

The Establishment of Colonial Rule in Jambi: The Dual Strand of Politics and Economics

Abstract

This article demonstrates that the nineteenth- and twentieth-century economic history of Jambi embodied a close intertwinement of economic and politic-administrative factors. The starting-up of oil enterprise, once it was turned into an administrative issue, provided the impetus for the establishment of colonial rule in the region. The granting of oil concessions proved to be highly politicized, ending in the creation of a monopoly position for a joint venture of the state and the Royal Dutch. However, it was not state enterprise, but private initiative, *i.e.* indigenous rubber production, that provided the incentive for modernization in Jambi in the colonial period. Although this process was disrupted in the 1930s by the depression, the colonial state tried to get hold of this source of income and to tap it to its own advantage.

1. Introduction

Managing a multinational has been described as sitting on the head of a dinosaur. Sensing a movement to the right, the manager should order: 'all to the right'; if a contrary move is felt: 'all to the left'. At least this has been the experience of one of the directors of Shell, according to a recent story circulating in Dutch management circles. If it is not true, it is well found. It illustrates the paradox of power and lack of power at the top, of leading the way by following structural moves. Here it may serve as an entry to colonial economics: how the colonial government tried to scramble on the head of the dinosaur, the politics and economics of the vast Indonesian archipelago and how it tried to lead it by supervising the many local moves.

In this article I want to argue that Dutch expansion in Indonesia, especially in Jambi, around the turn of the century, brought about a closer intertwining of politics and economics, of government and private capital. Elsewhere I tried to show that, as far as Dutch imperialism at the turn of the nineteenth century is concerned, economic problems were never the only incentive to act militarily and bring regions under direct control (Locher-Scholten, 1994b: 257–293).

Economic aspects had to be 'politicized': they had to develop into administrative problems before the government would gear into action (Fieldhouse, 1984²: 476; Stokes, 1975).¹ Here I want to expand the argument to that of a double process. Economics got politicized, but politics were 'economized' as well. Worrying about its budget, the colonial government tried to get a better grip on colonial economics.

The alliance of politics and economics itself is of course a commonplace to economic historians, especially those studying colonialism. Political power in general has always two concerns: to make itself recognized and obeyed; and to fulfil its economic needs in order to maintain this authority. Power without financial base is not fated to have a long life. Hence, the question is not whether the alliance between politics and economics existed, but in which patterns and varieties. Around 1900, Jambi's defence of its autonomy, the interests of Western oil industry, colonial state formation and budget concerns provided the dominant colours that changed the existing fabric. They had been preceded by other combinations of forms and texture.

2. Pre-colonial Jambi: geography and economic ecology

In order to discover some of these patterns, we have to move away from Java and Java-centrism, characteristic of much of Indonesia's past and present, to Jambi (southeast Sumatra). In the nineteenth century the present-day Indonesian province of Jambi was a sultanate, a region of swamps (coastal area), rivers, woods and mountains, characterized by the colours green (woods), red (earth) and grey (rivers). Situated in the basin of the Batang Hari river and its many tributaries, it was thinly populated; it has remained so until today. In 1930 there were 5.5 persons, *i.e.* one family or less, per square kilometre in Jambi and in 1980 this number had risen to 29 (Locher-Scholten, 1994b: 27; Rice, 1989: 127).

The Javanized Malay sultanate that had developed in the sixteenth century followed the model of the pre-colonial Malay states, in which economics served as the base for the sultan's power (Gullick, 1965²). His ever-changing alliances of political authority were built upon the exchange of economic goods in return for services. The *raja* was expected to distribute material advantages to his followers or clients. It was his investment in human capital, a scarce commodity in comparison to the abundance of land. Certain sources of income were considered indispensable to this end. The monopoly on trade and the distribution of certain basic products like salt, or luxuries like opium, might provide the *raja* with the income necessary to uphold his status.

The Jambi sultanate flourished in the seventeenth century due to the pepper trade with European companies. Competing with Johor and Palembang, it counted among the three most important powers of the region. At the end

¹ I thank Bob Elson for drawing my attention to the review article by Stokes.

of the seventeenth century, economic rivalries between different populations groups within the sultanate (Minangkabau pepper-producers living upstream and Jambi traders downstream) and political strife within the royal family had stripped the rajas of their economic base and their authority. Minangkabau immigrants, attracted by gold-washing in Upper Jambi, extended their influence. The sultanate declined to a minor state in the region, economically, and periodically also politically divided, in an *ulu/ilir* (upstream/downstream) opposition. The (British) East India Company abandoned its Jambi lodge in 1679. The Dutch East India Company (Vereenigde Oost-Indische Compagnie; voc) followed this example nearly a century later, in 1770. At the end of the eighteenth century, Jambi's commerce was 'moribund' (Watson Andaya, 1993: xv). It consisted of gold-dust, pepper and rattan. The first was mainly exported via the west coast while the quality of the second was not held 'in high esteem'. The port was therefore only rarely frequented by other than native merchants, as William Marsden wrote in the late eighteenth century (Marsden, 1966³: 358). Jungle products like resins, rattan and beeswax, formed the backbone of Jambi's exports. Its imports consisted mainly of textiles and pottery. In the 1830s, Singapore was the virtually exclusive centre for this trade; but for this booming new city the Jambi trade was only a minor detail (Locher-Scholten, 1994b: 34, 87).

The subsistence economy of *ladang* rice and animal husbandry provided for the daily needs of the inhabitants of Jambi. It provided the base for a strong village economy and for traditional patterns of local authority among the many different population groups, of Jambi, Minangkabau and Palembang origin as well as the Kubu groups, that populated the sultanate. The prosperity of the sultan himself, being dependent on trade, was dwindling. In the second and third decade of the nineteenth century, members of his family and Arabs dominated what was left of the trade in his realm (Jambi) and acted as a countervailing force, debilitating the *raja's* central power function.

Internal conflicts were common at the beginning of the nineteenth century. In this weak power situation Sultan Facharudin, who ascended the throne in the twenties, tried to get help from the strongest force in the region, the Netherlands Indies government. After the dissolution of the Palembang sultanate in 1824, he was probably afraid of being the next victim of Dutch hegemonic aspirations in South Sumatra. At the end of the 1820s, the Netherlands Indies government itself grew more interested in an alliance, prompted by its fight against piracy in the Banda Sea.

Exasperated by vague promises of a contract and by a reconnaissance patrol of 'his' river, the Batang Hari in 1833, Facharudin forced a meeting in Palembang with the Dutch Resident. Since this looked like sheer aggression, Governor-General J. van den Bosch (1830–1833) ordered a military expedition, which only heightened the internal strife in Jambi. Constrained by military opposition and internal rivalries Facharudin had to capitulate to the Dutch. As a result, he ceded the fortification at Muara Kompeh and the right to levy import and export duties to the government, as was stated by the contracts of 1833 and 1834. However, he kept the right of internal self-government (Locher-Scholten,

1994b: 48–75). Apparently, his material circumstances did not suffer from the exigencies of the contract: while his previous access to revenues from trade had already been limited, he now received a straightforward annuity of 8.000 guilders.

After 1833 he tried to strengthen his position in internal Jambi trade by asking the colonial government for favours in the trade in salt and gold. Moreover, he tried to make a profit from the trade in copper species from Singapore, which he imported at an advantageous exchange rate. However, before 1838 all these attempts had already ended in a fiasco. The government had turned a deaf ear to his requests; it forbade the import of copper species from Singapore and it subtracted the deficit for salt delivered from his annual compensation.

It is not clear whether the unrest in Jambi at the end of the 1830s, which was directed towards the Dutch presence, was a matter of the revenge of a disappointed prince or a proof of his political inability to retain internal unity and coherence, or both (Locher-Scholten, 1994b: 77–82). His successor, Sultan Abdulrachman Nazarudin (1841–1855), would exhibit a similar pattern of poverty and weak central authority. Dutch patterns of economics and politics in Jambi in this and later decades mirrored those of the Jambi princes: weak economic interests, but slightly stronger political power derived from economic profits and political prestige employed elsewhere in the archipelago.

3. Dutch interests in Jambi in the nineteenth century

In European colonialism, economics and empire, or the striving for empire, have always been closely intertwined. The VOC, a state-ordered trading company with sovereign rights, is the most famous Dutch example. In the nineteenth century the Cultivation System of Johannes van den Bosch provided another illustration of a colonial, state-directed economic enterprise. Its ‘privilege’ was largely confined to Java. The Outer Islands, especially Sumatra had to make do with other concepts. Here the main source of state income was not the cultivation of indigenous products for the international market but tariffs on indigenous trade itself. That at least was what Governor-General Van den Bosch had in mind in the 1830s. To ensure this trade routes should be safe, *i.e.* under Dutch control and trade should be tapped at the right place. In view of the structure of the archipelago and the importance of rivers as the main means of communication, this implied safe seas, free from piracy, and fixed trade centres at the mouths of the rivers where duties could be levied. Hence, the programme of Van den Bosch for Sumatra was: counteracting piracy and establishing fortified lodges at the mouths of the many rivers of this island (Locher-Scholten, 1994b: 49–51, 52–57).

Van den Bosch had other problems to deal with: not only the securing of the economic base of colonial power but the exertion of power itself. After the Java War had been won in 1830, the ongoing uprising in Minangkabau and the last flickers of the Palembang war of 1821 kept him busy. These political issues had

brought him to his decision for the military expedition to Jambi in 1833, mentioned already. In his eyes and in later Dutch historiography, the resulting contract implied a cession of the sultan's sovereignty to the Dutch (cp. Locher-Scholten, 1994b: 71–75).

In the Jambi case, economic considerations played only a secondary role. Realistically, the Netherlands Indies government did not expect anything from this poor sultanate. In Dutch opinion, Facharudin's appearance was one of utter poverty. In the peace talks he had barely been able to hold his position against more fortunate members of his family, those who were actively involved in trade. Moreover, he asked for material help, 'since he lacked all financial support, indispensable for the exertion of authority' (Boers, 1850: 456). 'No immediate financial advantages, but on the contrary an increase of expences', the lieutenant-governor-general J.C. Baud stated in 1835.² Politics prevailed over economics. This pattern was repeated in the following decades. Again and again, the government advised its civil servants a moderate levying of the import and export duties, in order not to upset the indigenous elite. In the 1840s when Great Britain urged for more privileges for its trade in the Indonesian archipelago, Jambi was made accessible to foreign traders at the low tariff of 6 per cent. It was an easy concession, since the Jambi trade was restricted, receipts minimal and taxation 'very friendly'.³

In the nineteenth century, the Dutch government did not express an active interest in this 'empty' region for any economic reasons. It did so only incidentally with political motives in mind. In 1858, for instance, it sent a military expedition to Jambi to force a new contract upon a new sultan, Taha (1855–1904) for administrative purposes and with an eye to possible international complications. The former contract, that Taha wanted only to confirm, did not meet the exigencies of more recent contracts in the region. Moreover, it left room for ambivalence and disparate explanations that might lead to territorial claims by other powers. This had been realized painfully through American pressure in the 1850s (Locher-Scholten, 1994b: 111–117). After the expedition and conquest Taha was dethroned and succeeded by his uncle, Sultan Achmad Nazarudin, the 'contract'-sultan; the *Pangeran Ratu*, a cousin of Taha, retained his. Since Taha moved to Upper Jambi and extended his power through a network of relatives and marriages in the following decades, internal changes were minimal. Even if the Netherlands Indies government failed to realize it, Taha remained the *de facto* ruler of Jambi.

The colonial government was forced to admit its weak position in Jambi in the 1870s, when a geographical expedition focused its research on Central Sumatra, including the southern part of this island. Financially encumbered by the Aceh War, it did not decide to impose more intensive forms of colonial administration which might have tied up the state budget. Nobody in Batavia

² Algemeen Rijks Archief (ARA), The Hague: Ministerie van Koloniën (Kol.): 'Exhibitum' (Exh.) 26 October 1835, no. 33; Exh. 12 April 1835, no. 79.

³ ARA: Kol.: Exh. 26 June 1847, no. 5; Gouvernementsbesluit 23 April 1847, no. 4.

wanted a 'second Aceh'. In the 1880s Dutch officials optimistically expected voluntary compliance from Taha. Diplomatic rituals kept this hope alive (Locher-Scholten, 1993). Economic pull factors, attracting the government or private industries, were conspicuous in their absence. In the 1880s, the export of Jambi was around 1 per cent of the total of exports of the Outer Islands (Locher-Scholten, 1994b: 208).⁴ It consisted for 99 per cent of forest products such as getah perca, rattan and resins (Statistiek, 1884, 1887). State income from import and export taxes fluctuated between 2.4 and 4.5 per cent in the period 1880–1895 (Koloniaal Verslag, 1881: appendix OO; 1887: appendix PP; 1891: appendix OO; 1896: appendix SS). So why bother, if the region was peaceful and free of foreign interference? It was only when oil was found, that the government started to push.

4. Modern imperialism

From 1841, non-interference or abstention had formally characterized Dutch colonial policy towards the Outer Islands in general. The success of the Cultivation System in Java determined this political position. Fear of endangering colonial profits prevailed. In practice this had resulted in the 'colonial paradox' of abstention on paper and military expeditions in practice (Fasseur, 1979). The latter were a common feature of Dutch colonial rule in the nineteenth century. The painful and costly Aceh War (1873–1904) would be the apotheosis of these expeditions and simultaneously inaugurate a new era.

Following the abolition of the Cultivation System, the 1870s and 1880s can be viewed as an intermediary period of incipient private initiative. The growth of private capitalism in colonial Indonesia was congruent with the slow start of an industrial revolution in the Netherlands, which only gained ground in the 1890s. This growth of capitalism was Java-based. In the Outer Islands private initiative was not stimulated as the government was wary of administrative and military complications. At the end of this period, new products like oil and copra started to reach the market and new companies entered the field. For instance, in 1887 the Dordtsche Petroleum Maatschappij was founded and in 1890 the 'Koninklijke' (Royal Dutch) followed. In that same year 'petroleum' was mentioned under a separate subheading in the annual official report about the Netherlands Indies (Koloniaal Verslag, 1890: 235). A new national consciousness about economics had developed, as the foundation of a national shipping company for the Netherlands Indies, the Koninklijke Paketvaart Maatschappij (KPM) in 1888, illustrates.

The process of economic expansion went hand in hand with a process of state formation and was influenced by an invigorated national consciousness. The term 'modern imperialism' may serve as the historiographic shorthand for this process. The debate around this term centres on the balance of economic and/or

⁴ I am grateful to Jeroen Touwen, who corrected my inaccuracies concerning figures of trade revenues and trade itself and provided me with trade percentages for the years 1883–1890 (Koloniaal Verslag, 1886: 204; 1887: 206; 1888: 247–248; 1889: 260; 1890: 240; 1891: 254).

political and administrative factors (Kuitenbrouwer, 1991; Locher-Scholten, 1994a; Lindblad, 1989). It is difficult, if not impossible, to weigh the relative importance of those two aspects as far as the Netherlands Indies are concerned. Chronologically and functionally they are closely intertwined, as Lindblad has shown (Lindblad, 1986). They stimulated each other in a dialectical process. The KPM, for instance, was launched in 1888 and served the purposes of unification admirably as A Campo has demonstrated (A Campo, 1992). The Dutch Minister of Colonial Affairs was soon to renounce the formal policy of abstention in a fairly inconspicuous way. In 1894, nationalist public opinion in both the Netherlands Indies and the Netherlands was mobilized by the attack made by the *raja* of Lombok on the Netherlands Indies army (*Koninklijk Nederlandsch-Indisch Leger*; KNIL) and by the subsequent victory of the KNIL. By 1896, the change in of policy towards Aceh adopting a more aggressive posture was the military and administrative expression of this new stance. More peaceful expansion was reverted in decisions to post civil servants to hitherto unmanned regions, for instance in North Sulawesi in the 1890s and in New Guinea (Irian Jaya) in 1898.

A stronger colonial state, however, needed more robust resources. Lindblad has denied that 'Dutch rule was extended or consolidated with the overall economic expansion in mind' (Lindblad, 1989: 18). However, growing state expenses, for instance for railway construction and the Aceh war, could only be met by augmentation of state income through taxes. Between 1867 and 1897 state revenue from that source rose from 33 to 58 percent, while income from sales of tropical products (the remaining items of the Cultivation System) dropped from 50 to 11 per cent (Lindblad, 1989: 13–14). The Netherlands Indies government sought additional sources of revenue in the Outer Islands which is illustrated by the effort made to gain more insight into income and expenses in the different regions outside Java by a new method of presenting the budget. It failed for administrative reasons.⁵ In 1899 it was decreed by law that the eastern part of the archipelago would form a tariff union. In that same year the Dutch parliament passed a new mining law, made essential by the demands of a growing industry. Defended by a minister who was a former captain of industry, it gave private initiative more freedom and the state some income.

A few years later a new colonial policy was heralded, the so-called 'Ethical Policy'. It proclaimed the development of the colony and its inhabitants and presented itself as a new activism of the Dutch colonial mind, a new consciousness of responsibility and 'task' (Locher-Scholten, 1981). Not only did it advocate social policies for Java, it tacitly implied the intensification of control of the Outer Islands. Moreover, since it had to be affordable, the government looked for sources of income.

Jambi provided a new impetus to the intertwining of both economics and politics, *i.e.* the administrative factor (Locher-Scholten, 1994b: 203–242). Private capitalism stimulated colonial state formation in this region. It was oil that prompted the government to action. Oil had been found in the adjacent residency of Palembang in the 1880s and by the end of the 1890s it had become

⁵ ARA: Kol.: Mailrapport (MR) 1894/425.

the most popular exploration residency in Sumatra (Koloniaal Verslag, 1899: appendix EEE). Since Jambi formed a geological unity with Palembang, it was also caught up in the oil boom. In 1890 an inquisitive British explorer had already been killed during his investigations in Jambi. A year later, the first contract between oil companies and the sultan had been made. This required the approval of the colonial government, but the latter had refused permission for exploration. In 1893, the Batavia authorities ordered the Resident to make a supplementary contract with the sultan by which the sultanate would cede its mining rights to the government. This was a common policy towards local rulers in the 1890s. Excluding the indigenous authority, it provided a practical shortcut on the long road from the discovery to the exploitation of mining products. Moreover, it strengthened the influence of the colonial government and increased a desirable uniformity of rules.

In 1897, the government repeated its request to the new Resident, H.J. Monod de Froideville. That same year it rejected 15 draft contracts from oil explorers, agreed upon by those explorers and the sultanate. Resident Monod protested. According to the civil servant posted in Jambi, a supplementary contract was only a matter of time and travel: the sultan was willing to sign. However, Monod's visit to Jambi in the summer of 1898 was in vain. The local authorities followed the same policy as Taha had done before, avoiding direct contact. The 'contract'-sultan, Zainudin, an old man, and the fifteen-year old crown prince, *Pangeran Ratu Anom Kesumo Yudo*, feigned illness and fear of illness. Clearly Taha did not want to cede this important aspect of the sultan's power. The sultanate was not averse to the contracts themselves since it signed drafts until the end of the 1890s.⁶ Taha, however, seemed to realize that the opening of his domain to oil companies without his personal say would strengthen the influence of the colonial government.

In order to achieve the economic goal of oil exploitation, Monod chose a complicated political weapon. He suggested that the government induce Sultan Zainudin to vacate the throne, ceding it to the young *Pangeran Ratu* who, in view of his age, should be under the supervision of two 'willing' regents. Monod argued that there were enough examples of mismanagement under the old sultan to motivate such a policy. Internal conflicts were not resolved, the population was exploited, criminals were not delivered to the government. After some hesitation, in June 1899 the Governor-General, C.H.A. van der Wijck, agreed to an adjusted strategy: abdication was allowed; the installation of the new sultan, however, was conditional upon a personal meeting with the regents-to-be. That summer, after many rumours, protracted waiting and futile travels, Monod met Sultan Zainudin. The future regents continued to absent themselves. The former agreed to abdication. As far as the installation of the new sultan was concerned, the government now changed its conditions. It not only required a meeting with the future regents, but also the surrender of Taha and his brother Dipo Negoro.

⁶ ARA: Kol.: Vol. 220. Verbaal (Vb.) 8 January 1904, no. 20 [report of the Director Mining Affairs, 7 April 1903].

Oil and the contested supplementary contract, starting-point of the troubles, had receded into the background. The first priority was to install a 'trustworthy' new local power; new measures should not be balked at. The economic question of exploration and exploitation had thus been 'politicized' and turned into an administrative problem.

The result was a deadlock of two years. In February 1901 a new Resident, I.A. van Rijn van Alkemade, and his adviser, C. Snouck Hurgronje, waited in Kota Jambi (the city) for the Jambi nobles who had been summoned to this meeting by a final ultimatum. They waited in vain. Then, formally, the Resident assumed the sultan's authority. In the summer of 1901 guerrilla warfare started and in 1904 Taha was killed. The Jambi war would last until 1907. Jambi became an assistant-residency under Palembang in 1903, a separate residency in 1906. It was firmly anchored in an ever-expanding soil of rules and regulations of the colonial state.

5. Politicization of the economic argument

It was not only the way the colonial state mastered this small and relatively unimportant region which showed the politicization of economics. In the following years the economic decision-making process concerning Jambi's oil illustrated the same pattern. As we have seen, in 1897 the government had rejected all draft contracts. In subsequent years it never faltered from this line. During the administrative crisis in Jambi no decisions could be taken. In the meantime many of the important oil companies of that period working in Palembang, like the Sumatra-Palembang Maatschappij (SUMPAL), the 'Koninklijke', the firm De Lange, the Maatschappij Moeara Enim and Moesi Ilir, had joined in the race for the Jambi oil concessions.⁷

Like his predecessor Monod de Froideville, Van Rijn van Alkemade was a fervent supporter of the oil industry. In May 1901 he recommended the government to open up Lower Jambi to exploration as that part of the region was safe. He could see no reason to wait for the legally required supplementary contract. A future sultan (theoretically Van Rijn still played with that idea) would have to agree with the government decisions taken in this interim period.⁸ However, the decision-making process took more time than he had expected. Only in September 1902 was the decision announced officially in *Javasche Courant*. All earlier requests were again rejected. Those who were interested should apply as of 2 January, 1903, at the Residency office in Palembang.

The announcement brought in a flood of more than 2,000 requests. A chaotic procedure ensued. The Resident's lottery, a common procedure, was unacceptable to the government Mining Office in Batavia. The Governor-General, W. Rooseboom,

⁷ ARA: Kol.: Vol. 220. Vb. 8 January 1904, no. 20 [report Director Mining Affairs, 7 April 1903].

⁸ ARA: Kol.: Vol. 115. Vb. 12 March 1902, no. 41 [Resident of Palembang to Governor-General, 18 May 1901].

chose the side of his Batavian officials in the conflict. The Minister of Colonial Affairs in The Hague, A.W.F. Idenburg, nearer to the oil companies' headquarters in the Netherlands, defended the interests of earlier applicants, arguing that they had already incurred expenses. However, the decision fell under the competence of the Governor-General and he announced a new application and lottery procedure for November 1903, this time to be held in Batavia. With it a new round of quarrels exploded. Now Resident Van Rijn questioned the legality of the lottery. Again, the Governor-General sided with Batavian officials, but now The Hague took the lead. Idenburg had already expressed his Calvinistic disgust for lotteries in general. In July 1904, he informed the Governor-General that the final decision would be taken by Rooseboom's successor, J.B. van Heutsz (1904–1909), as he, Idenburg, had been informed by the SUMPAL that the American Standard Oil had urged in among the applicants.

The real reason behind this scheme was his own and, the governor-general to be, Van Heutsz's worries about the colonial budget. They gave vent to these worries in their mutual consultation in July 1904 that led to the formulation of an unofficial government policy for the coming term of Van Heutsz. Both had agreed upon the need for a greater state share in the oil revenues. Both had opted for state exploration and the cession of exploitation to private companies under conditions favourable to the state. The quarrels about Jambi may have offered a well-timed opportunity to reach that goal.

If the final decision had already been taken in the Netherlands is probable, but not provable. Shortly after his arrival Van Heutsz made one last attempt to solve the conflict by personally looking into all the data and trying to fill these in on the maps. Small wonder that where experts had failed, he did not succeed. Arguing that the applications did not meet the demand of 'exactly defined plot', required by law, he rejected all applications. The reason officially announced was apprehension about an endless number of boundary disputes. No mention was made of foreign infiltration or of state exploration.

Hence, the officially given reason for the administrative chaos *i.e.* masked nationalist and economic motives. The Jambi case shows that at the beginning of this century ideas of a 'state favouring capitalism' strongly influenced the colonial government. The policy of pure liberalism with its concomitant stance of state abstention had been of short duration. It had lasted from 1870 to 1900 only. In fact, it was never realized completely, since the abolition of the Cultivation System, announced in 1870, was a gradual process. The final revenues were received in 1890, while the cultivation of coffee remained formally intact until 1915. The Ethical Policy makers did not return to such a strict state supervision of the colonial economy as that which had prevailed during the Cultivation System, but, not unlike their predecessors, they opted for healthy financial budget results for the state. This required a more active role for the colonial government in economic life, which, however, was never formulated in terms of an overall economic policy. The colonial government reacted pragmatically and *ad hoc*. Joint ventures such as NIAM (Nederlandsch-Indische Aardolie Maatschappij) remained an exceptional project. The colonial budget determined gov-

ernmental priorities in economics. When state capitalism no longer served its interest, it abolished it, as the abolition of the coffee cultivation showed.

6. The administration 'economized'

One example of this intertwining is provided by the long search for a new economic co-operation between state and private enterprise. Jambi oil did not provide the colonial government with a prompt source of income. Although state exploration was taken up in the 1900s, in view of the small quantities of Jambi oil, the Dutch government decided for exploitation by existing firms. In 1915 it introduced a bill to that end. However, in the meanwhile the idea of state exploitation had gained ground. The Dutch parliament dismissed the proposal and demanded state exploitation. In 1917, however, it rejected a bill with this purport since the potential partner, the Bataafsche Petroleum Maatschappij (BPM) had not been sufficiently informed beforehand. Only in 1921, after difficult negotiations, did the parliament accept a joint venture between the BPM and the state under the name of NIAM. Approximately twenty years later than originally planned, oil could finally be extracted from the Jambi soil. Now the hopes of Idenburg and Van Heutsz could be realized (Touwen, 1991; Locher-Scholten, 1994b: 308–309).

Oil did not boost the Jambi economy greatly. Although it disbursed half a million guilders among the workers, mostly Javanese, between 1923 and 1930 and provided work for 2,400 persons in 1929, the main oil fields (Bajubang, Tempino and Kenali Assam south-west of Kota Jambi) remained Western enclaves. Moreover, Jambi oil was not refined in the residency itself but transported through pipelines to Palembang (Playu). Hence, it was not counted as a flow of exports from the residency of Jambi but included among the exports from Palembang. In 1936 the Resident of Jambi complained, that not a penny of the two million guilders profit from oil had been spent on Jambi.⁹ The NIAM took upon itself to reinforce the backward infrastructure of the residency by financing a small part of road construction and an airport. Until 1937 its production was not enormous: 0.4 per cent of the total oil production of colonial Indonesia in 1925, 3.4 per cent in 1930 and 6.1 per cent in 1935. Only in 1938 did figures become more impressive: 14 per cent of the colony's total (Touwen, 1991: 154–155, 177).¹⁰

7. Private initiative and market forces

Oil never became the safety-net of the Jambi economy. It was not the state-planned oil industry, but another product, rubber, that, through the combined forces

⁹ ARA: Kol.: Memorie van Overgave (MvO) 224, by V.E. Korn, 1936: 65.

¹⁰ ARA: Kol.: MvO 223, by J.R.F. Verschoor van Nisse, 1931: 169.

of private initiative and the market, launched the region into modernization and (temporary) prosperity. The roots of Jambi's future riches were planted when Jambi oil was still firmly underground. In 1904 the first rubber plants had been imported from Singapore. Stimulated by an eager Resident, O.L. Helfrich (1906–1908), but even more by the rubber boom of 1910–1912, it developed into the most popular product among the Jambi population, who produced it in small-scale gardens. Rubber fitted into the prevailing ecological and economic system. For centuries jungle gums had been the most prominent export products. Moreover, rubber did not require much capital or care, only an extensive amount of land, which was plentifully available in the region.

Jambi rubber boomed in the 1920s when international rubber prices soared, 1925 being the peak year. Residency revenues from rubber exports amounted to 46 million guilders in that year. Jambi was then counted among the three foremost rubber-producing regions of colonial Indonesia, 90 per cent of its export being of this kind. The crisis of the 1930s influenced production and prices. Where the latter fell from 16.5 million guilders in 1928 to 2 million guilders in 1936, the former rose from 20,000 tons to 26,000 tons.

Figures from 1936 prove the intensity of this cultivation in Jambi at that time. More than half of the farmers (43,000 out of 77,000) possessed a rubber garden. The number of trees tapped per owner was double that of those elsewhere in the archipelago. The rise of rubber prices on the market caused a second rubber boom. In 1937 the export value of rubber rose from 2 million to 21 million guilders but in 1938 it returned to 9 million guilders. The impending war made its pressure felt on production figures, which rose from 37,000 tons in 1940 to 45,000 in 1941. But by then Jambi had been superseded by Palembang as well as the two residencies in Kalimantan as the first-ranking rubber-producers in colonial Indonesia (Clemens, 1989: 235).

During the interwar period the colonial government tried to control and regulate Jambi rubber production. In 1917 it had already ordered a restriction on rubber cultivation on rice-fields in order to save rice cultivation. In the twenties it tried to get its share in the wealth of the residency by levying an export tariff of 5 per cent. In that decade it also started to interfere with the product itself, since the rubber boom had corrupted the quality of the product. Stones, sand, old shoes, iron and even dead monkeys might be found in the slabs. The government tried to improve standards by regulations and information.

During the crisis in 1934, the Netherlands Indies joined the international rubber restriction. This restriction formed part of a larger network of rules, licences and quota systems that regulated the import and export of the colony. It was this policy of regulation and control that the sociologist Van Doorn has defined as 'a new style national-colonial cultivation system', not favouring the Netherlands but the Netherlands Indies (Van Doorn, 1994: 223). He applies this term to Priangan tea production, where the crisis provided the state with an opportunity to regulate and control the tea production of the indigenous population and of Western estate owners. The tea trade itself is not taken into consideration. In Jambi there were no European producers; the trade was in

Chinese hands. Here, the rubber restriction created a closer co-operation between the population and (local) government. In 1934, the government imposed an extraordinary tariff on the export of so-called population rubber; it had to raise it from 10 cents per kg in 1934 to 59 cents per kg in 1936 before the measure had any success. The tariff, levied on smallholder rubber only, represented a heavy burden to the indigenous farmer. Rubber from Western plantations was excepted. Some of the revenues of this tariff returned to the residency in the form of a special fund of a few million guilders from which large 'development projects' like road construction and cheap education could be financed. After 1937 this source dried up as far as this residency was concerned. Improved registration permitted individual restriction and individual taxing of private income.

The contribution of Jambi to the Netherlands Indies economy in the interwar period was not unimportant. Its trade balance was always positive, varying between the extremes of 35 million guilders in 1925 and 600,000 guilders in 1932. Eventually the region was able to shed its reputation as a *lastpost* ('area of nuisance') (Clemens, Lindblad & Touwen, 1992: 55). But even then its exports remained a small part of the total for all Outer Islands, oscillating between less than 1 per cent in 1921 and nearly 5 per cent in 1925, while imports varied between 0.62 per cent and nearly 4 per cent in those same years.¹¹

8. Conclusion

The economic history of Jambi in the nineteenth and twentieth centuries illustrates the intimate connection between politics and economics. In the 1830s, this economically unimportant region was loosely incorporated into the colonial state for strategic and administrative reasons. The aim was peace in the region (Palembang and Minangkabau) as well as control of and security for indigenous trade. In 1858, political and administrative concerns dictated a new contract, a military expedition and a new relationship with a new sultan, while the traditional monarch, Sultan Taha, effectively retained his power and headed intermittent protest movements from Upper Jambi. After the 1850s, the official colonial policy of abstention in the Outer Islands tallied well with the policy of avoidance pursued by Sultan Taha. Only when oil was found, was the government spurred to act, first adhering to its traditional lines of administrative procedure: a supplementary contract. The economic impulse itself was not enough to gear the government into action. It had to be politicized and transformed into an administrative problem before the government surrendered its policy of abstention and started to act. This happened during the crisis of government around 1900, when the sultan's power was 'taken over' by the Resident

¹¹ Nederlands Historisch Data Archief [NHDA], Leiden: Netherlands Indies Trade Statistics 1870–1930. Palembang and Jambi. History of Expansion Data Bank. I am grateful to Jeroen Touwen for a printed version of these data.

of Palembang and a guerrilla war spelled an end to self-government. The final decision about oil exploration of 1904, a temporary closing of Jambi, shows the same overriding administrative concerns set above the interests of private capitalists. Boundary quarrels about plots were unacceptable.

However, the same decision can also be interpreted as 'politics economized'. The administration opted for a larger share in the oil revenues, as well as for an exclusion of foreign firms. The joint venture NIAM was the result. Balancing the budget was the most important concern of the top of the colonial administration and the main reason for the colonial government to move in the direction of a 'state favouring capitalism', in which a loose connection between private capitalism and the state would profit both, as was expected. The colonial state, characterized as an semi-authoritarian government, never adhered completely to the *laissez-faire* principles of liberalism. The Ethical Policy itself, both active and assertive, contained the germs of state intervention, elaborated in the 1930s.

In the event, however, wealth was brought to Jambi not by the colonial state nor by the joint venture NIAM but by private rubber farmers. The government tried to regulate rubber production by introducing rules, tariffs, ordinances and information. Again it tried to get Jambi economics under control so as to tap its resources. One might contend that in the 1930s, the government succeeded in getting on top of the dinosaur's head, *i.e.* on top of the economic structure. It constructed what amounted to a planned economy ahead of its time, of which the rubber restrictions formed part. But even then it could only regulate existing patterns of (rubber) production. Doing so, it acted just like the modern Shell director: it moved with the movement of the economic forces.

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