry goods and 21 per cent of textiles at large. After the crash of 1929 and the devaluation of the yen in 1931 Japan's share soared from 10.5 per cent in 1929 to 31 per cent in total imports entering colonial Indonesia. Japan's good performance on the Indonesian market was not attributable just to a favourable rate of exchange and low product prices, as most contemporary Western observers maintain. Equally important were marketing and distribution techniques and the structure of Japan's import organization.

Japan's investment in colonial Indonesia, however, was relatively low compared to that of the Dutch, Chinese and British. One of the main reasons for the low capital input was the anti-Japanese policy of the Dutch colonial administration, especially regarding the granting of concessions and transport facilities. This policy developed directly in the wake of the Russo-Japanese war and except for a short period between 1916–1924 continued throughout the pre-war period. It was general practice among Japanese migrants in the years preceding the First World War to settle in the peripheral Outer Provinces and to move into areas which were linked to the Dutch power-holders through so-called Short Declarations (*Korte Verklaring*). Although this strategy was quite similar to those employed by Western and Chinese private enterprises, which also tried to evade Dutch colonial control as much as possible, in the case of Japanese investors it provoked a great deal of anxiety and distrust within Dutch colonial circles. Dutch paranoia about Japan's political intentions had risen to great heights by 1912 prompting the Governor-General, at instigation of the military departments, to try to prevent Japanese investors from gaining a foothold in the larger part of the Outer Provinces (Post, 1993b).

In 1912 Batavia ordered local officials in the regions under indirect colonial rule (*zelfbesturen*) to send in all foreign concession applications to the capital for approval. One year later the order was made more specific: all applications by Japanese or by persons who might be Japanese strawmen were to be sent to Batavia for approval.[3] This move greatly retarded the expansion of Japanese capital investment in regions outside Java. Practically the whole of Sulawesi and large parts of the 'Great East' and Kalimantan were in effect closed to them. Japanese colonists and investors already living in these regions thereupon called upon the mediation of influential local Chinese or the offspring of local ruling families. By putting a concession in their names they were still able to acquire the estates on which they had their eye or obtain the transport facilities for which they were looking. This strategy continued throughout the pre-war period (Post, 1991: 218, 229, 264). Linkages with local indigenous elites and rich ethnic Chinese, who were outside the colonial power structures, would henceforth characterize Japanese 'investment strategies' in Indonesia and eventually became one of the pillars of Japanese postwar economic influence.

During the period 1916–1924 this anti-Japanse concessionary policy was temporarily relaxed as the Dutch wanted to counterbalance the growing importance of American and British capital. It was during this period that Japanese investments grew significantly. Due to the earthquake of 1923 and the subsequent bank crisis, Japanese foreign investments were generally low in the second half of the 1920s. But Dutch policy was changing. Attitudes towards the presence of Japanese agricultural estates in the Riau archipelago may serve as an example of the cautious, secretive policy adopted to ward off Japanese interests.

By the mid-1920s Japanese owned nine agricultural estates, mainly rubber, in the Riau area (Appendix 1). The largest concessions belonged to Furukawa Gumi and the Nankoku Gomu Kaisha. The Riau archipelago has always been notorious for its illegal trade with Singapore and Chinese merchants cooperated with the Japanese in smuggling opium and firearms. When the British started to build a new naval base at Singapore, an extension of Japanese concessions in the region was the last thing they wanted. However, the Ministry of Colonial Affairs had very little room to manoeuvre and to have singled out Japanese investors would certainly have led to diplomatic problems. At a special meeting of the Council of the Netherlands Indies (*Raad van Indië*) in March 1927, it was decided that agricultural land in the northern part of the Riau archipelago should be reserved for indigenous agriculture. The Ethical Policy with its emphasis on indigenous welfare was used as the pretext to bring the expansion of Japanese interests in this region to a halt.

[3] Dick asserts that the anti-Japanese concessionary policy developed by the mid-1930s. From the sources I consulted I conclude that it became official colonial policy in 1912 or 1913 (Dick, 1989: 259; Post, 1991: 213–220).

The appearance on the scene of the *kokusaku kaisha* during the early 1930s and the Dutch reaction towards these Japanese 'penetration organs' have been described by Dick and myself elsewhere and need not be repeated here.

Despite the fact that the conditions under which Japanese colonists and large companies had to operate were far from propitious, compared to those of Dutch and other Western corporate investors, some of the Japanese companies succeeded quite well and had a large impact on local economic developments.

4. Japanese agriculture and investment

Before the First World War Japanese investments were concentrated in the eastern part of the archipelago, *e.g.* copra in the Minahasa and the Sangir-Talaud Islands, and pearl and deep-sea fisheries in the Aru Islands near New Guinea (Appendix 1). During and after the First World War Japanese companies and smallholders launched into rubber-growing in Sumatra and Kalimantan. Investments were made in the sugar industry and in tea, coffee, agave and palm-oil in Java. In the 1930s the *kokusaku kaisha* began to show an interest in the exploitation of iron ore, tin, bauxite, timber and oil.

Japanese rubber interests in Sumatra and Kalimantan really took off after the British in Malaya introduced the so-called Rubber Lands Restrictions Enactment in 1917. This law stipulated that foreigners could not hold rubber estates larger than 50 acres. This was a purely anti-Japanese measure as since 1910 Japanese rubber planters had become quite successful thus also threatening the interests of British rubberplanters (Yuen, 1974: 20–21). Thwarted by this law Japanese rubber companies and smallholders tried their luck in Sumatra and Kalimantan. In 1918 Borneo Gomu K.K. (Borneo Rubber Co. Ltd.), Nanyô Gomu K.K. (South Seas Rubber K.K.), Sumatra Gomu Takushoku K.K. (Sumatra Rubber Development Co.) and Meiji Seitô K.K. (Meiji Sugar Manufacturing Co.) and the Furukawa Group took over several rubber estates in Sumatra and the Riau archipelago. The shareholders in Nanyô Gomu K.K. were industrialists from Oita prefecture in Japan. The president of the company in 1924, Nagano Zensaburo, was president of the 23rd Bank at Oita. The board of Sumatra Gomu Takushoku K.K. included Utsunomiya Jiro, owner of Utsunomiya Mining, Utsunomiya Tonichi, branch manager of Furukawa *zaibatsu*, Hinokida Hajime of the Taishu Bank, and several leading figures from the Furukawa *zaibatsu* and the Sangyô Koshi K.K.

Meiji Seitô, one of the largest development companies in Taiwan, formed the Sumatra Kôgyô K.K. in 1917 to develop the rubber estates of Silau Toea and Pulau Mandi. The Sumatra Kôgyô was set up with a fixed capital of 5 million yen of which 1.25 million was invested in Silau Toea (Sumatra, 1937: 32). After the purchase of the Pulau Mandi estate total investments rose to 2,5 million yen.

In 1924 all Japanese companies established in the plantation belt of Sumatra covered a total of 4,769 hectares of planted rubber. Dutch and Netherlands-

Indies companies had a total of 60,967 hectares and British rubber estates covered 48,256 hectares (Verslag, 1924: 74). By 1933 Japanese companies in the region had planted over 7,000 hectares (2.5 per cent of the total planted area) and their total production had risen to more than two million kg (2.6 per cent of the total) (Verslag, 1933: 78; cf. Yuen, 1974: 19, n. 12). The dry rubber was transhipped to Singapore by small Chinese vessels where it was bought up by Mitsubishi Shôji. The Japanese rubber estates showed a marked preference for cheap Chinese boats rather than the expensive KPM vessels, but at times when an anti-Japanese boycot was rampant transport of estate produce to Singapore was greatly affected. Japanese requests to be able to use their own transport and shipping facilities were generally not granted seriously hindering the extension of Japanese rubber interests in Sumatra.

In Kalimantan, however, Japanese rubber plantations developed fast, which was particularly due to Nomura East Indies. It is a well-known fact that the Nomura *zaibatsu* developed into the largest Japanese investor in pre-war Indonesia. Rather than investing in Korea, Manchuria or Taiwan as other *zaibatsu* did, Nomura, being a *shin* (new) *zaibatsu*, looked for new fields. In 1917 the company took over the Danau Salak rubber estate and in 1919 it founded the Dutch Borneo Rubber Co. in Banjarmasin to supervise its rubber interests in the region. The company also had a finger in the exporting of Java sugar and coffee as well as timber from Kalimantan. To take charge of all these activities Nomura established the Nomura East Indies Cultuur Maatschappij in 1920 with headquarters at Banjarmasin. During the 1920s Nomura East Indies would open branches at Surabaya, Singapore, Bangkok and Hanoi. Besides its other activities in 1924 the company took over the Karang Inoue palm oil estate at Langsa (Aceh).

By the late 1920s the *kokusaku kaisha* Tôyô Takushoku K.K. (Oriental Development Company; ODC) had become heavily involved in the exploitation of natural resources in colonial Indonesia (Johnson, 1978). In 1930 the ODC took over the outstanding debts of Japanese smallholders and other enterprises to the Taiwan Bank as the latter began to concentrate its activities on trade financing. In 1928, for instance, two officials of the ODC travelled through the Indonesian archipelago to study the effects of the bank crisis of 1927 on the position of Japanese smallholders and retailers. They made an inventory of firms that were eligible for financial support, after which the ODC took over 10 million yen of the Taiwan Bank's bad debts (Post, 1991: 261). The company began to finance the Nanyô Ringyô K.K. which started large-scale logging operations at East Kalimantan and since 1924 had been helping Matsue Haruji to set up the Nanyô Kohatsu K.K. (NKKK). The NKKK ultimately acquired large concessions of 31,500 hectares at Wanggar, New Guinea, for the cultivation of damar. It also experimented successfully with the cultivation of cotton on two former concessions of Nanyô Boeki Kaisha near Waren.

The operations of these private and public ventures were akin in procuring local produce and then transporting it to foreign markets. Whenever possible Japanese companies tried to circumvent Chinese intermediaries and established direct links with local indigenous producers. Nomura, for example, employed seven agents, who by the mid-1930s were well-versed in local languages and went to the indigenous rubber markets to buy up wet rubber. Ide Seiji of the NRKK started out with twelve Japanese assistants who travelled deep into the interior of northern Bulungan (East Kalimantan) to induce Dayak and upcountry Malays to fell trees for the company. Nanyô Boeki, Shibata Tetsuhiro, and the Minami Taiheyo K.K. collected dry copra directly from indigenous producers who had assembled it on navigatable coastal areas in Minahassa. The Motoshima *kongsi* at Landak (West Kalimantan) was able to monopolize the local tengkawan trade during the First World War through by-passing the sultan's relatives and paying high prices to Dayak families who had formerly delivered exclusively to the local ruler. In all cases the Japanese were willing to pay higher prices than either the Dutch or Chinese, and were flexible when advance payments were not repaid in time. Moreover, in order to reduce the transhipment costs, the Japanese companies tried to make use of Japanese shipping lines, tramps and small schooners, as well as Chinese steamboats and Arab vessels.

5. Investment estimates

Little is known about the extent of Japanese investment in the late colonial period. This is not due to a lack of data, on the contrary; there is an abundance of Japanese reports on pre-war investment in Southeast Asia. Unfortunately these reports, which were compiled by different research institutes in Taiwan and Japan give hardly any coherent data (Okurashô, 1947; Gaimushô Takunankyoku, 1941; Gaimushô Tsushô, various issues; Taiwan, 1937). However, a Dutch report of 1926 and investigations by the Japanese Department of Finance for the years 1937–1940 seem reliable enough and facilitate a comparison between the mid-1920s and the late 1930s.

In 1926 J. Stroomberg, head of the Taxation Office (*Dienst der Belastingen*) in Batavia, presented an extensive report on Japanese capital in the archipelago.[4] He collected his data from the tax reports of the registered Japanese limited liability companies. Data for Batavia were not at his disposal. Stroomberg himself acknowledged that his findings greatly underestimate actual Japanese capital investment, but still his report contains useful data.

In the eight inspection districts covered, 15 Japanese companies had invested 26 million guilders in agriculture, of which 11 million guilders had been put into sugar and 10 million guilders into rubber. Japanese capital investment in sugar would decrease dramatically after the bank crisis of 1927 and the bankcruptcy of the Suzuki *zaibatsu*. According to Furnivall, it was only 3.9 million guilders in 1929 (Furnivall, 1939: 311). Most of this capital was invested in two sugar

[4] Algemeen Rijks Archief (ARA), The Hague: Koloniën (Kol.): Verbaal 16 December 1926, no. 22.

factories, Soekoredjo factory (Trade Association Nankoku, operated with Mitsui capital) at Bangil (East Java) and the Gedaren estate (near Yogyakarta in Central Java).

Commercial capital was significantly larger if we take into account that Mitsui Bussan had invested 25 million guilders in colonial Indonesia, Mitsubishi Shôji 10 million guilders, the Trade Association Nankoku 3.5 million guilders and Nippon Sugar Trading Co. 4 million guilders. Stroomberg estimated that in 1925 nearly 68 million guilders had been deployed in commerce, agriculture and industry (Appendix 2). If the capital invested in retail shops is also taken into account then the total amount of active Japanese capital throughout the whole of the archipelago would have been more than 100 million guilders in 1925. Nevertheless, this is still no more than a very rough estimate as no data for Batavia are available.

For estimates on the late 1930s we have to rely on Japanese sources. According to a survey by the Japanese Department of Finance, the total acreage of Japanese-owned estates in colonial Indonesia in 1939 amounted to 123,548 hectares. The largest agricultural concession, 31,874 hectares, was held by Nanyô Kohatsu (New Guinea). This firm had invested a total of 3.3 million guilders. The largest Japanese investor was Nomura East Indies, which held concession areas of 6,866 hectares in Kalimantan and 6,590 hectares in Sumatra.

The total of Japanese agricultural investments in the late 1930s can be estimated at 35.5 million guilders (Appendix 3). To this should be added corporate investments in forestry and fisheries. In 1939 Nanyô Ringyô K.K., Borneo Bussan and Yukimoto Shôkai had invested a total of 7,9 million yen or 3.45 million guilders in forestry exploitation in Southeast Kalimantan, while investment in fisheries amounted to 1.86 million guilders and Mitsubishi was one of the two Japanese business corporations involved. Investment figures for Japanese manufacturing industries were not cited in the sources used.

6. Japanese import and distribution networks

Wholesale trading companies and small retailers engaged in the import and distribution of Japanese goods were very well acquainted with the local variations in the consumer market. Detailed market analyses were made by consular officials, the *Nanyô Kyôkai* and the research departments of *zaibatsu*, banks and shipping companies. Admittedlty Japanese products were cheaper than Western wares, especially after the devaluation of the yen in December 1931, but as some Dutch writers noticed at the time, Japan's market share in all kinds of products had risen considerably since the early 1920s and it would continued to do so even without the currency advantage. The Dutch textile industry and large Dutch trading houses acted upon the advice of Chinese wholesalers and intermediate traders who had access to market information. Generally speaking the Dutch companies knew very little about local demand in regard to prices, quality and quantity (Post, 1994b). Moreover, as in Singapore, few Western merchants were willing to forsake their luxurious life in the major cities and to move into the interior and to accept 'the low turnover and narrow margins that characterized trade in such parts' (Brown, 1994). This was in stark contrast to the Japanese attitude. Consider, for example, this description of a Japanese sales agent, one of the hundreds who were travelling the interior of Java by the early 1930s: 'When the shop-owner showed no interest in buying an item, the sales agent persisted in asking what the customer needed. When the shop-owner ultimately produced a sample of an article his customer wanted, the Japanese sales agent looked at it for a while and then assured the shop-owner that his firm in Osaka was able to produce a similar article. Most often the deal was closed at a price well below the European price level' (Hauser, 1941: 128).

The importance of marketing and distribution has long been underestimated in Western economic historiography but it was an important characteristic of Japanese commercial expansion in the whole of Asia as early as the Russo-Japanese War (Sugiyama, 1988a; 1988b).

The sale of patent medicine, which actually stood at the van of Japan's market penetration prior to the First World War, is a case in point. The success of this particular line of business was closely related to the *karayukisan* (Japanese prostitute) business (Shimizu, 1992; cf. Post, 1991: 168–170). Owners of brothels usually had a wide assortment of Japanese patent medicine in stock. In the first place these were articles that the *karayukisan* needed for her daily hygiene, but also consisted of peppermint, *kajaputih* (eucalpyptus) oil, salves for tooth and headaches, flu and so forth. These medicines were soon in great demand among the indigenous population and therefore attracted enterprising young Japanese males. By 1913 there were, according to Dutch sources, thousands of medicine-sellers active throughout the whole of Southeast Asia. These salesmen wore white tropical suits and a tropic helmet. They carried simple medical instruments and were accompanied by a Chinese or Indonesian carrying the Japanese wares in large baskets. Soon three companies were to become the focal points of the medicine trade: Ogawa Yoko and Yokoyama Yoko (Central Java) and the *Nanyô Shokai.*

In 1913 Ogawa Yoko had branches at Batavia, Bandung, Cirebon and Tegal employing 43 sales agents. These agents would travel through the interior of Java selling to *priyayi*, village heads, wealthy Indonesians and Chinese. Each would build up his own personal network in order to create a continous demand and each of these agents went to great lengths to extend his business which was done on a provision basis. Ogawa Yoko also published a small booklet, in Malay, in which the use of the different medicines was described. Through these informal personalized networks enterprising Japanese like Ogawa Rihachiro were able to build up an extensive business operations.

Figures on the profitability of the *toko Jepang* and the larger department stores are difficult to come by. There are some data on the late 1930s, and although they seem reliable they should be interpreted with great care as this was a time when Japanese retailers were facing an increasing competition from the government-sponsored *zaibatsu*-owned retail shops. According to the same survey by the Japanese Department of Finance there were 556 Japanese firms in Java in 1939, of which 213 were engaged only in retail trade. Sumatra was home to 128 Japanese companies of which 47 in retail, whereas Sulawesi and the Moluccas together had 70 companies with 29 in retail trade. Kalimantan had a total of 90 Japanese firms with 30 engaged in retail trade. There were 3 Japanese retail firms in Bali and Lombok. The Japanese investigators collected financial data on these retail firms (Appendix 4).

The Japanese data on the late 1930s reveal several important characteristics of Japanese retail trade as a whole, as well as patterns of regional differentation. Investment per *toko* was lowest in Sumatra (7,400 guilders) and highest in East Java (13,800 guilders). In West-Java the annual turnover per *toko* was about 54,000 guilders which was considerably more than in East Java (22,000 guilders). These figures confirm Dutch findings. Research by the *controleur* of Madiun (East Java) showed that the local *toko Jepang* had an average annual turnover of about 24,000 guilders during the period 1934–1938.[5] The *toko Jepang* in West Java were in general better off than their counterparts elsewhere at Java and the Outer Provinces. This was mainly due to the high density of the European population in that region. Although East Java was the Japanese commercial centre *par excellence*, building up a profitable business in retail trade there proved extremely difficult (Post, 1993: 144–146).

7. Conclusion

Some of the major findings of this paper are as follows. The organization of Japanese business in pre-war Indonesia was closely related to the overall organization of the Japanese community at large, where *Nanshinron* ideas were becoming increasingly dominant. Rather than operating within the political boundaries set by the Dutch and focusing mainly on Java, to a large extent Japanese business organization was Asia-wide. In this sense it resembled the works of the ethnic Chinese.

Japan's business performance in both the import and export sectors of the economy of colonial Indonesia rested, as far as possible, upon direct linkages with indigenous consumers and producers. From the start Japanese businessmen sought to challenge Dutch economic dominance by collaborating with, in the words of Robison, 'powerful bureaucratic nationalist leaders, Chinese and marginalized petty-bourgeois elements hostile to the "liberal" Western strategy' (Robison, 1985: 196). There is then a clear continuity in Japan's pre-war and post-war strategy in gaining and regaining a foothold in the Indonesian economy.

[5] ARA: Kol.: Mail Report 893*/37 [Report on Japanese interests in East Java, first half 1937].

Appendix 1. *Japanese agricultural estates in colonial Indonesia, 1924–1925.*

Company	Estate	Location	Acreage (*bouw**)	Products
Java				
Dai Nippon Rubber	Tjihoeni	Batavia	2,818	copra, rubber
Nankoku Sangyô	Tjimoelang	Buitenzorg	1,570	tea, rubber
(Mitsui Bussan)	Soekoredjo	Bangil	1,698	sugar
	Soempit Oerang	Malang	408	coffee, quinine
	Tempoor Sewoe	Malang	512	coffee
	Wonosari	Malang	472	tea
To-Indo Takushoku Kaisha	Halimeon	Sukabumi	1,066	tea, rubber
(Dutch Japanese Plantation)	Bandoen Wonolelo	Sragen	1,007	rubber, agave
	Madjenang	Sragen	1,846	agave
	Soember Lawang	Sragen	1,286	agave
Nanyô Seito Kaisha (Suzuki)	Soemengko	Modjokerto	648	sugar
Cultuur Mij. Gedaren (Suzuki)	Gedaren	Klaten	2,466	sugar
S. Nagai	Ngrowo Ngemplak	Temangung	427	coffee
	Djetis	Sragen	348	sugar
	Kradjang Djatimalang	Surakarta	?	sugar
	Soekoardjo	Surakarta	?	sugar
Nanyô Shôkai	Ngamil	Blitar	2,980	copra
Industrie-, Land- en Bosexploitatie Mij.	Djoerangdjero	Jombang	422	serek, kapok
Sumatra				
Borneo Gomu K.K.	Tandjong Semantoh	Tamiang	3,467	rubber
	Pajah Tampah	Tamiang	3,100	rubber
Nanyô Gomu K.K.	Tanah Hitam Hilir	Asahan	1,510	rubber
Sumatra Gomu Takushoku	Doesoen Oeloe	Simelungan	2,753	rubber
Sumatra Kogyô K.K.	Silau Toea	Asahan	1,902	rubber
(Meiji Seito K.K.-Taiwan)	Pulau Mandi	Asahan	6,636	rubber
Balai Kayang Rubber	Balai Kayang	Bengkalis	16,954	rubber
Furukawa	Furukawa Sumatra	Asahan	17,718	rubber
Kumajiro Fukudome	Kumajiro Fukudome	L. Kotta	8	cacao, copra
Riau				
K. Watanabe	Awi & Momoi	Tanjung Pinang	420	rubber
	Tandjong Koeboe	Tanjung Pinang	450	rubber
S. Agawa	Teban & Mentaro	Tanjung Pinang	750	rubber
Furukawa	Furukawa Batam	Tanjung Pinang	4,000	rubber
S. Kashio	Lebam Ketjil/Besar	Tanjung Pinang	700	copra
H. Tajitsu	Nankoku	Karimun	516	rubber
Taiwan Takushoku K.K.	Tiban	Batam	10,000 acres	rubber
Meiji Seitô K.K.	Duriankan	Batam	10,000 acres	rubber
Nankoku Gomu K.K.	Nankoku	Karimun	3,000 acres	rubber

Kalimantan				
Dutch Borneo Rubber Industrie Co.Ltd. (Nomura)	Danau Salak, Zeeland and Atajao	Ulu Sungai	8,052	rubber
K. Kaneko	Bawahan I &II	Banjarmasin	265	rubber
Neth.India Deveopment	Bingloe	Banjarmasin	530	copra
Oriental Development Corp.	Maloekoe I, II, III, IV	Banjarmasin	16,568	copra
Cultuur Mij. Soengei Doea	Soengei Doea	Pulau Laut	1,078	rubber, pepper
Shigeru Tajiri	Batoe Ampar I, II	Pontianak	5,027	rubber
S. Motoshima	Sebabat	Pontianak	235	rubber
K.F. Sukada	Serandjin	Pontianak	1,611	rubber
Azuma Ryosuke	Manggoegoela	Pontianak	117	rubber
T. Tamkawa	Nanshin Gomu	Pontianak	445	rubber
Kichitaro Otto	Perigang	Pontianak	2,191	rubber
	Memperigang	Singkawang	120	rubber
J. Nagaishi	Ambawang	Pontianak	401	rubber
Matsunaga c/o Toko Marui	Matsunaga	Pontianak	268	copra
F. Watanabe	Kalimantan	Singkawang	240	rubber
Y. Yamasaki	Yamasaki	Singkawang	224	copra
Sulawesi				
Cultuur Mij. Kelelondey	Kelelondey I	Manado	400	coffee, maize
	Kelelondey II	Manado	2,500	copra
Nanyô Bôeki K.K.	Poengkol	Manado	1,172	copra
Y. Katsuma	Kalasey	Manado	362	copra
Maluku				
S. Egawa	Warigin	Ternate	282	copra, cassave
K. Sato (Kawahara Produce Company)	Tatoedjoering	Aru Islands	2,140	copra
Nanyô Bôeki K.K.	unknown	Sangir Islands	?	copra
	unknown	Ternate	?	copra
	Waren	New Guinea	600	damar
Minami Taiheyô Bôeki K.K.	unknown	Sangir Islands	?	copra

* 1 *bouw* = 1.7535 acres
Sources: ARA: Kol.: Verbaal 16 December 1926, no. 22. Report on Japanese economic interests in colonial Indonesia by J. Stroomberg.

Appendix 2. *Japanese investment capital in inspected areas in 1925.*

(thousands of guilders)

Surabaya	67,986	Medan	761
Semarang	2,943	Banjarmasin	739
Surakarta	1,000	Makassar	60
Yogyakarta	5,300	Manado	900

Source: See Appendix 1.

Appendix 3. *Japanese investment in agriculture in colonial Indonesia in 1939.*

Corporate investment

	Number of companies	Investment (in yen)
Java	7	19,987,140
Sumatra	12	32,501,701
Kalimantan	3	16,228,995
Sulawesi/New Guinea	5	8,433,153
Total	27	77,151,079 (33,717,643 guilders)

Private investment

	Number of companies	Investment (guilders)
Java	10	421,300
Sumatra	2	2,000
Kalimantan	29	1,063,940
Sulawesi/Halmaheira	13	391,128
Total	54	1,874,368

Source: Okurashô, 1947: 117 [Tables 83–84].

Appendix 4. *Investment and turnover of 'toko Jepang' in colonial Indonesia in 1939.*

(thousands of guilders)

	Number of *toko Jepang*	Total investment (thousands of guilders)	Turnover
East Java	62	858	1,377
Central Java	81	1,034	2,811
West Java	70	917	3,802
Java	213	2,810	7,989
Sumatra	47	348	830
Kalimantan	27	229	545
Sulawesi	22	271	935
Moluccas	5	43	58
Bali/Lombok*	3	23	260

* The turnover for Bali/Lombok was probably misprinted and should read 26,000 rather than 260,000 guilders.

Source: Okurashô, 1947: 130 [Table 89].

References

Brown, I., 'Asian and Western commercial networks in Asia, 1850–1930; Dependency and rivalry'. Paper presented at the 11th International Economic History Congress, Milan, 12–16 September, 1994.

Dick, H.W., 'Japan's economic expansion in the Netherlands Indies between the First and Second World Wars'. In: *Journal of Southeast Asian Studies*, 20, 1989, 244–272.

Furnivall, J.S., *Netherlands Indies; A study of plural economy*. Cambridge: Cambridge University Press, 1939.

Gaimushô Takunankyoku, *Nanyô Hojin Nôkigyô Jôtai*. Tokyo: Department of Foreign Affairs, Southern Colonization Bureau, 1941.

Gaimushô Tsushô Kyoku, *Zaigai Honpô Jitsugyosha shirabe*. Tokyo: Department of Foreign Affairs, Commercial Research Institute, various years.

Goto, K., *Shôwa-ki Nihon to Indonesia*. Tokyo, 1988.

Hauser, E.O., *Gemaskerde menschen*. The Hague, no date, 1941.

Hicks, G.L., ed., *A bibliography of Japanese works on the overseas Chinese in Southeast Asia, 1914–1945*. Hong Kong, 1992.

Johnson, Ch., *Japan's public companies*. Washington: AEI-Hoover, 1978.

Man Hou Lin, 'The Taiwanese merchants in the trade between Taiwan and China, 1895–1937'. Paper presented at the workshop on 'China in the Asian international economic history, ca. 1850–1945', Osaka, 22–23 May, 1993.

Modell, J., *The Japanese of Los Angeles; A study in growth and accommodation, 1900–1946*. Ph.D. thesis, Columbia University, New York, 1969.

Okurashô Kanri Kyoku, *Nihonjin no Kaigaigetsudô ni kansuru Rekishiteki Chôsha Ran'Inhen* [= Research into the History of Activities of Japanese Overseas, Investigation on Netherlands Indies]. Tokyo: Department of Finance, Administration Bureau, no date, 1947.

Peattie, M.R., 'Foreword'. In: G.L. Hicks, ed., *Overseas Chinese remittances from Southeast Asia, 1910–1940*. Singapore: Select Books, xvii–xviii, 1993.

Post, P., *Japanse bedrijvigheid in Indonesië; Structurele elementen van Japans vooroorlogse economische expansie in Zuidoost-Azië, 1868–1942*. Ph.D. thesis, Free University of Amsterdam, 1991.

Post, P., 'Japan and the integration of the Netherlands East Indies into the world economy, 1868–1942'. In: *Review of Indonesian and Malaysian Affairs*, 27, 1993a, 134–165.

Post, P., '"Tai-ran" in Keizai Shinshutsu to Oranda no Taiô'. In: Sh. Oe, K. Asada *et al.*, eds., *Kindai Nihon to Shokuminchi*. Tokyo: Iwanami Shiten, III: 1993b, 51–73.

Post, P., 'The formation of the pribumi business elite in Indonesia, 1930s–1940s'. Paper presented at the KNAW Colloquium 'Legacy of Dutch and Japanese rule in Indonesia: Myths and realities', Amsterdam/Leiden, 6–10 November, 1994a.

Post, P., 'The role of Dutch merchant houses in the intra-Asian trade, 1870–1930'. Paper presented at the 11th International Economic History Congress, Milan, 12–16 September, 1994b.

Post, P., 'Chinese business networks and Japanese capital in Southeast Asia, 1880–1942: Some preliminary observations'. In R. Brown, ed., *Chinese business enterprise in Asia.* London: Routledge, 1995, 154–170.
Robison, W., 'Imperialism, dependency and peripheral industrialization; The case of Japan in Indonesia'. In: R. Higgott & R. Robison, eds., *Southeast Asia; Essays in the political economy of structural change.* London/Melbourne: Routledge & Kegan Paul, 1985, 195–225.
Shimizu, Hajime, '"Nanshin-ron": Its turning-point in World War I'. In: *The Developing Economies*, 25, 1987, 386–402.
Shimizu, Hiroshi, 'Dutch-Japanese competition in the shipping trade on the Java-Japan route in the interwar period'. In: *Tônan Ajia Kenkyû*, 26, 1988, 3–23.
Shimizu, Hiroshi, 'Evolution of the Japanese commercial community in the Netherlands Indies in the pre-war period (From Karayuki-san to Sôgô Shôsha)'. In: *Japan Forum*, 3, 1991, 37–56.
Shimizu, Hiroshi, 'Rise and fall of the Karayuki-san in the Netherlands Indies from the late nineteenth century to the 1930s'. In: *Review of Indonesian and Malaysian Affairs*, 26, 2, 1992, 17–43.
Sugihara, K., 'Japan as an engine of the Asian international economy, c. 1880–1936'. In: *Japan Forum*, 2, 1990, 127–146.
Sugiyama, Sh., *Japan's industrialization in the world economy, 1859–1899.* London: Athlone, 1988a.
Sugiyama, Sh., 'Textile marketing in East Asia, 1860–1914'. In: *Textile History*, 19, 1988b, 279–298.
Sugiyama, Sh. and M.C. Guerrero, eds., *International commercial rivalry in Southeast Asia in the interwar period.* New Haven: Yale University Press, 1994.
Sumatra Kôgyô K.K. Nijunenshi. Tokyo, 1937.
Taiwan Sôtobu Kanbô Gaijika, *Nanyô Kakuchi Hôjin Shigyô Yoran* [=Survey of Japanese Enterprises in Southeast Asia]. Taihoku: Governor-General's Office of External Affairs, 1937.
Twang Peck Yang, *Indonesian Chinese business communities in transformation, 1940–1950.* Ph.D. thesis, Australian National University, Canberra, 1987.
Verslag Handelsvereeniging. Medan: Handelsvereniging, 1924, 1933.
Yuen Choy Leng, 'Japanese rubber and iron investments in Malaya, 1900–1941'. In: *Journal of Southeast Asian Studies*, 5, 1974, 18–36.