

## Aceh's Dual Economy during the Late Colonial Period

### Abstract

A short survey of history writing on Aceh's economic history is followed by a discussion of the parallel economic system as it evolved in the 1900–1942 period. Colonial pacification and the opening-up of Western business in the region, facilitated by the local chieftains, were closely connected. The foreign oil, rubber, palm-oil and coffee sector had only limited impact on the domestic sector, as local people continued their own forms of food and export agriculture.

### 1. Introduction

About 70 years ago, a Dutch writer John Langhout expressed his disappointment when he wanted to start writing about Aceh economic history. He felt disappointed because the historical resources available for describing the economic development of Aceh during the Dutch occupation were very scanty. However, he did indeed publish a simple description of this topic in the 1920s (Langhout, 1923). Langhout's experience 70 years ago does not differ fundamentally from the present situation. Writers who want to write about Aceh economic history during the Dutch occupation still face the same problem. This situation is especially palpable if we compare what we have on Aceh economic history to the number of historical resources which depicted are concerned with wars and social problems.

Up to now research on the economic history of Aceh has not seemed to attract many scholars. This situation is in marked contrast to research focusing on other aspects of the Acehnese community. Since Snouck Hurgronje completed his first report on the Acehnese community in 1892 (Gobée & Adrianse, 1957), scientific research on the Acehnese community has advanced considerably. The marked attention Snouck Hurgronje paid to social groups in Aceh, namely sultans, *uleëbalang* and *ulama* has remained the central theme in much of the subsequent research (Siegel, 1969; Reid, 1969; Syamsuddin, 1985; Alfian, 1987).

Several books written during the colonial period do address the economic aspects in particular. A couple of books published in 1923. One was that written by Langhout, who has just been referred to. He was a Dutch journalist and

described Aceh's economy during the first fifty years of colonial rule (Langhout, 1923). Another book was written by R. Broersma, a Dutch writer who paid great attention to economic development in several regions under the colonial administration, especially during the early twentieth century. Based on findings noted during his tour of Aceh, he wrote a book in which he described the possibilities for making Aceh a target for investment and commercial development. He arrived at this idea after having depicted the economic development at large in Aceh during the colonial period (Broersma, 1923a; 1923b).

In 1944 another book, written by J.R.C. Gonggrijp, on economic development in Aceh was published. This book can be considered a continuation of Langhout's work. Gonggrijp describes the period from 1923 until the closing years of colonial rule in Aceh whereas Langhout describes the economic development in Aceh since the beginning of colonial rule, *i.e.* from 1873 up to 1923.

These books focus primarily on the economic development in Aceh during the colonial (Dutch) administration. Economic development was considered to be the fruit of colonial policy in the field of economics, later followed by the various activities of private Western companies.

Aceh's economic history after Independence has not really attracted the interest of contemporary researchers. What research has been conducted has remained limited to, or focused on, the relationship to the political power of the rulers (Das Gupta, 1962; Castles, 1978; Hasan, 1978; Mahmud, 1978; Reid, 1979; Isa, 1981).

Syarief Isa is one of the writers who has paid specific attention to the economic aspects of the Aceh community after Independence. In his short book he casts a quick glance over the development of merchants (traders) in Aceh. The discussion is divided into three stages, starting in 1873. The beginning of colonial rule in Aceh was taken to be the starting-point of economic development as it provided influence and power to both local and foreign traders. In his preliminary study on the same subject, Ibrahim Hasan assumes that economic advancement and trade in Aceh in the pre-colonial period was obtained through the power and military forces possessed by the rulers. Trade and armed forces were mutually supportive (Hasan, 1978: 512). Referring to the rulers' involvement in trade, Syamsuddin Mahmud argues that economic power had been concentrated in the hands of the rulers of the Acehnese kingdom at this time (Mahmud, 1978: 512).

The books produced both during the colonial period and after Independence have one thing in common; they never reach the point of discussing the formation of a colonial dualistic economic system in which the domestic sector co-existed with the foreign sector. My own Ph.D. dissertation did touch briefly upon the dualistic economic system in Aceh but the discussion was limited only to one district (*kabupaten*), namely East Aceh (Ismail, 1991).

The existence of two kinds of economic activity in the subjugated area, *i.e.* the local economy and the foreign economy, was what Boeke meant by his concept of a 'dualistic economic system' (Boeke, 1953; Boeke & Burger, 1973: 5). Other

writers have used the labels 'domestic sector' for the local economy and 'foreign sector' for the foreign enclave (Kelley & Williamson, 1972: 9). Boeke argues that the two economic sectors in a dualistic economy system have the tendency to co-exist or live permanently together. In the local, traditional economic system, the economy was driven by domestic traditions, the religious life and so on. The motivation of obtaining material benefit did not play an important role in the community.

The foreign economic sector was mainly imported from Western Europe, from what is generally known as the modern capitalist economic system. Boeke believed that the two economic sectors existing alongside each other could be likened to water and oil, *i.e.* they would not mix.

Kelley and others have raised objections to Boeke's hypothesis. They believe that when a foreign economic sector enters a territory, which already possesses a well-established local economic system, the local sector responds to the foreign sector. There are two kinds of response: first, local economic activities blend with foreign economic activities; second, the two economic sectors (activities) fail to blend, as was predicted by Boeke (Kelley & William son, 1972: 9).

Boeke also states that it was impossible to investigate the local economic traditional system since theories relevant to this purpose were not available. This view is rejected by Van Gelderen who argues that the economic theories developed in the Western capitalist world can also be applied to describe the local economy as long as researchers remain aware of non-economic elements, *e.g.* psychological or non-psychological factors which also affect the behaviour of local people (Van Gelderen, 1981: 20).

My contention is that the opening-up of Aceh to Western private capital in the early twentieth century led to the emergence of a dualistic economic system in this region. Such a system remained in force until the end of colonial rule in 1942. This article addresses itself to the discussion of a dualistic economic system in Aceh during the final phase of Dutch occupation. Among the topics examined the nature of the foreign sector, the domestic sector, and the response of the domestic sector to impulses from the foreign sector. Since the dualistic economic system was closely related to colonial policy, the discussion will start with the latter subject.

## **2. Colonial policy**

The development of private Western firms in Aceh, both in oil mining and agriculture, cannot be seen divorced from colonial economic policy. In addition, what is referred to as 'colonial economic policy' ought to be considered within a larger framework, namely the pacification policy pursued by the colonial government in Aceh.

The opening-up of Aceh for private Western investment was closely related to the general policy of the colonial administration in Aceh. From the beginning of the twentieth century, several parts of Aceh were gradually opened up to private

capital. Starting in 1898 three districts (*onderafdeelingen*) in East Aceh, namely Idi Rayeuk, Langsa and Taming, were made available for agricultural estates. Other districts such as Peureulak, Peudawa Rayeuk, Sungai Raya, Idi Rayeuk, Langsa and Banyak Paet and a part of Greater Aceh were opened up for gas exploration. This meant that all of Aceh had become accessible to private Western investment by 1907.

Several Dutch writers, *e.g.* Jongejans and Colijn, thought that the opening-up of Aceh to private Western companies should be understood as an instrument of pacification, in other words an economic measure with political purposes. By improving the local economy, which had been destroyed by the protracted war, it was hoped that Acehnese hostility towards the Dutch colonialists would be reduced and eventually eliminated. In this way, the people of Aceh could be controlled by the same means as those in force elsewhere in the colony.

The improvement of the local economy, which was initiated at the beginning of the twentieth century, had already been suggested by Snouck Hurgronje in 1892. Snouck Hurgronje expected a large number of troops to be made available in order to force the Acehnese fighters to surrender. In the same proposal, he also suggested that the Acehnese people be given the opportunity to develop their economy since this would give them the means of increasing their prosperity. This, it was hoped, would counteract the religious reasons inspiring them to oppose colonial rule. Snouck Hurgronje thought that Acehnese who were opposing the Dutch out of a feeling of obligation could possibly quit themselves of this obligation by paying a certain amount in money or in kind (Snouck Hurgronje, 1893).

In fact, this was by no means the only target set in the opening-up of Aceh. The move was also intended to generate new income for the colonial administration. This kind of economic objective can be illustrated by looking at the government-run rubber plantation at Langsa. The original proposal was put forward in 1905 by the director of the Department of Agriculture after he had visited a rubber (*Hevea Brasiliensis*) plantation in Selangor in British Malaya. His visit took him to the rubber plantation in Klang whose product fetched the highest price in European markets at the time. In 1894 the European price was 66 (American) dollar-cents per pound, which had risen to 134 cents per pound in 1905. The director subsequently suggested that the same type of rubber trees should be planted in northern Sumatra just across the Straits of Malacca. The choice of location was dictated primarily by climatic considerations.<sup>1</sup> This proposal led to research on soil conditions in East Aceh, which concluded that the district of Langsa and its surrounding areas were suitable for rubber. In view of the substantial benefit to be obtained, the government decided to manage the estate itself.

The influx of Western private capital into Aceh had actually begun in 1898 when Tamiang was opened up for tobacco plantations. However, it should be noted that at that time Tamiang was not yet part of East Aceh. It was still part

<sup>1</sup> Algemeen Rijks Archief (ARA), The Hague: Koloniën (Kol.): Verbaal 4 January 1907, no. 47.



of Langkat in the residency East Sumatra.<sup>2</sup> In 1907 Tamiang was integrated into East Aceh.

Several tobacco plantation companies operating in Deli made efforts to extend their operations to Tamiang. Such companies included the Deli Maatschappij, the Tabak Maatschappij 'Arendsburg' and the Rotterdam-Deli Maatschappij. These companies all obtained lands for tobacco plantation in Tamiang. The Deli Maatschappij, for instance, set up the three estates: Sekrah I, II and III. 'Arendsburg' established estates at Simpang and Sungai Liput, whereas the Rotterdam-Deli Maatschappij opened a plantation at Geunong Biara. The expansion of tobacco plantation into Tamiang proved unsuccessful because the land available was not suitable for tobacco plants. Tobacco planting in Tamiang was therefore stopped in 1901 (Kruisheer, 1933: 485). Following in the wake of plantation development, oil mining companies also expanded their operations to Tamiang but they were even less successful.

Several years after the failure of the tobacco plantations in Tamiang, there was no private Western company at all operating in Aceh. Plantation activities started again after the Dutch government opened a rubber plantation in Langsa in 1907. This move marked the initial success of rubber and palm-oil in Aceh, especially East Aceh. In 1920 the same type of activity also developed on the west coast of Aceh. In addition, the Gayo hinterland in Central Aceh had then become a new area for private Western investment.

Private capital investment in Aceh focused mainly on oil mining and rubber and palm-oil. Coffee plantations were also launched although their scale of operations remained limited. The various types of activities in the foreign sector will be discussed accordingly.

### 3. The foreign sector: Oil

Oil mining attracted capital investors and this was largely due to the success of oil mining in Langkat, East Sumatra. A Dutch company, the 'Koninklijke Nederlandsche Maatschappij tot Exploitatie van Petroleumbronnen in Nederlandsch-Indië', started its exploitation in Langkat soon after it obtained the concession. Oil mining in Langkat had been initiated by A.J. Zijlker, an administrator working with a tobacco estate in Deli. Zijlker was aware of the fact that Langkat could be turned into an oil-mining region and obtained a mining concession in Telaga Said in 1882. However, since he did not have sufficient capital himself to start drilling, he returned to the Netherlands in order to look for investment capital. This effort was successful and in 1890 the 'Koninklijke' (Royal Dutch) was founded (Gerretson, 1932: 140).

The initial capital amounted to 1.3 million guilders and the 'Koninklijke' soon began its operations drilling at Telaga Said. In 1892 the oilfield was already

<sup>2</sup> The residency East Sumatra more or less corresponds to the present province of Sumatera Utara which, incidentally, today again embraces Tamiang.

producing 700,000 tons of crude oil. This success encouraged other companies to look for oil in East Aceh. For several decades, Peureulak had been known as a oil-producing area and the companies centered their attention on this region.

In the beginning those interested in oil exploration in East Aceh consisted largely of individuals working by themselves, not with companies. These individuals included an ex-soldier who had earlier been stationed in Aceh, and even a journalist who had no experience at all in dealing with oil.<sup>3</sup>

At the end of the nineteenth century, some 44 persons had sought permission for oil exploration or exploitation in East Aceh. After 1895 some of them had succeeded in making agreements with Peureulak chieftains for oil exploration. One of them was H. Persijn who also made an agreement with the chieftain of Peudawa Rayeuk and the chieftain at Idi Rayeuk.<sup>4</sup>

Although the oil explorers succeeded in making agreements with local chieftains, they were not permitted to start exploitation before having been authorized to do so by the colonial government. This quickly led to some problems. The colonial government would not give permission to any explorer until he had completed certain formalities. This policy was linked to the chieftains' income from the oil-mining companies and defended on grounds of security. Several chieftains in East Aceh had conceded their rights to grant concessions for oil exploration to the colonial government. The chieftain of Idi Rayeuk had already given that right to the government in 1895, *i.e.* when oil explorers first entered East Aceh. Peureulak's chieftain granted an oil company the licence in 1895 before he had ceded this right to the colonial government. In 1897 this chieftain was required by the government to sign an additional agreement (*Additionele Verklaring*). In this agreement he surrendered the authority to grant concessions for exploration. In 1897 Langsa's chieftain signed a similar agreement.

The delay in endorsing concessions was due to security reasons for, in fact, some followers of the deposed sultan of Aceh were at large in East Aceh. At the time when the oil explorers arrived in the region, there were no longer any regular attacks against the colonial government led by religious and *adat* (tradition) leaders. Although their numbers were very small, the followers of the sultan of Aceh were said to cause the colonial government a great many headaches.<sup>5</sup>

General Van Heutsz, military governor of Aceh, required the chieftains to maintain security in their areas before these could be opened up for oil mining. As soon as the problems of the rights and obligations of the chieftains with respect to oil mining had been solved and security could be ensured these areas were opened up to oil exploration and exploitation. Van Heutsz believed that security could only really be guaranteed after he had launched a great military expedition in this region, which indeed took place in 1898.

<sup>3</sup> Arsip Nasional Republik Indonesia (ANRI), Jakarta: Algemene Sekretaris (Alg. Sek.): Missieve van het Gouvernementssecretarie, 13 July 1897.

<sup>4</sup> ANRI: Alg. Sek.: Bt. 3 January 1898, no. 6.

<sup>5</sup> ANRI: Alg. Sek.: Bt. 3 January 1898, no. 6a.

On 17 May 1897, the foreign investors, who initially had acted individually, united in the *Edi en Peurlak Syndicaat*. This union was intended to ease the way for obtaining concessions from the government. Up to the middle of 1897 about 30 applications had been submitted to the syndicate for concessions for oil exploration in East Aceh. When the syndicate was taken over by the *Mijnbouw Maatschappij 'Atjeh'* the concession was extended to cover the whole territory of Aceh.

The 'Koninklijke', which initially depended very much on its oil sources in Langkat, entered East Aceh in 1897 when a dearth in production threatened. Some new oilfields were discovered and exploited, but in order to guarantee the oil supply the company had to find new sources outside Langkat. The expansion was directed towards Tamiang and other areas (*kenegerian*) in East Aceh. In 1897 the 'Koninklijke' obtained two concessions, at Simpang Kanan and Simpang Kiri, but the two areas were not exploited due to a lack of oil reserves.

The beginning of oil exploration in East Aceh, *i.e.* between 1895 and 1900, was marked by several salient features. First, driven by far-reaching ambitions the capital investors would have liked to make East Aceh a new boom region for the oil business. The investors had difficulties in realizing their ambitions since the colonial government believed that the area was not yet ready to be opened up. Second, the oil explorers did not have sufficient capital to develop their efforts any further.

Shortly after 1900 oil exploration and exploitation began to show positive results when some wells in Peureulak started producing. By the turn of the century, 21 oil concessions had been granted for Aceh as a whole, while in 1908 the number had risen to 108. There were two types of oil companies in the region. One category lacked adequate financial means. Companies belonging to this category had mostly been established by people who wanted to speculate on the lavish returns offered by the oil business but they did not really possess sufficient investment capital. The second category consisted of companies well-endowed with capital, transport facilities, mining equipment and sophisticated technological knowhow. This category was above all represented by the 'Koninklijke', from 1907 by its subsidiary the *Bataafsche Petroleum Maatschappij (BPM)*.

Small companies which did not have sufficient capital were forced to accept whatever the 'Koninklijke' offered for the oil pumped from their concessions. The *Petroleum Maatschappij 'Holland-Perlak'*, for instance, obtained a concession for exploration at Peureulak in 1900 but worked together with 'Koninklijke' from the very beginning. In 1902, when the exploration revealed that the concession contained substantial oil reserves, this company submitted an application for a concession for exploration. In the same year, a concession was granted to a new company, *Perlak Petroleum Maatschappij*, but the agreement made in 1900 between the 'Koninklijke' and 'Holland-Perlak' was still valid. When oil began to flow from this concession, 'Perlak Petroleum' received 2.50 guilders for every ton of oil produced. The 'Koninklijke' bore all the costs of production and paid all the taxes. A similar agreement was also concluded between the 'Koninklijke' and the *Mijnbouw Maatschappij 'Atjeh'* (Van der Meulen, 1915).

Another oil company which was also granted a concession at Perlak was the Zuid-Perlak Petroleum Maatschappij. This company collaborated with the 'Koninklijke' in pumping oil from its concessions. The co-operation between companies with concessions in East Aceh and the 'Koninklijke' shows that small companies, although unable to exploit their own concessions, could also enjoy sizeable returns. At the same time the 'Koninklijke' also received crude oil which was channelled to Pangkalan Brandan for refinement. The 'Koninklijke' produced from the concession of 'Perlak Petroleum' from 1901 until nearly the end of the Dutch occupation of Aceh. The 'Zuid-Perlak' concession at first looked very promising but production was cut back from 1913 and in 1921 operations were discontinued.

As civil and military governor of Aceh (1898–1904), Van Heutsz consistently took a firm stand against oil companies which did not have sufficient funds. There are many examples of Van Heutsz's attitude towards such companies. Oil exploration concessions granted to individual or companies which were not immediately followed up by actual exploration were invalidated. In November 1899, the Petroleum Maatschappij 'Sungai Raja' obtained a concession for oil exploration but one year later Van Heutsz withdrew the concession since the company had not yet begun any exploration. In addition, a number of concessions for oil exploration requested by syndicate members of Idi and Perlak in 1902 did not receive any response at all from Van Heutsz. Although the company-owners filed protests with the Governor-General in Batavia (Jakarta) and the Minister for Colonial Affairs in The Hague, Van Heutsz had no wish to deal with applications from those who just wanted to speculate.<sup>6</sup>

The chieftains in East Aceh were enthusiastic about oil mining in their area and did their best to attract investors. Since the colonial government expected security to be guaranteed in oil exploration areas, the chieftains did their utmost to secure their areas from Aceh Muslims who still opposed Dutch colonial rule. The chieftains also invested in infrastructure, for instance road development or improvement, in order to facilitate oil mining activities.<sup>7</sup> How great the interest of the chieftains was in their efforts to attract oil companies can be illustrated by Sungai Raja where the chieftain assured oil explorers that oil-wells in his region had already been known of for a long time. However, the oil-wells mentioned by the chieftain proved to be non-existent. His wishful thinking cost the chieftain of Sungai Raja a 2,000 guilder fine.

A strong economic motive was what lay behind the co-operative attitude of chieftains who tried to attract investors. These chieftains knew that they could receive very substantial returns from oil exploitation in their districts.

Oil mining was limited to the concession areas (which were also limited in size) and therefore their activities did not impinge on the local economy. Before 1916 there were almost no Acehnese employed in oil mining.

<sup>6</sup> ANRI: Alg. Sek.: Bt. 30 January 1903, no. 25.

<sup>7</sup> ANRI: Atjeh Verslagen: Vol. 6.

Oil mining in East Aceh was regulated according to the Mining Ordinance of 1899. These regulations underwent amendments in 1900, 1904 and 1918. The most important change was the introduction of article 5a in 1918 providing for a greater government participation in oil mining and a larger government share in revenues. Article 5a also allowed larger concessions . Consequently the area of land used by the oil companies in East Aceh expanded considerably.

Table 1. *The crude oil production of Aceh, 1901–1939.*

	Output (tons)
1901	105,162
1902	194,136
1903	195,371
1904	282,003
1905	262,771
1906	295,621
1907	247,922
1908	275,775
1909	350,169
1910	276,171
1911	260,268
1912	207,101
1913	182,188
1914	148,504
1915	125,935
1916	146,713
1917	136,592
1918	139,751
1920	138,200
1921	186,506
1922	119,529
1923	104,232
1924	86,924
1925	74,670
1926	70,018
1927	64,495
1928	90,924
1929	221,076
1930	372,090
1931	324,144
1932	360,724
1933	519,409
1934	782,399
1935	702,206
1936	549,793
1937	630,478
1938	708,312
1939	818,532

Sources: Ismail, 1991: 255–256.

The concessions Peureulak, Peudawa, East Peudawa, Krueng Meureubo, South Perlak and Sungai Raja had been conferred in 1900 whereas other concessions, e.g. the East Atjeh complex, the Tamiang bloc, the Jambo Aye bloc, Pase and Langsa, were only conferred under article 5a. The latter concessions covered larger areas compared to those granted earlier. Crude oil production in Aceh from 1901 to 1939 is shown in Table 1.

#### **4. The foreign sector: Rubber and palm-oil**

The rubber estate of the colonial government in Langsa was the very first rubber plantation in Aceh. The opening of this plantation in 1907 induced private planters to enter East Aceh (Broersma, 1923a: 17–19). Several private Western enterprises then established rubber plantations in East Aceh, in particular in the Tamiang district. The first private estates started one year after Langsa was opened (Langhout, 1923: 188). It is clear that the initiative of risking investment in estate agriculture was taken by the colonial government. Private enterprises began to join in only after they had seen what the government had already achieved. Langsa thus emerged as one of gateways by which capital entered the agricultural sector in Aceh. Another gateway was the border area between the residency of East Sumatra and Aceh. This influx of private investment into Aceh should be viewed as an attempt to develop the same type of plantation as those existing in East Sumatra. When all the available East Sumatra territory had been occupied first by tobacco and then by rubber plantations, areas for expansion had to be sought close to the already existing plantation centres. In that case, the expansion of rubber estates would logically affect East Aceh.

The first rubber plantation in Tamiang was set up by A. Hallet, a Belgian citizen. He had obtained a concession for Sungai Liput from the previous owner, De Grient Dreux, who had utilized the concession for a tobacco plantation but failed. In 1908, Hallet began to plant rubber on his concession which he brought under the umbrella of the Belgian corporation Société Financière de Caoutchouc. This illustrates the fundamental difference between Langsa, where the government estate took the lead, and Tamiang where private capital inaugurated a new line of production (Ismail, 1991: 162).

The first private Dutch capital invested in rubber in Tamiang belonged to H.C. de Reuter. He was a former plantation supervisor (*assistent*) on the tobacco estate 'Arendsburg'. He was aware of the prospects for profits in rubber and followed in the footsteps of Hallet by setting up an estate in Kuala Simpang. Palm-oil estates were established in Tamiang at a slightly later stage, 1911.

The rubber plantations in Aceh show a continuous and ever more expansive development after 1909. Before this year, there were only two rubber plantations in East Aceh, the government estate at Langsa and a private one in Sungai Liput. The latter plantation was opened with capital provided by a Belgian enterprise. In 1909 two other rubber estates were founded, one in Tamiang and the other in Langsa. The new rubber plantation in Langsa belonged to a private



enterprise, the Rubber Maatschappij 'Sungai Raya', which began operations in October 1909. This firm possessed five concessions, namely Kuala Simpang I, Gajah Meuntah, Ie Tabeu, Paya Seungko and Krueng Peureulak. The total area of these concessions was 14,184 hectares.

The second enterprise to set up a plantation in 1909 was the Tamiang Rubber Estates with a concession covering 4,572 hectares. In 1910 two more rubber plantations were established and in 1911 another three followed. In 1912 there were 18 concessions for rubber in East Aceh. The total area under concession was then only 5,000 hectares but by 1926 this was to rise tenfold, to 50,000 hectares. After experiencing a decline in the years 1929–1932, the total concession area rose towards a peak level of more than 60,000 hectares in 1935 (Ismail, 1991: 163–164).

The concessions obtained by private Western enterprises was initially intended only for rubber plantation. However, when oil-palms began to appear in this region, this crop was also planted. This situation makes it impossible to indicate exactly the number of concessions exclusively intended for rubber plantation. What can be shown is the area of land occupied by the respective export crops in East Aceh (Tables 2–3).

Just as was the case with rubber, the development of palm-oil in colonial Indonesia was closely linked to the rising demand for vegetable oils on international markets. Vegetable oils were especially high in demand after World War I. East Aceh and the residency of East Sumatra both occupied important positions in the history of palm-oil in colonial Indonesia. In East Sumatra the estates were concentrated around Asahan and in the hinterland of Belawan whereas in East Aceh oil-palm plantation centered on Tamiang. These production centres remained important up to the period when the Japanese troops entered Indonesia.

Table 2. *Size of rubber and palm-oil concessions in East Aceh, 1906–1938.*

	Area (hectares)
1906	5,000
1909	6,919
1911	36,488
1914	45,566
1917	54,727
1920	66,803
1923	62,252
1926	64,321
1929	60,715
1932	60,750
1935	67,252
1938	59,110

Sources: Handboek, 1906–1938; Swart, 1911.

Table 3. *Rubber and palm-oil estates in East Aceh, 1911–1938.*

(hectares)

	Rubber	Palm-oil
1911	1,726	0
1914	5,009	665
1917	6,994	665
1920	11,577	2,431
1923	14,074	2,797
1926	17,265	3,643
1929	25,650	4,312
1932	27,147	5,387
1935	27,038	5,432
1938	29,548	5,802

Sources: Ismail, 1991: 257.

Once again Belgian and French enterprises were the pioneers in the palm-oil sector of East Sumatra and Aceh. This applied particularly to the enterprises led by Hallet. He had obtained large loans from the Belgian and French governments for setting up estates in colonial Indonesia. These enterprises had accumulated a great deal of experience in planting oil-palms in West Africa where this plant originated. In 1911 they began to plant the oil-palm in Aceh and the residency of East Sumatra.

In 1917, a total of 24 concessions had been granted in Aceh and the residency of East Sumatra. East Aceh alone had four concessions. By 1919 there were six enterprises exclusively engaged in planting oil-palms in East Aceh: 'Batang Arah' Cultuur Maatschappij (the concessions Medang Arah and Seleleh Jaya), Cultuur Maatschappij 'Serang Jaya', Nederlandsche Oliepalm Cultuur Onderneming (the concessions Karang Inoe and Blang Simpo), Pantai Kiara Syndicaat, Semadam Cultuur Maatschappij and Sungai Liput Cultuur Maatschappij (the concessions Sungai Liput, Mopoli, Bukit Rata and Tanjung Genteng) (Handboek, 1914: 39). In 1918 the total area of all palm-oil concessions in East Aceh amounted to 8,512 hectares. Land planted in that year alone covered 4,289 hectares and in 1919 the area had increased by 6,008 hectares. In 1919 the productive plantation area reached 3,193 hectares. In 1924 the Karang Inoe concessions, an area of 7,410 hectares, were sold by the Nederlandsch Oliepalm Cultuur Onderneming to a Japanese enterprise led by H. Hosoda. Just as with the rubber plantations, the production of the palm-oil estates of East Aceh was enlarged fast during the 1930s (Table 4).

The cultivation of rubber and oil-palm started simultaneously in West Aceh, which thus moved to a different rhythm to that in East Aceh. Both tree crops were cultivated in West Aceh from 1919. Prior to that date, the western coastal area, including an offshore island, carried only some coconut plantations which had been set up with private capital in 1910 (Handboek, 1918: 273). Several of the rubber plantation firms obtaining concession in the western coastal part of

Table 4. *Production of rubber, palm-oil and palm seed in East Aceh, 1911–1939.*

(kilograms)

	Rubber	Palm-oil	Palm seeds
1911	4,0	0	0
1915	354,637	0	0
1919	1916,808	12,910	0
1923	3238,198	1550,830	275,550
1927	5406,432	3192,495	500,260
1931	6192,694	5569,338	987,800
1935	7412,431	9819,046	1737,625
1939	15634,596	13052,009	2626,950

Source: Ismail, 1991: 257.

Aceh had already operated in East Aceh. In 1924 several additional estates that apparently belonged to Chinese and Arab businessmen were opened. The concessions owned by these businessmen were smaller than those owned by European firms (Handboek, 1923).

Although several rubber enterprises had successfully obtained the concessions in the western coastal area of Aceh after 1920, actual cultivation developed very slowly (Table 5). In 1927 there were two major concessions for rubber plantations: Seunangan and Meurbo covering 220 and 154 hectares respectively. These two concession belonged to the Cultuur Maatschappij 'Atjeh'. Another concession, belonging to the same firm, which covered 158 hectares in 1928, was situated in Lae Butar (Singkil). In the same year the areals of the two first-mentioned concessions were expanded to 500 and 348 hectares respectively (Handboek, 1929).

Table 5. *Size of rubber plantations in West Aceh, 1927–1938.*

Area of plantations (hectares)	
1927	374
1928	1006
1929	1798
1930	2692
1931	3109
1932	3109
1933	3109
1934	3109
1935	3506
1936	2236
1937	3677
1938	3858

Source: Handboek, 1927–1938.

Rubber plantations along the west coast of Aceh were dominated by these three concessions up to 1939. The concessions belonging to Chinese and Arab businessmen started producing in 1930. Until the end of Dutch colonial rule, each of these concessions never grew more than 100 hectares of rubber trees (Handboek, 1939).

The consequence of the slow development of rubber plantations in West Aceh was that their produce was a late-comer on the market. In 1937 and 1938 the total rubber production amounted to 30 tons and 1707 tons respectively (Handboek, 1939). The low figure for 1937 refers to concessions belonging to Chinese and Arab businessmen, whereas production figures for large enterprises are only available for 1938.

Plantation activity in West Aceh started in 1919 after three concessions had been granted to the Cultuur Maatschappij 'Atjeh' (Seumayam), Cultuur Maatschappij 'Noord-Aceh' (Seunangan) and Cultuur Maatschappij 'Lipoet' (Lae Butar area).

Although the oil-palm estate at Seumayam was only 24 hectares in 1924, by 1926 its concession area had already expanded to 130 hectares. In 1939, the land planted with rubber on this concession covered 2003 hectares.

Like rubber plantations, oil-palm plantations in West Aceh only began to produce when Dutch rule was drawing to its end (Table 6). According to the data available, in 1935 and 1937 oil-palms occupied an area of 3,231 and 3,393 hectares respectively. No part of the concessions had as yet started to produce. In 1938, 1,616 hectares that were already producing had been planted, out of a

Table 6. *Oil-palms in West Aceh, 1924–1939.*

	Number of plants	Producing plants	Palm-oil	Palm seed
1924	24	0	0	0
1925	-	-	-	-
1926	130	0	0	0
1927	-	-	-	-
1928	1,002	0	0	0
1929	1,299	0	0	0
1930	2,274	0	0	0
1931	2,587	0	0	0
1932	2,506	0	0	0
1933	2,506	0	0	0
1934	2,506	0	0	0
1935	3,231	0	0	0
1936	-	-	-	-
1937	3,393	-	-	-
1938	3,823	1,616	240,424	0
1939	4,414	1,180	26,119,970	-

Remarks:

0 = Non-existing

- = Data unavailable

Source: Handboek, 1924–1939.

total area of 3,823 hectares. In 1939, however, 3,180 hectares out of a total of 4,414 hectares were producing. In these two years, the output of palm-oil amounted respectively to 2,404 tons (1938) and 26,120 tons (plus 563 tons of palm seed). In 1940 the area of oil-palm plantation in this area amounted to 5,658 hectares, but there is no way of knowing how much of this was actually producing.

## **5. Foreign sector: Coffee**

Whereas rubber and palm trees were planted in East Aceh and along the western coast, coffee shrubs were planted in the Gayo Highlands in Central Aceh where the soil is suitable for coffee.<sup>8</sup> Compared to their rubber and palm-oil counterparts, the coffee estates came late. This was in part due to the fact that the area had only been brought under colonial rule relatively late. The plantation owners only began setting up coffee estates in the region after the first decade of the twentieth century. The first request for land in the Gayo Highlands intended to be planted with coffee came from Abraham van Laer, a plantation advisor who had worked in Sukabumi, West Java. The land requested covered 7,000 hectares. Later, in 1917, 1924 and 1926, similar applications were filed by other companies. During those years 17,816 hectares of land were granted to various estate companies. However, the private Western companies operating in the Gayo Highlands were fairly small and suffered from a lack of capital to enable them to cultivate the land obtained. That is why the area of land requested for coffee plantation was relatively limited.

The variety of coffee first planted in this region was Robusta which was successfully planted at, for instance, Bandar Lampahan. The area actually planted with coffee was 100 hectares and in the 1920s output rose to 225 tons per year. In 1939 the extent of the plantations was 2,400 hectares with an annual production of to 589 tons.

Besides coffee, sweet potato tubers were also planted in the Gayo Highlands. This product was shipped to East Sumatra and Java.<sup>9</sup> Tea was later planted in this region but due to unsatisfactory results planting was discontinued.

## **6. The domestic sector**

In line with the policy of colonial government to open up Aceh to private Western investment in oil and estate agriculture, efforts were also undertaken to improve indigenous agriculture. The colonial government developed indigenous

<sup>8</sup> This section is based on ANRI: Dep. BNA: Vol. 3A, 6A and 9A.

<sup>9</sup> ARA: Kol.: Verbaal 17 June 1909, no. 25.

agriculture by encouraging the replanting of food crops such as rice and pepper which had been cultivated successfully before the Dutch war in Aceh. The long war in Aceh had caused a deterioration of indigenous agriculture. To increase productivity rice varieties of the best quality were introduced and the government started several pilot plantations (*proeftuinen*). The selected seed was distributed among local peasants to be planted in their rice-fields or on unirrigated land. Efforts were also made to improve methods of planting and drying unhulled rice during the long time-span of harvesting. Infrastructural improvements included the construction of wells for water supply and water reservoirs were renovated to make them strong enough to resist flood attacks (Langhout, 1923: 167, 171).

Water-reservoir construction at Perlak in 1905 was renewed and extended in 1920 and also equipped with water flows in 1920. The water supply was sufficient to irrigate approximately 250 hectares of rice-fields in the area (Broersma, 1923a: 26–27). The reservoir built at Sungai Jambo Ayer in 1907 also greatly aided farmers to irrigate their rice-fields (Langhout, 1923: 107).

Another way of increasing rice output was by planting new fields. The safety dykes built at Peusangan to keep the salt water at bay were successful and 500 hectares of new rice-fields were added (Jongejans, 1939: 169). The colonial government also deployed agricultural extension officers (*landbouwadviseurs*) to give counselling or information to local peasants. Furthermore, farmers from West Java were invited to demonstrate better means of planting (Langhout, 1923: 109). Farmers who needed business capital could borrow from the banks at a low interest rate and without providing any collateral on condition that the *uleëbalang* (members of the nobility) would guarantee the punctuality of the farmers' repayments. Pepper plants had been the main product of this region before the Aceh war. At the end of the nineteenth century and in the early twentieth century, pepper plantations were stimulated in the same fashion as rice cultivation. The colonial government introduced the best-quality seed variety imported from Bangka and Lampung.

The introduction of high-quality seeds was regarded as a success. However, during the twentieth century pepper was no longer introduced as a major line of production largely because declining prices in the world market and to a pepper plant disease known as *Bungon Sunteng*. Various efforts to combat this disease failed to yield satisfactory results. At the beginning of the Aceh War, Aceh had been able to produce 30,000 tons of pepper each year, but in 1920 production had fallen to only one-tenth of that level (Broersma, 1923a: 27–32).

The attempt made by the colonial government to improve indigenous agriculture can be judged to have been reasonably successful. This can be inferred from the increase in indigenous agricultural output. Rice production was adequate so that self-sufficiency was reached by the turn of the century and in 1939 a surplus could be produced which amounted to 5,600 tons. In 1940, 1941 and 1942 this surplus increased steadily reaching 24,000, 36,000 and 45,000 tons respectively (Piekaar, 1949: 24–25).



## 7. Response of the domestic sector

The presence of private Western capital in Aceh during the colonial period changed economic activities in this area. Before that time, the economic activities had been dominated by the traditional economic system. Private Western capital divided the economic activities in this region into two economic systems: the traditional economy and a capitalist economic system, obviously presenting an example of a dualistic economy. In a region where such a dualism emerged, an explanation of the response of the domestic sector to impulses from the foreign sector needs to be given.

The activities of the oil companies and the Western estates in Aceh during the colonial period were concentrated in a limited number of locations. From the point of view of administration and population density, such locations may be described in terms of a frontier society.

The low population density in these areas induced the foreign firms to import skilled workers from Java. In 1905, when the government rubber estate at Langsa was established, the problem of the labour shortage needed to be solved. The civil and military governor Van Daalen, saw the recruitment of local people as one of the purposes of 'pacification'. Therefore, he claimed that the various Western companies would provide the people with employment opportunities.<sup>10</sup> However, the intention to employ the local people as mining and plantation workers did not meet with success. The lack of direct involvement of the local people in the economic activities initiated by Western firms indicates that the local sector responded negatively to incentives emanating from the foreign sector.

One reason why the local people were not willing to work for the Western firms appears to have been the relatively small number of them domiciled near the companies. In other words, Western business operations were located mainly in areas where not many people lived. Another reason is that the local people earned sufficient income from the local agricultural sector to cover their basic needs. By planting rice, area palm (pinang) and coconut the local people could support themselves without having to work on estates. This was in part the results of the successful efforts made by the colonial government to improve indigenous agriculture.<sup>11</sup>

The expansion of indigenous agriculture during the period in which these policies were being enforced can be illustrated by the data on indigenous exports. In 1913, 1920 and 1924 copra exports from Aceh amounted to 817 tons, 4,066 tons and 7,983 tons respectively. Pinang exports for the same years amounted to 11,566 tons, 12,490 tons and 12,490 tons (Koloniaal Verslag, 1924: II, 230). Pepper forms an exception. This crop, although called the 'Acehnese people's plant' and often related to local welfare, had been produced in ever smaller quantities since the turn of the century. The production of pepper in

<sup>10</sup> ARA: Kol.: Verbaal 2 November 1906, no. 32.

<sup>11</sup> ARA: Kol.: Verbaal 12 May 1906, no. 11.

Aceh in 1913, 1920 and 1924 was 3,770 tons, 2,648 tons and 2,754 tons respectively (Koloniaal Verslag, 1924: II, 234).

Another reason was rooted in the social values of Acehnese society. Work on plantations was considered inferior and therefore the local people still adhered to their traditional economic activities even when the foreign sector did offer employment opportunities.

The fall in pepper production stimulated the people, whose income at first depended on their land, to switch to rice. This occurred primarily in the frontier areas (Ismail, 1991: 181). In areas where paddy predominated, output increased as the consequence of the various improvements initiated by the colonial government. The increase in rice production in Aceh is indicated by the smaller imports of rice entering the region. Rice imports steadily declined from 12,370 tons in 1913 to 4,532 tons in 1919 (Ismail, 1991: 258).

In 1936 the colonial government in Aceh made an estimate of rice production and consumption for the whole of Aceh. Total production amounted to 216,000 tons. From this quantity, 214,000 tons was used to meet local needs. The rest, 2,000 tons, was sold outside the region. In the following year the quantity of rice sold outside of Aceh increased to 4,522 tons (Gonggrijp, 1944: 7). Local peasants were quite successful in the cultivation of rice and non-food crops.

It is clear that the domestic sector gave a negative response to the opportunities offered by the foreign sector. In this case it can be said that a dualistic economy in Aceh assumed the form of a parallel dualistic economy. This means that each of the two sectors followed separate paths of development.

## 8. Conclusion

Aceh society, which had been characterized by a traditional economic system during the pre-colonial era, experienced the arrival of Western private investors setting up economic activities in oil mining and rubber and oil-palm plantations. The foreign capital-owners also invested in coffee and sweet potato in Central Aceh but these firms were of a medium or small size. The opening-up of Aceh to private Western capital at the beginning of the twentieth century was related to the 'pacification' policy of the colonial government. Nevertheless the economic ambitions of the colonial government should not be ignored. It was quite understandable that the pioneering activities were carried out by both the colonial government and private Western companies.

From the standpoint of 'pacification', investment of Western capital was intended to speed up the local economy which had been damaged during the long Aceh War. The improvement of the people's economy was also expected to reduce the hostility towards the colonial power. From an economic point of view, investment activities would increase the revenues accruing to the colonial government. We conclude, therefore, that the existence of a dualistic economic system in Aceh from the beginning of the twentieth century may be ascribed to colonial policy.

The economic activities of the foreign sector, *i.e.* in oil and export agriculture, were concentrated in coastal areas where the population was sparse. These activities did not directly involve local people, who continued to support themselves by means of the traditional local economy. In this way, the local sector responded negatively to impulses from the foreign sector. The colonial dualistic economic system therefore fostered parallel developments. Each sector minded its own business with almost no influence from the one sector on the other. In addition there were two other factors which reinforced the emergence of a dualistic economic system, namely the local community's social values and the low population densities in the areas where Western private companies operated. From the point of view of social values, Aceh society looked down on labourers working for private Western companies. The Acehnese preferred to work in their own sector. In other words, the sparse inhabitants reinforced by their social values preferred to stick to their own domestic sector.

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