The Political and Economic Relationship of American-Dutch Colonial Administration in Southeast Asia: A Case Study of the Rivalry between Royal Dutch/Shell and Standard Oil in the Netherlands Indies (1907-1928)

by

Agus Setiawan

A thesis submitted in partial fulfillment of requirements for the degree of Doctor of Philosophy in the field of History

Approved Dissertation Committee

Prof. Dr. Marc Frey
Jacobs University Bremen

Prof. Dr. Dominic Sachsenmaier
Jacobs University Bremen

Dr. J. Thomas Lindblad
Leiden University

Date of Thesis Defense: 14/07/2014
School of Humanities and Social Sciences (SHSS)
Statutory Declaration
(on Authorship of a Dissertation)

I, Agus Setiawan, hereby declare that I have written this PhD thesis independently, unless where clearly stated otherwise. I have used only the sources, the data and the support that I have clearly mentioned. This PhD thesis has not been submitted for conferral of degree elsewhere.

I confirm that no rights of third parties will be infringed by the publication of this thesis.

Bremen, May 8, 2015

Signature ___________________________________________________________
# TABLE OF CONTENTS

Acknowledgement v  
Abstract vii  
List of Illustration viii  
List of Maps ix  
List of Tables x

## CHAPTER ONE: INTRODUCTION

1. Oil in The Dutch Indies 1  
2. The Temporal Scope 3  
3. Previous Studies 4  
4. Source Material 6  
5. Organization of This Study 8

## CHAPTER TWO: THE *INDISCHE MIJNWET*

Introduction 11  
1. Mining Activity in the Archipelago and the Arrival of VOC 11  
2. The Dutch Colonial Administration and Mining Activities 16  
3. The Discovery of Oil and The Urgency of The Dutch Indies Mining Act 31  
4. The Enactment of the Dutch Indies Mining Act 38  
5. The *Indisch Mijnwet* and The Local Rulers 44  
6. Conclusion 51

## CHAPTER THREE: THE BEGINNING OF THE ROYAL DUTCH/Shell AND STANDARD OIL COMPANY RIVALRY

Introduction 55  
1. The American-Dutch Diplomatic and Economic Relationship 55  
2. The Beginning of Oil Competition in Asia 61  
3. The Revision of the *Indische Mijnwet* 84  
4. Standard Oil and Royal Dutch/Shell During World War I 89  
5. Conclusion 94
# Chapter Four: The Failure of American Oil Diplomacy in the Case of the Jambi Oil Concession 1919-1921

- **Introduction**: 98
- 1. **Oil and American National Interests**: 98
- 2. **Jambi Oil Concession**: 104
- 3. **The Efforts and Obstacles of the American Oil Diplomacy**: 107
- 4. **The Failure of NKPM to Obtain Oil Concession in Jambi**: 111
- 5. **Oil and Political Rivalry Between the United States and the British**: 117
- 6. **Conclusion**: 120

# Chapter Five: American Political Efforts for Oil Policy Reciprocity with the Dutch Government 1922 – 1928

- **Introduction**: 124
- 1. **The International Oil Trade After World War I**: 124
- 2. **The American-Dutch Relationship: Strain and Retaliation**: 128
- 3. **American Challenges in Obtaining Oil Concessions in the Dutch Indies**: 136
- 4. **The Dutch Indies Political Situation and Foreign Investment**: 139
- 5. **The American Applications for oil concessions and Volksraad**: 144
- 6. **The Change of Governor General and the Turning Point in the Dutch Government’s Attitude to the Granting of Potential Oil Concessions to American Oil Companies**: 152
- 7. **The Reciprocal Policy Between the Netherlands and the United States of America**: 160
- 8. **Compromises and Normalization Efforts**: 173
- 9. **Conclusion**: 177

# Chapter Six: Conclusion

**Bibliography**: 187
Acknowledgements

Completing a PhD is truly a marathon event. It is a long, and at times challenging journey and I would not have been able to complete this journey without the help and support of several people over the past three years. It is not possible to name everyone who has assisted me, but I would like to extend my deepest gratitude to all those individuals and institutions that have played a role in helping me complete this dissertation.

In particular I would like to express my deepest gratitude and thanks to my principal supervisor, and Chairman of my Dissertation Committee, Prof. Dr. Marc Frey for sharing with me his expertise and knowledge on a range of subjects, especially in American, Dutch, and Indonesian history. His support, corrections, suggestions and feedback from the preparation to the implementation of this study have been essential to its success.

My thanks also to Prof. Dr. Dominic Sachsenmaier, my second supervisor and member of my Dissertation Committee for sharing his knowledge on Asian history, for his helpful discussions, and for allowing me to join his lectures. My gratitude also to Dr. J. Thomas Lindblad for being so generous with his time and for allowing me to benefit greatly from his knowledge during discussions in Leiden, and for agreeing to be my external reviewer. My deepest thanks also to Prof. Dr. Corinna R. Unger for her helpful insights and discussions and for allowing me to participate in her historiography class at Jacobs University Bremen.

My deepest gratitude and particular thanks also to Craig Paul Taylor, a fellow Ph.D candidate, for diligently going through and correcting my English. This dissertation would never have been completed without his assistance, corrections, and suggestions.

I am also indebted to Jacobs University Bremen for providing the excellent facilities, tuition waiver, and for the excellent staff from the Dean’s and Registrar’s office who provided assistance; special thanks must go to Peter Tsvetkov for all his help. To all the professors at the School of Humanities and Social Sciences at Jacobs for their direct, and indirect, contributions during the admission process, colloquiums, seminars and lectures during the past three years. I am truly thankful. And to my fellow Ph.D Candidates at Jacobs: Karin Hagen, Lisa Heindl, Stefan Hübner, Clara Kemme, Christoph Meyer, Boris Niclas-Tölle, and Craig Taylor for our informal discussions, for sharing their ideas and thoughts with me, and for their words of encouragement during our time together as Ph.D candidates.

My gratitude also goes to the Roosevelt Student Center in Middelburg, The Netherlands, for the generous research grant. Special thanks goes to the Director, Prof. Dr. Cornelis A. van Minnen, Assistant Director Dr. Hans Krabbendam, and to the Management Assistant, Mrs. Leontien Joose, for their kind hospitality and assistance during my research at the Center.

My thanks and appreciation to the Deutscher Akademischer Austausch Dienst (DAAD) for the financial support, and to the DAAD staff, especially Frau Schwarz-Bergmann and Frau Anne Schmitz for their administrative support.

I also wish to thank Drs. H. OK. Ubaiddullah Indra bin Datoek Mahidin Gelar Datoek Indra Perkasa, Zulkarnaen Idrus, and H.M. Zamroni for giving me their time and sharing their knowledge and expertise on the history of the oil mining industry in Langkat during interviews with me in Medan and Langkat, North Sumatra.

My thanks also go to M. Suhaemi, S. Stp, M. Hidayat, S.Stp, M. Taufik, S. Stp, Razaq Arifin, and M. Ichsan Kurnia, S. Kom, who supported me during my research in Medan and Langkat.
I also wish to mention my colleagues in the History Department, Faculty of Humanities at the University of Indonesia: Prof. Dr. Susanto Zuhdi, Dr. M. Iskandar, Dr. Priyanto Wibowo, Dr. Nana Nurliana, Dr. Saleh As’ad Djamhari, Dr. Magdalia Alfian, Dr. Wardiningsih, Dr. Linda Sunarti, Dr. Abdurakhman, Dr. Yuda B. Tangkilisan, Dr. Bondan Kanumoyoso, Kasijanto, M. Hum, Dra. M.P.B. Manus, Triwahyuningsih M. Irsyam M. Hum, Dwi Mulyatari, MA, Didik Pradjoko, M. Hum, Siswantari, M. Hum, Mohammad Wasith, M. Hum for their tremendous moral support and assistance during all stages of my research.

To my friends, Dr. Ing. Agus Arif Munawar, Pak Lun Pujianto and his family, Pak Gerry and his family, Pak Chandra Perpatih and his family, Ariandy Yoga Benggolo, Yudi Nurul Ihsan, Riza Setiawan, Rima Rachmayani and all the members of the Indonesian Student Association and Community in Bremen for their friendship, support, suggestions, and assistance during my stay in Bremen.

And finally, I am indebted to my family whose love I shall always cherish, and who have provided me with so much in order to enable me to complete this journey. To my beloved parents, Hj. Maruning and H. M. Chozin, and to my mother and father-in-law, H. Faisal Idrus and Hj. Rosmiaty, who have supported me and prayed for me during my time in Bremen. To my wife Fitriaty Sylvia without whom none of this would have been possible. Her patience in accompanying me to Bremen, her support and unwavering love were instrumental in making this work a reality.

To all those who have helped and assisted me, I wish you all the best, and may God reward you for your sincerity.

Lastly, it of course goes without saying, that any errors in this work are my sole responsibility.
Abstract

Competition for control over the exploration, exploitation, distribution and marketing of the world’s oil sources has been a key feature of 20th century history. Competition was usually fierce; oil is a highly sought after commodity and was an essential part to industrialization efforts. In Southeast Asia, in particular in the Dutch Indies in the late 19th and early 20th century, competition for oil was fought between three companies: the oil companies Standard Oil and Royal Dutch, and the transportation company – Shell Transport and Trading Company. The latter two companies would merge into one of the biggest oil companies in the world, and become Royal Dutch Shell. Competition between Standard Oil and Royal Dutch Shell would eventually involve not only the two companies but also the governments of the two countries they were headquartered in: that is the United States of America and The Netherlands. Washington and The Hague became involved once it was clear that the Dutch were attempting to prevent Standard Oil from operating in the Dutch Indies by refusing to grant oil concessions to the American company.

The United States Government was concerned about the energy crisis at the end of World War I, and so supported American companies’ oil efforts, in particular Standard Oil of New Jersey, to obtain oil concessions abroad, including in the Dutch East Indies. At the same time, the Dutch sought to support the Dutch oil companies’ in their quest to dominate the oil industry in the Dutch Indies, and so issued the Dutch Indies Mining Act, also known as the Indische Mijnwet. The desire to expand their business interests into the Dutch Indies, and the Dutch’s attempts to restrict an influx of foreign capital into the Dutch Indies seem to indicate a conflict between American liberalism or free market, and Dutch protectionism.

The United States conducted intense efforts through the State Department and American Consuls in The Hague and Batavia to persuade the Dutch government to provide equal opportunities for American oil companies who wanted to undertake oil exploration in the Dutch Indies. However, the political and economic independence of the Dutch from Washington made the United States’ diplomatic efforts difficult, and largely unsuccessful. The internal situation of the Dutch colonial government in the Dutch Indies, especially with the change in Governor-General in 1926, and the Dutch colonial government’s financial difficulties and lack of capital to fully exploit all the oil sources in the Dutch Indies, were the primary factors that eventually led the Dutch government to grant oil concessions to Standard Oil, via NKPM, one of their subsidiaries that operated in the Dutch Indies.
List of Illustration

Illustration 1: The contract labors from Java who would work in Deli plantation 32
Illustration 2: The local rulers in the Langkat Sultanate 34
Illustration 3: The new palace of the Langkat Sultanate which was built by Sultan Abdul Azis in 1923 49
Illustration 4: The packaging of BPM petroleum in Pangkalan Susu ca. 1916 63
Illustration 5: The view of BPM refinery in Pangkalan Brandan 66
Illustration 6: A labor family in front of their house 67
Illustration 7: The welding material for drilling at the BPM dock in Pangkalan Brandan 91
List of Maps

Map 1: The route of the Royal Dutch pipeline from Peurlak in Aceh to Pangkalan Brandan. 27
Map 2: The Collapse of the Ottoman Empire 1912-1923 125
List of Table

Table 1: The balance of The Royal Dutch Company 1895-1904 43
Table 2: Application for Concession of the NKPM 123
Table 3: World Oil Production 1924-1926 131
CHAPTER ONE

INTRODUCTION

1. Oil in The Dutch Indies

The year 1908 is one of important milestones in the history of Dutch governance in the Dutch Indies. In that year, the Dutch colonial forces managed to seize control of most of the archipelago, and then transformed it into one of the world's largest colonial states. The last great show of resistance by the Indonesian natives occurred during the Aceh War (1873-1904). The war was the longest and the most difficult battle for the Dutch forces in the Dutch Indies. The Dutch colonial government not only lost many officers and troops but also had to spend millions of guilder to win the war. However, the cost of the war was quickly paid off through the exploitation of Aceh’s natural resources, such as the extension of tobacco plantations by Deli Maatschappij in the Aceh Tamiang area and the construction of oil pipes from Peurlak, East Aceh, to Langkat, North Sumatra. The success of subduing the natives in the Aceh region meant that Sumatra Island was completely under Dutch colonial domination from 1908.

The Dutch’s success in overcoming the resistance of the indigenous people, and conquering local kingdoms in the archipelago, was followed by the discovery of various mineral resources, especially oil. The discovery of oil in the Dutch Indies attracted foreign political and economic powers, particularly the U.S., as well as foreign oil companies who wanted a role in the Dutch Indies oil industry. However at the same time Royal Dutch, the Dutch company, that later merged with the Shell Transport and Trading Company, developed into one of the biggest oil companies in the world and sought to dominate the oil industry in the Dutch Indies. In

---

1 After Cut Nya Dhien was caught in 1906, practically all resistance from the Aceh people stopped, although there were still some small revolts in the hinterland of Aceh. Those revolts did not affect the stability of the territory already controlled by the Dutch after the Aceh War. See: Ooi, Keat Gin, Southeast Asia: A Historical Encyclopedia from Angkor Wat to East Timor Volume 1, Santa Barbara, ABC-CLIO, 2004, p. 121.

2 The Dutch control over the Dutch Indies ended with the defeat of the Dutch in the Pacific War when the Japanese forces occupied the Dutch Indies in 1942. The Dutch efforts to regain control of the Indies involved the United States. In some aspects, the U.S. involvement in the conflict between Indonesia and The Netherlands after the Indonesian independence was the U.S. Government effort to keep their economic and political interests in the Dutch Indies. The efforts had begun in the early 20th century as will be discussed in this study. See: Marc Frey, “Decolonization and Dutch–American Relations”, in Hans Krabbendam, Cornelis A. Van Minnen, Giles Scott Smith (Eds), Four Centuries of Dutch-American Relations, Amsterdam, Boom, 2009.
addition the Dutch colonial government also wanted to play a bigger role in the Dutch Indies oil industry and also wished to increase state revenue through the mining sector, and in particular through oil exploitation.

This study is an attempt to reconstruct the efforts of the U.S. Government and American oil companies to obtain potential oil concessions in the Dutch Indies, along with an examination of the U.S. Government’s fears of the energy crisis after World War I. The huge quantity of American oil which that was used to support the Allies during World War I, and the existence of then-new research that showed the decrease of American oil deposits, became a serious concern for the U.S. Government. Washington therefore decided to support U.S. oil companies’ attempts to acquire oil concessions abroad in order to maintain their domestic oil needs. The increase of oil consumption in the United States also became the prime domestic factor related to the United States foreign policy with regards to oil, and thus also with regards to the Dutch Indies. On the other hand, the policy also provided opportunities for American oil companies to expand their businesses overseas.

Most of the historiography that deals with oil in the Dutch Indies with relation to the U.S. Government’s efforts to obtain oil concessions focuses on the political efforts of the U.S. Government. The literature deals primarily with the U.S. Government’s demand that the Dutch government provided equal opportunity to all oil companies that wanted to operate in the Dutch Indies. However, missing from the historiography is an in-depth discussion on the attitudes of the Dutch colonial government and the Volksraad. Missing also is a discussion on the reasons why the Dutch colonial government decided to restrict the influx of American capital into the Dutch Indies.

The specific focus of this study will analyze the factors that resulted in the U.S. Government’s and oil companies’ failures to acquire oil concessions in the Dutch Indies, and the Dutch government’s success in limiting the business expansion of the Standard Oil Company, while at the same time supporting the efforts of Royal Dutch/Shell in their desire to dominate the Dutch Indies oil industry. Competition among Dutch and American oil companies in the Dutch Indies was initially purely about business. Both companies tried to expand their markets in order to increase profits and expand their business interests. However when the American and Dutch national interests were in line with the interests of their oil companies, each government
undertook political efforts to support their oil companies in order to achieve national economic and political goals.

Competition between American and Dutch oil companies in the Dutch Indies was affected by the capitalism and liberalism that evolved in each country. The discovery of oil and other minerals, as well as the development of technologies used to explore and to produce oil which was found both in the USA and in the Dutch colonies, led to the emergence of individual businesses which evolved into companies that opened up corporate capital investment, from both governments and private parties. For Standard Oil, that had managed to control most of the American domestic oil market, the international oil market was an opportunity to expand their businesses abroad. However their expansion into the overseas market collided with other foreign oil companies’ interests, especially when there were other international oil companies that wanted to expand their markets in the same region. At this point, Standard Oil needed the U.S. Government’s support to develop their business in the Dutch Indies because they faced legal obstacles in the Dutch Indies Mining Act, also known as the *Indische Mijnwet*, which could only be solved through the U.S. Government applying political pressure.

Another aim of this study is to demonstrate the impact the international competition between the oil companies had on the indigenous people who lived around the oil fields. In this study, I argue that the discovery of oil in the Dutch Indies not only benefited the Dutch and foreign oil companies, but also local authorities who granted the oil concessions to oil companies and from which they made huge profits. Indigenous people who lived around the oil fields, especially in the Langkat Sultanate, also enjoyed the benefits from the existence of oil mining, even if the oil mining was only on a small scale.\(^3\) In addition various infrastructures that had been used by the Dutch oil company were subsequently used by the national oil industry after Indonesian independence.

2. *The Temporal Scope*

Studies that deal with competition between oil companies in the early 20\(^{th}\) century focus on the efforts of big oil companies to monopolize the oil sources and markets. Conflict of interests

---

\(^3\) For more about the benefits that the Langkat Sultanate got from oil concessions see: Hamid, Datuk OK. Abdul, *Sejarah Langkat Mendai Tuah Berseri*, Medan, Badan Perpustakaan, Arsip dan Dokumentasi Provinsi Sumatera Utara, 2011.
among major oil companies inflicted inevitable competition. At a certain point, a compromise was undertaken so that each company could continue to run their business. The business expansion itself was intertwined with several factors including issues with capital, legal issues, and network issues. The amalgamation between Royal Dutch and Shell was an effort to overcome these issues.

This study focuses on the period 1907-1928; this was the most important period in the rivalry between Royal Dutch/Shell and the Standard Oil Company of New Jersey for influence and control over the Dutch Indies oil sources. Royal Dutch had started as a small company that struggled to compete with Standard Oil in their quest to dominate the Asian oil markets. The company changed to become a serious challenger to Standard Oil after it merged with Shell in 1907. The networks that were owned by Shell synergized with the ease in which Royal Dutch was able to obtain oil concessions in the Dutch Indies. The increasing number of oil sources in the Dutch Indies provided greater profits and increased their available capital to compete with Standard Oil not only in the Dutch Indies but also in other areas, including in the United States.

For Standard Oil, the rapid development achieved by Royal Dutch/Shell not only disrupted their oil market dominance in Asia but also in the United States. The most important factor that supported the rapid development of Royal Dutch/Shell was the oil sources in the Dutch Indies that were not only abundant but also produced high quality oil. Thus the efforts of Standard Oil to acquire oil concessions in the Dutch Indies was also an attempt to reduce the dominance of Royal Dutch/Shell in the Dutch Indies and Asia, and indirectly an attempt to reduce Royal Dutch/Shell’s oil production for export to overseas markets, mainly in Asia, that were previously dominated by Standard Oil. American diplomatic efforts were used to support Standard Oil’s business interests in Asia. This dynamic of American diplomatic efforts was successful in supporting Standard Oil, through Standard Oil’s subsidiary NKPM, in obtaining oil concessions in Java, Sumatra, and Madura. This study will focus on the years prior to NKPM’s success in obtaining their first oil concession, and thus this study will end in 1928.

3. Previous Studies

Various studies that have dealt with competition among oil companies in Asia, and the U.S. Government’s efforts to support American oil companies quest to obtain oil concessions, have
offered differing viewpoints and analysis of the Dutch Indies oil case. One work that deserves mention is *Oil: Its Influence on Politics* by Francis Delaisi. Delaisi comprehensively describes the role oil played in relation to industrialization and the competition among industrialized countries to dominate the world's oil sources, in particular Great Britain and the United States. Delaisi shows that industrial development in the first two decades of the 20th century still very much depended on the fuel that was used. As Delaisi elaborates, when all the major industries such as the railways, ships, and factories, began using petroleum, dependency on oil became so great that any slight decrease in oil production led to sharp increase in the price of oil. For this reason, competition among industrialized countries, and huge market competition amongst the world’s biggest oil companies, was inevitable. Delaisi uses primary sources to support his arguments, such as international agreements and transcripts of world leaders’ speeches that deal with oil issues in the world. However, unfortunately he rarely refers to other sources. He does not complete his work with footnotes either and his work at times is a little too subjective. Despite these criticisms, his book helped my research to explore the political map and oil competition in the early 20th century.

Stephen D. Krasner’s work on the U.S. Government's efforts to obtain raw materials overseas in order to meet the needs of the domestic industry, and the United States national interests national interests, also has a strong connection to my research. His research focused on the efforts and challenges faced by the U.S. Government in their attempts to gain access to sources of raw materials in various countries. He assumes that the U.S. Government applied different strategies to gain access to raw materials and energy sources, and that the United States adapted their strategy depending on the political situation on the country and region they sought access to. Krasner’s explanation is supported by primary sources and official publications by the U.S. Government, however he uses the same approach for all the cases he explores and furthermore he addresses them from only the American point of view. In one chapter, he discusses the U.S. Government's efforts to obtain oil concessions in the Dutch Indies, however unfortunately it is not discussed in depth and does not explain the attitude of the Dutch and the Dutch colonial governments towards political maneuvers by the U.S. Government.

---

Another work that I should mention is *Indisch Oliekartel en Flankerend Overheidsbeleid* by C.M. Bortman. Bortman describes the Dutch colonial government’s efforts to centralize the colonial administration and the efforts correlated with the Dutch colonial government’s efforts to control the Dutch Indies’ natural resources, including their mineral sources. He discusses the role of the Dutch colonial government officers and the oil company managers, through the existence of the oil cartel in the Dutch Indies. He also described the efforts of American oil companies to obtain oil concessions in the Dutch Indies, however unfortunately he does not explore too deeply the U.S. Government’s efforts to support American oil companies in the Dutch Indies during 1925-1928. It was during this period that the U.S. Government embarked upon political efforts in their desire to convince the Dutch government to provide oil concessions to NKPM. Despite lacking in areas, his research is very helpful in providing details regarding the decision making process of the Dutch colonial government, and how they went about in their attempts to dominate the Dutch Indies mineral sources, and the Dutch colonial policy with regards to their revisions of the Dutch Indies Mining Act.

4. Source Material

Primary sources are crucial in historical research and I focus on as many primary documents as possible that deal with the rivalry between the Standard Oil Company and Royal Dutch/Shell during 1907-1928. As well as the primary sources I also consult secondary sources and other publications related to the history of oil companies. The primary documents are from the archives of the two oil companies; Dutch and American government archives that deal with domestic policy and international relations in regards to oil; Dutch colonial government policies; and finally, regulations relating to mining and foreign investment in the Dutch Indies.

In order to explain the U.S. Government's efforts to support American oil companies to acquire oil concessions in the Dutch Indies, I conducted research at The Roosevelt Study Center, Middelburg, The Netherlands. I focused on records of the U.S. Department of State that relate to the internal affairs of The Netherlands and the Dutch Indies in the period 1910-1929. Various report from U.S. diplomats whom were stationed in The Hague and Batavia, including reports by

---

U.S. consuls who served in Medan and Surabaya, provided information on the Dutch Indies oil industry and issues regarding the Dutch and the Dutch colonial government’s policies against foreign oil company efforts to invest their capital in the Dutch Indies. In addition to oil industry issues, reports of American consuls also describe the Dutch Indies and Southeast Asia’s political situation and how the political issues of the time impacted on, or were influenced by the Dutch Indies’ oil industry.

Another institution that I visited was The National Archive in The Hague in order to consult sources that deal with the Dutch government and parliament’s attitudes to the diplomatic efforts of the U.S. Government to support American oil companies in the Dutch Indies. The most useful collections were the archives of Handelingen der Staten-Generaal, the Ministerie van Buitenlandse Zaken: Werkarchief Minister van Buitenlandse Zaken and the Gezantschap Verenigde Staten/Legatie Washington. Unfortunately these documents do not provide specific information about the Dutch government's attitude towards the U.S. Government’s political maneuvers. The archive of Handelingen der Staten-Generaal is very helpful for my research because it contains some Dutch Parliament discussions on the Dutch government’s attitude toward the U.S. Government. In addition The National Archive in The Hague also offers plenty of information about mining activities in reports on the Dutch Indies in the archives of Ministerie van Kolonien: Jaarboek van het Mijnwezen in Nederlands Oost Indie. These reports include the amount of oil production and the numerous discoveries of oil sources in the Dutch Indies during the period of 1875-1938.

In addition to archival institutions, I also conducted research at the Library of KITLV, Leiden. The library has excellent sources on Indonesian history, especially during the colonial period, including the official publication of the Dutch Indies Mining Act, the Indische Mijnwet. The act was the legal obstacle for American oil companies in their attempts to obtain oil concessions directly from the Dutch government and its issuance was one of the Dutch government’s efforts to restrict the entry of foreign capital.

In addition to conducting research in The Netherlands, I did further research in Jakarta, Medan, and Langkat. The National Archive of the Republic of Indonesia has documents and photographs related to oil mining activities during the colonial period. The photographs are historical visual evidence that reinforces the explanation of my research about the development of the oil industry in the Dutch Indies. In Medan and Langkat I did some research in local
Introduction

libraries and conducted an interview with a family member of the Langkat Sultanate in order to get a local perspective on the presence of oil mining in the Sultanate of Langkat. Local literature was particularly useful as it describes the attitudes of the local people and the impact of the presence of oil mining in their territory.

5. Organization of This Study

Although this study is an attempt to reconstruct the efforts of the U.S. Government and American oil companies to obtain potential oil concessions in the Dutch Indies, first it is important to explain the early development of oil mining in the Dutch Indies and the background to the issuance of the Dutch Indies Mining Act. In addition competition between Royal Dutch/Shell and the Standard Oil Company was the sub-topic that leads to the main part of my research. I therefore divide the main part of this study into five chapters. The first two chapters are introductory while the next three chapters are the main part of the dissertation and deal with the American diplomatic efforts to support American oil companies in obtaining oil concessions in the Dutch Indies.

In Chapter Two I deal with the background of the issuance of the Dutch Indies Mining Act. It begins with a description of the minerals and mines that were discovered before the arrival of European traders, who were mainly Dutch merchants or the VOC. Before the arrival of European traders, the indigenous people had conducted mining activities for metals such as tin, gold, and silver. Various mining products were traded in trading centers within the archipelago, which ultimately attracted the VOC who monopolized the markets, especially the tin trade. The VOC’s efforts to monopolize mining products in the Dutch Indies were subsequently taken over by the Dutch colonial government when they took over from the VOC authorities in Batavia. However, until the mid-19th century the Dutch colonial government still relied more on Cultuur Stelsel for state revenue than they did the profits from mining activities in the Dutch Indies. Along with various studies conducted by the Dutch Geographical Society, it was revealed that some regions in the Dutch Indies contained minerals and raw materials that were very much in demand by the international markets. The Dutch colonial government began to seriously take control of the mining activities in the Dutch Indies by establishing the Bureau of Mines or Dienst van het Mijnwezen. The discovery of oil in large quantities in Langkat rapidly increased the
importance of the Dutch Indies as a colony that produced not only plantation good but also extremely valuable raw materials, the most important of which was oil.

Chapter Three addresses the beginning of the rivalry between Royal Dutch/Shell and the Standard Oil Company in Asia. Standard Oil had tried to expand their business in the Asian markets, especially in China, but was challenged by a British oil company that relied on oil from Russia, and by Royal Dutch that relied on oil from Sumatra. Standard Oil was interested in the discoveries of oil in the Dutch Indies because in addition to the oil quality being very good, geographically the oil sources were close to the sea so the oil products were easy to transport to other regions. One of Standard Oil’s efforts to set foot in the Dutch Indies was to merge with the Moeara Enim Company. This effort however failed for various reasons. In chapter three I demonstrate how the Dutch government began to restrict the entry of foreign capital into the colony by issuing the Dutch Indies Mining Act. Later when the Dutch colonial government wanted to play more of a role in the Dutch Indies oil industry it did so by revising some of the articles in the Dutch Indies Mining Act.

Chapter Four describes the U.S. Government's efforts to support American oil companies in obtaining oil concessions in the Dutch Indies, especially in Jambi. Jambi was one of the most promising oil regions in the Dutch Indies and attracted the attention of Royal Dutch/Shell and the Standard Oil Company. The Dutch government eventually chose Royal Dutch/Shell’s subsidiary, BPM, to be the government’s partner in the exploitation of oil fields in Jambi. The U.S. Government considered the Dutch government's decision as discrimination against American oil companies. In this chapter I shall further identify some obstacles that the U.S. Government faced in their support for American oil companies in the Dutch Indies, including the British government’s role which was an important factor that influenced the Dutch government’s decision.

Chapter Five describes the attitude of the U.S. Government against the decision of the Dutch government over the Jambi case. The firm attitude of the U.S. Government resulted in Washington designating The Netherlands as one of the non-reciprocating countries according to the terms of the Land Lease Act of 1920. The U.S. Government’s decision hampered the expansion of Royal Dutch/Shell in the United States but it did not change the attitude of the Dutch government and Parliament in regards to providing potential oil concession to U.S. oil companies. The Dutch government’s attitude showed their independence politically and
economically from the United States, something that was also shown by the Dutch Parliament’s members who postponed the granting of oil concessions to Standard Oil’s subsidiary NKPM.

The U.S. Government’s diplomatic efforts did not achieve the expected results. However in 1928 the Dutch government finally agreed to provide oil concessions to NKPM after the two countries agreed to determine the status of the Shell Union Oil Company Shell as a Dutch company. I argue that actually the success was not the result of the U.S. Government’s diplomatic efforts, but instead was actually the result of a process that began in 1926 with the change of the Dutch Indies Governor-General. The new Governor-General, Andries Cornelis Dirk de Graeff, agreed that the bill to allow American oil companies into the Dutch Indies should be discussed in the Dutch Parliament. The bill that dealt with the NKPM contracts was also recommended, but by the Volksraad. The Dutch Parliament itself asked the U.S. Government to change the status of The Netherlands to that of one of the reciprocating countries before they agreed to sign the NKPM bill. This point was of utmost importance to the Dutch, who continually demanded a written declaration from Washington. A compromise was finally reached between the two countries when the U.S. Government recognized The Netherlands as one of the reciprocating countries and agreed to treat the Shell Union Oil Company as a Dutch company. On the other hand, the Dutch government agreed the NKPM contracts in 1928.
CHAPTER TWO

THE INDISCHE MIJNWET

Introduction

This section describes the historical background of the passing of the Dutch Indies Mining Act of or the Indische Mijnwet, the factors that led to the passing of the Act, and the obstacles and the responses of some parties to the act. Various factors that influenced the passing of the act were not separated from the changes within the political situation in The Netherlands and in the archipelago itself regarding the relationship between the Dutch and other powers, such as the British and local authorities, as well as the expansion of markets and production that were carried out by American oil companies in Asia. The American oil companies’ efforts to set foot in the Dutch Indies were a threat to the dominance of the oil companies in the Dutch Indies, and the Dutch Indies Mining Act was one legal obstacle for the existence and expansion of American oil companies that sought to dominate oil exploration in the Dutch Indies.

1. Mining Activity in the Archipelago and the Arrival of VOC

It is unknown when minerals were first discovered on the Indonesian Archipelago. However, based on some archaeological findings, people in certain regions of the Indonesian archipelago have mined minerals and various kinds of metals since the 5th century. Tin, for example, had been mined on Bintan Island in the early 5th century. The ruins of a traditional mining location was also found on Bangka Island which was considered as an old tin mining from the period of which dates from the Srivijaya kingdom around 600-700 AD. In some islands of the archipelago various metal tools have been found during various archaeological excavations that are believed to date from around 3000-2000 BC. During this period the local population mined in the traditional way using simple tools. Studies have also found that the early Bronze Age in

---

Southeast Asia had started in the period around 500-200 BC. Studies conducted by Heekeren showed that during the Bronze Age, there were also production activities which produced various items which were made from metals such as statues and knobbed bracelets in South Sumatra.

In the fourth century when trade relations between India and China were getting more intensive, the archipelago, which was situated on the trade route between the two regions, was influenced by the Indian and Chinese cultures including the influence of Hinduism and Buddhism. People who lived in the archipelago, especially in the coastal areas of the western parts, began to recognize various religious objects that eventually they produced by themselves such as statues of deities used in Hinduism and Buddhist sculptures. The basic material for producing sculptures and other objects were precious metals such as gold and silver which were available in abundance, particularly in Sumatra. It also indicated that metal mining activities in the archipelago continued from the prehistoric ages through to the Hinduism and Buddhism Ages and onto the present day. As a precious metal, gold continued to be an important commodity during the period of the Srivijaya and Majapahit Kingdoms. Regions that produced large quantities of gold became important to during the reign of King Hayam Wuruk from Majapahit Kingdom, who wished to control the mining activities outside of Java.

Until the arrival of the Europeans, in particular the Dutch merchants, it has not been found a single written mining law which regulated mining activities in the archipelago although there were possibly regulations which related to mining activity issued by various authorities in

---

3 Some metal products which were found in several places in the archipelago such as in Madura, South Sumatra and South Sulawesi had a resemblance to several products that are found throughout Southeast Asia and it reinforces the theory that the bronze culture in the archipelago was strongly influenced by the Dong Son culture from Vietnam and Anam (Cambodia). Some metal products such as bronze bell and bronze statues which were found in various regions of the archipelago as in Bangkinang (Riau, Sumatra) and nekara (bronze vessel which were depicted horsemen dressed Tartar Army) show the influence of Chinese culture (Yunan) in the archipelago. For more on the study of the Bronze Age in Indonesia see: Hekeeren, HR, *The Bronze-Iron Age of Indonesia*, The Hague, Martinus Nijhoff, 1958.
4 Since Prehistoric times Sumatra Island had been known as a source of gold in the archipelago. The name of the island itself was derived from the Sanskrit word Svarnadwipa which means Golden Island. Gold sources in the island became the important for the kingdoms especially the Hindu and Buddhist kingdoms that spread across the island between 700-1100 AD. See: A.J. Barber, M.J. Crow and J.S. Milsom, *Sumatra Geology, Resources and Tectonic Evolution*, London, The Geological Society, 2005, p. 147.
The Indische Mijnwet

the archipelago. With the growing influence of Hinduism and Buddhism in the seventh century there were kingdoms that controlled vast areas of the archipelago and left behind various metal products, including statues and thousands of metal coins. VOC or Verenigde Oost Indische Compagnie and local sources suggest that the local authorities were aware of the mining activities and the yields were mostly given to the authorities in return for mining permits. In order to obtain the mining concessions, miners had to share their yields with the local authorities who granted the concessions. In addition to sharing their yield with the local authorities, some landowners also adhered to the custom law of maro which involved landowners sharing their yields with both the local authorities and also the laborers who worked on their land.

In contrast to the reasons of the Europeans who went to South America for gold, the Europeans who went to the archipelago originally went for spices that were needed in Europe. Despite increasing knowledge about the gold and silver mines of South America, Europeans still opted to go to the Archipelago for spices, suggesting that at the time spices were as valuable as gold and silver. The spice wars in Malacc in 1511 and Moluccas in 1571, as well as the fact that in order to obtain spices the Europeans had to travel to the Archipelago, which was further than the gold and silver mines of South America, all support the argument that spices were as valuable as gold during this period. The discovery of gold, as well as spices, in the Archipelago further increased the Europeans’ desire to mine the region. Thus control over gold mining areas, especially in Sumatra, also colored the competition between the VOC and the local authorities.

Although the archipelago, especially Sumatra Island, was one of the largest producers of many minerals, the arrival of the VOC increased the trade of mining products which were shipped from other regions. Silver, apart from being a commodity that was used to obtain spices, VOC also

---

7 The VOC was founded in Amsterdam in 1602 and the charter of the company had been issued on March 20, 1602 by the States-General. The charter provided the Company a couple of rights to monopolize the trade for 21 years over the territory in the Eastern Cape of Good Hope and the western Strait of Magellan. The States-General itself became one of the parties that shared the Company’s capital, as much as 25,000 pounds, which the Company had paid them for the grant of the charter. See: Edmundson, George, History of Holland, Cambridge, Cambridge University Press, 1922, p. 100.
8 Tin mining activities on the islands of Bangka and Billiton had been carried out by local people even before the arrival of the VOC in the archipelago and the mining yields were mostly given to the Sultan of Palembang. The tin miners were originally Bugis people prior to the arrival of Chinese miners. The VOC started buying tin from Palembang Sultanate in 1710 and managed to monopolize the tin trade in 1722. Gold mining activity was also carried out by the Chinese immigrant workers in Montrado that was part of the territory of the Sultanate of Sambas, West Kalimantan. See: Posponegoro, Marwati Djoened, Sejarah Nasional Indonesia V Zaman Kebangkitan Nasional dan Masa Hindia Belanda, Jakarta, Balai Pustaka, 2008, p. 195.
used silver which was obtained from the Spanish silver mines in Peru and copper which was obtained from Japan to exchange with textile products from India and China such as cotton and silk.⁹

Having successfully established a solid administration in Batavia, the VOC began to expand their trade into other areas of the archipelago, including the coastal areas of West Sumatra in the middle of the 17th century. In addition to becoming one of the pepper trade centers, which the Sultanate of Aceh was still claiming to be the holder of the monopoly, the region was also famous for its gold trade center from gold mining activities in the Bukit Barisan Mountains. In this region the indigenous people, especially the Minangkabaus, had been mining gold.

West Sumatra was not the only gold mining region in the archipelago. In the 17th century the Sultanate of Sambas in West Kalimantan was also a well-known producer of gold. Prior to their activities in West Sumatra, the Dutch established contact with the Sultanate of Sambas who provided or sold the Europeans with gold. In 1604, two years after the establishment of the VOC, a Dutch negotiator, Pieter Aert, travelled to the Sultanate of Sambas and returned to the Netherlands four years later with 633 diamonds weighing 257 carats.¹⁰ The valuable diamonds found in the Sultanate appealed to him and increased his desire to return. Apart from the individual business of Dutch officers or merchants, the VOC also traded other commodities from other regions with the Sultan of Sambas to get large amounts of gold. During the VOC administration, gold was usually made into small objects or pieces that had a high value such as coins.¹¹

In addition to gold, VOC was also interested in tin production which was mined on Bangka and Billiton islands. At the time of the arrival of the VOC, the yields of tin mining from those two islands were monopolized by the Sultanate of Palembang, and VOC were only able to get them through trade with the Sultan of Palembang.

In 1668 VOC and Sultan Abdurrahman concluded an agreement that provided VOC with the opportunity to buy tin from the Sultanate. To meet VOC tin demand, the Sultan of Palembang even encouraged small scale tin mining by local people. Despite not having any

---

connection to the tin market, and being forced to sell the tin at a low price to the Sultan of Palembang, the local population nevertheless undertook the Sultan's request and mined tin in order to meet the VOC's requirements. In the 18th century the people decided to smuggle their tins to the black market in Singapore in order to achieve a better price. Later on in 1722 the VOC monopolized the purchase of Bangka tin through a trade agreement with the Sultan of Palembang, Mahmud Kamarudin, who agreed to sell all tin products from Bangka Island to VOC. Further VOC sold the tin to Canton and India. The arrival of Chinese traders and their larger vessels resulted in an increase in trade activities around the Strait of Malacca and brought the tin trade to important ports, such as Riau.

The increase of tin mining production on Bangka and Billiton islands led to tin mines being built not only to the south of the islands but also in the northern regions of the two islands. Particularly in the north, it was because, in addition to Bangka and Billiton islands, tin was also found in the Malay Peninsula. Apart from Bangka and Billiton islands, Chinese miners also went to the Malay Peninsula to mine gold in the Sultanate of Perak area. VOC, which monitored the political and economic issues on the Malay Peninsula following their conquest of Malacca, knew about the existence of tin in the region. In 1746, the Sultan of Perak, Muzafar Shah, provided the tin trade monopoly to VOC and the right to set up factories which were supervised by a Dutch resident.

Besides the Dutch power, other European powers that subsequently also played an important role in the geopolitical map of the archipelago were the British. The British trading company, The East India Company (EIC), had been established earlier than VOC. As in India,

---

12 During 1723-1730 tin deliveries from Bangka Island to the VOC reached 175 tons per year. When the Chinese contract laborers were imported from Guangdong, tin production increased due to the Chinese laborers introducing a more efficient way to mine tin so that the amount of tin which was sent to the VOC during the 1750s increased to 1037 tons per year and 1562 tons per year in the 1760s. See: Eric Tagliacozzo and Wen-Chin Chang (Ed), Chinese circulations Capital, Commodities and Networks in Southeast Asia, Durham, Duke University Press, 2011, p. 28.
15 Among the Europeans, the British were the only real competitor for the Company. They established their trading company (EIC) in 1600, two years before the Dutch set up the VOC. However they could not stand in competing with the VOC in the spice trade after the Amboyna massacre incident. The incident happened because of their spice trade rivalry in Ambon, Moluccas. It began when the VOC built a trading post in Moluccas Islands in 1609 and then the British established a factory in nearby Cambello in 1615. In 1619 both of the companies signed a treaty of defense in London which allowed the British to get one third of the spice trade yields and two thirds for the Dutch. However, the Dutch officials in Batavia did not heed to the agreement. This led to the armed conflict between the VOC and the EIC. The British attacked Batavia which led the Dutch to believe that the British would attack them in
The foothold of the VOC in the Archipelago was more powerful than the EIC until the British forces gradually managed to get rid of the VOC power, especially when the rivalry between the British and the Dutch powers turned into an open conflict in 1780-1784 during the Fourth Anglo-Dutch War. The British were eager to defeat the Dutch in India due to the VOC's control and monopoly of the opium trade in India. Patna was the area that produced the best quality opium in Asia and the opium trade provided huge profits for the VOC. The defeat of the VOC in India affected various VOC trading business including their tin trade in the Archipelago. While the British power was getting stronger in India and China in 19th century, the VOC tried to find other markets for their tin in Europe.

The defeat of the Dutch in the Fourth Anglo-Dutch War had a very negative effect for the VOC, not only on their trade efforts in Southeast Asia but also their control of the sources of spices and minerals along the VOC territories from India to Southeast Asia. The defeat by the British came at a time of internal strife within VOC which resulted in financial difficulties for the Dutch company. On January 1, 1800 VOC was dissolved due to bankruptcy and all of their assets, including their monopolies and various mining contracts in the archipelago were taken over by the Dutch government.

2. The Dutch Colonial Administration and Mining Activities

The power transition from the VOC to the Dutch colonial administration was the beginning of the emergence of the Dutch Indies Mining Act. The dissolution changed significantly the relationship between the Dutch Indies authority holder and the mother country. VOC was a private company so the profit of various business activities was the responsibility of the company. Similarly, the management of all business risks and any failures was also the responsibility of the company. Only after the bankruptcy of the company and its subsequent liquidation did the Dutch Government take over all the assets and responsibilities of the company. Thus since the Dutch colonial administration took over the administration in the Dutch Indies, the whole process of policy making that would be implemented in the colonies depended on the policy making mechanism in The Netherlands because the Dutch colonial administration,

---

Ambon, therefore the VOC undertook a preemptive strike on the neighboring British factory in 1623. Both of parties failed to find a diplomatic solution and it led to the second Anglo-Dutch War. Ooi, Keat Gin. Southeast Asia: A Historical Encyclopedia, from Angkor Wat to East Timor, Santa Barbara, ABC-CLIO, 2004, p. 142.
headed by a Governor General, was just the executor of the regulations passed by the colonial ministry based in The Hague.

Until 1816, mining operations in the territories controlled by the Dutch colonial government did not change much. However, there was desire of Dutch entrepreneurs to create new markets for tin and coal as profitable commodities. The Dutch colonial government had not set regulations concerning mining activities and only in the mid 19th century did the government begin to take notice of the mining sector by establishing the Department of Mines in 1850. One of the department's tasks was to accommodate coal and tin mining exploration attempts in the Dutch Indies.\(^{16}\)

Since the French Revolution broke out in 1789, liberalism emerged in almost all countries in Europe that still adhered to the monarchy system. In The Netherlands, liberalism developed particularly in academic circles that also held some positions in the Dutch parliament. Under the leadership of Johan Rudolf Thorbecke, the liberal group in the Dutch parliament succeeded in forcing the King of The Netherlands, King Willem III, to share executive power with \textit{Staten-General} that was achieved through a constitutional change in 1848 after winning a majority of seats in the Dutch parliament.\(^{17}\) In addition to criticizing the government policies in The Netherlands, the liberal group in the parliament also began to criticize some previous government policies related to the management of the Dutch colonial administration in the colony. The centralized system and management control of the colonies in the Dutch Indies

\(^{16}\) Besides tin, another mineral that that was also mined on a large scale in the mid-19th century was coal. It was first discovered in 1858 around 20 km from the Ombilin River by a Dutch mining engineer C. de Groet that was followed by another engineer Willem Hendrik de Greve in 1868. V.J.H. Houben and J. Thomas Lindblad, \textit{Coolie Labour in Colonial Indonesia: A Study of Labour Relations in The Outer Islands 1900 – 1940}, Wiesbaden, Harrassowitz, 1999, p. 179. See also: Zubir, Zaiydam, \textit{Pertempuran Nan Tak Kunjung Usai: Eksploitasi Buruh Tambang Batubara Ombilin Oleh Kolonial Belanda 1891-1927}, Padang, Andalas University Press, 2006.

\(^{17}\) Schoeffer, Ivo, \textit{A Short History of The Netherlands}, Amsterdam, Allert De Lange, p. 98. As one of the small European countries, The Netherlands was dominated by greater powers in Europe until the 16th century such as the Roman Empires and the Spanish Kingdom. In addition some conflicts among the Dutch nobilities contributed to the instability of the Dutch political stage. Between 1555-1556 The Netherlands was under the influence of Spain that was ruled by King Philip. Under the leadership of William I whom was known as the Prince of Orange, the Dutch people rebelled against the Spanish domination which triggered the outbreak of eighty year war (1568-1648). The persistence of Dutch people paid off in 1581 when the Dutch managed to proclaim themselves as an independent state under the name of \textit{De Republiek der Verenigde Nederlanden} despite the Spanish Kingdom only recognizing Dutch independence after the Westphalia peace agreement in 1648. The new republic consisted of 7 states and each state had its own ruler. Each state was also equipped with a council of representatives (Staten). At that time, there was no king in The Netherlands; however the existence of the Orange Family served as a unifying symbol. In addition to the Orange family, the institution of the republic was united by the \textit{Staten General}. It was a representative council that covered the entire state. See: Edmundson, George, \textit{History of Holland}, Cambridge, Cambridge University Press, 1922, Chapter III, IV and V. See also: Poesponegoro, Marwati Djoened, \textit{Sejarah Nasional Indonesia IV: Kemunculan Penjajahan di Indonesia}, Jakarta, Balai Pustaka, 2008.
during the application of cultivation system or *Cultuur Stelsel* were gradually transferred to private entrepreneurs.  

However, it should be underlined that the entry of private capital until 1850 into the Dutch Indies was intended for the agrarian sector, especially plantations of tea, tobacco and coffee. In the Dutch Indies, mining entrepreneurship had not been widely undertaken besides the Dutch colonial government was still focusing on the success of cultivation system. The only traditional mining that looked promising for the future and had been already known since the VOC period was the tin mining in Bangka and Billiton Islands. At that time there were not many minerals found in the Dutch Indies, however when most of the Sumatra areas were ruled by the British, there was interest by the Dutch colonial government to control the existing tin mining. However, it was not known how much tin deposits there were on both islands in order for there to be a long-term viable commercial tin mining industry.

Other considerations that were also taken into account by the Dutch colonial government were the legality of the possession of Bangka and Billiton Islands. Both islands were previously situated in British territory. However, according to the 1824 London Agreement, both islands were parts of the British territories that had to be given to The Netherlands. Bangka and Billiton Island residents who did not concede to the Dutch power rebelled. As a result, the Dutch colonial government made some political efforts and military operations to get recognition from the local people as the legitimate party to control both islands.

When various minerals were discovered and commercial mining ventures started to mine in many parts of the world, the Dutch colonial government and private parties were still unable

---

18 In the early 1840s the Dutch colonial government was determined to get out of the business of running the agricultural exports and provided more opportunities to European entrepreneurs and companies. Most of the government policies aimed to create an attractive atmosphere to private investors through financing agricultural research, extending roads and steamship services, improving port facilities and suppressing outbreaks by workers protesting conditions and wages. Between 1845 and 1864 the government withdrew from tea, tobacco, and indigo industries. However the government continued running the sugar industry until 1891 and coffee production until 1915. Even before the official end of the government control, private businesses working under contract raised a lot of crops. Since 1850, all sugar factories were operated by private owners. See: Taylor, Jean Gelman, *Indonesia People and Histories*, New Haven, Yale University Press, 2003, p. 241

19 During the VOC administration, tin was first discovered in the island of Bangka around 1709 and fifty years later tin was also found in the island of Belitung (Billiton). In the following years tin mining production in the island of Belitung even exceeded the quantity of tin which were mined in the island of Bangka. See: Vlekke, Bernard Hubertus Maria, *Nusantara*, Jakarta, Scholastic Popular Library, 2008, p. 225.


to carry out mining activities on a large scale as various areas that were believed to contain large mineral deposits were not yet fully controlled by the Dutch colonial government neither de jure nor de facto. At that time only the islands of Java and Madura were entirely under the control of the Dutch colonial government and to undertake mining activities on both islands would almost certainly disrupt the ongoing cultivation system. The rest were not fully controlled by the Dutch colonial government; however the Dutch Colonial Government managed to exert strong influence over the regions, such as some areas of eastern Sumatra. In this region there were several small sultanates that recognized the Dutch sovereignty and it was possible for Dutch entrepreneurs to undertake commercial mining based on concessions granted by local authorities.  

Although oil then became the main mineral that was mined for export to the international market, tin mining also was an important mineral in the early period of commercial mining in the Dutch Indies. The discovery of tin on Bangka and Billiton islands in large quantities could be said to be one of the important factors which led to the issuance of the Dutch Indies Mining Act or the Indische Mijnwet 1899. Tin mining activities on both islands had been conducted by the Chinese immigrants before the arrival of the Dutch on the southwestern island of Bangka, however, the important commercial large-scale exploitation efforts of new businesses was started

\[\text{22 There were ten small sultanates and kingdoms in East Sumatra that one by one signed political contracts with the Dutch colonial government and almost all the political contracts were replaced with "Korte Verklaring". The Sultanate of Siak was the first sultanate that signed the political contract in 1858 and the Sultanate of Serdang was the last sultanate that signed the contract in 1907. All authorities of the small kingdoms and sultanates were reduced gradually until they lost their authorities at all except Sultanate of Langkat, Deli and Serdang. They did not lose all of their authorities however the Dutch colonial government continued to renew the political contracts with the sultanates to weaken the power of the sultans. Until 1915, small local kingdoms and sultanates that had political contracts and then were included into the East Sumatra Resident were Asahan, Deli, Kualuh, Langkat, Pelalawan (Kampar), Serdang, Siak and Siak Sri Indrapura. See: Basarshah, Tuanku Luckman Sinar, Bangun dan Runtuhnya Kerajaan Melayu di Sumatera Timur, Medan, Universitas Sumatera Utara Press, 2002, p. 256.}]

\[\text{23 Commercial oil mining in the Dutch Indies had begun since Aeilko Jansz Zijlker obtained oil concession from Sultan Langkat in 1883. Although he found difficulties to get oil at the beginning of mining operations, however, subsequently Zijlker’s company managed to increase oil production in Pangkalan Brandan. The capital which he collected in The Netherlands was used to establish the Royal Dutch Company. The oil which was produced in Pangkalan Brandan was sold in the international market in March 1892. The oil from Pangkalan Brandan had high quality and competed with oil from the United States and Russia. Koninklijke Nederlandsche Maatschappij Tot Exploitatie van Petroleumbronnen in Nederlandsch Indie, Verslag Over 1892, Leiden, D. Donner, p. 10.}]

\[\text{24 The first mining Ordinance was regulated in Staatsblad 1851 No. 6 that provided mining rights to the Dutch. However, international liberal groups were not happy with the provisions and forced a change in regulation that provided the right to all Europeans. The changes in mining rights were embodied in Indisch Staatsblad 1858 No. 41. In addition, to accommodate the coal and tin exploration efforts, the Dutch colonial administration set up special mining activities by establishing the Bureau of Mines in 1850. The main task of the bureau was to carry out geological exploration in some areas for the benefit of the Dutch Government. See: Boortman, CM, Indisch Oliekartel en Flankerend Overheidsbeleid; 1904 - 1941 Koninklijke Olie Versus-Etnische Mentaliteit, The Hague, 2000, p. 36.}\]
in 1850 by Prince Hendrik, a member of the Dutch royal family. Although he did not have enough capital, Prince Hendrik was a younger brother of King William III and had a good relationship with high ranking officials in the Netherlands which helped him secure capital of five million guilders. He also used his influence to get permission from the Kingdom of the Netherlands for tin mining operations on the islands of Bangka and Billiton.

To realize the activity of tin mining, Prince Hendrik first sent an envoy to Billiton Island in 1851. A Dutch business group led by J.F. Loudon was sent to represent Prince Hendrik and they got a tin mining concession for 40 years by decree of the King of The Netherlands in 1852. Ten percent of the net income of the company was to be submitted to the Dutch government. However in the early years of their tin mining activities, the Company lost money as well as staff. The heavy exploration field caused the death of a third of field workers and 8 of 13 European staff between 1852-1855. However, five years later the financial situation began to improve with the establishment of *Billiton Maatschappij* in 1860 by the *Royal Besluit* dated October 28, 1860 No. 61. Concessions were switched from business groups led by Loudon to the new company. With the concessions and more capital, the *Billiton Maatschappij* successfully exploited tin on Bangka Island and later on Billiton Island from 1860 on. 32 years later the company had earned a profit of 54 million guilders. The huge profits of the company made the Dutch government refuse to renew the concession unless the company agreed to give five eighths of their profit to the treasury of the Dutch colonial government.

At this point the efforts of the private sector to play a greater role than the Dutch colonial government in mining activities in the Dutch Indies intensified, and on the other hand, the Dutch colonial government started to pay more attention to the mining sector. Interest conflicts between

---

27 Prince Hendrik obtained concessions for tin mining exploitation on Bangka and Billiton islands in 1852 however it took about 8 years to accumulate capital to establish *Billiton Maatschappij*. The company was founded in 1860 and in a short time managed to rake huge profits from the mining of tin on both islands. Prince Hendrik and Baron van Serooskerken Thuyl each had two fifths company's stocks while J.F. Loudon had one fifth. From 5 million guilders of the capital, the *Billiton Maatschappij* issued 5000 shares. A total of 1600 shares were owned by Prince Hendrik while J.F. Loudon had 800 shares. See: Gerretson, Frederik Carel, *History of the Royal Dutch Volume One*, The Hague, Brill Archive, 1958, p.63. See also: Van der Kemp, Pieter Hendrik, *Billiton Opstellen*, Batavia, Ogilvie, 1886, p. 7.
29 The renewed concession was signed on January 7, 1882 by Governor General Frederik 's Jacob without previous authorization of the central administration in The Hague. It was strongly criticized by the second chambers and eventually he resigned from his position in 1884. Gerretson, *Op.Cit.*, p. 63.
private companies and the Dutch colonial government were seen at the beginning of commercial mining activities in the Dutch Indies in the case of tin mining on the island of Bangka and Billiton. First was the desire to raise the role of the state or at least to raise profits from mining activities. Thus, a huge advantage gained by Billiton Maatschappij closely related to the factor that it could increase production to meet world demand for tin which increased sharply in the latter part of the nineteenth century.\(^\text{30}\)

In addition to the competition between the private sector and the Dutch colonial government, the discontent of the liberal groups in the Dutch parliament, who wanted to ensure that the mining regulation not only provided benefits to entrepreneurs from or close to the Dutch nobility but also to other private ordinary entrepreneurs, had an impact on mining regulation. The case of the issuance of tin mining permits in Bangka and Billiton showed the discontent among some Dutch parliament members because the permit was issued by the Dutch king who had exclusive rights in the form of a decree to issue mining permits. Prince Hendrik who got a tin mining concession on the islands of Bangka and Billiton was seen to be abusing his position as the King's brother. Moreover the decree was issued without the approval of the Dutch Parliament.

Apart from the internal situation and the urgent need to issue mining regulations for the Dutch Indies, there were also external factors such as the increasing competition from big companies that wanted to operate in the Dutch Indies along with the discovery of many new mineral in large quantities; there was particular interest from American and British mining companies. The desire to accommodate foreign investors that wanted to invest their capital in the Dutch Indies got a different response in the Dutch Parliament. The interests overlapping between Dutch companies and foreign companies as well as the Dutch colonial government's desire to play a greater role in the world mining industry colored the process of the Dutch Indies Mining Act at least until the issuance of the first Dutch Indies Mining act in 1899.

Another dilemma faced by the Dutch colonial government was the search for the various sources of precious minerals. Various minerals of high economic value, such as oil and coal, in

\(^{30}\) The increased demand of tin was caused by the emergence of the world tin plate industry in European countries and the United States that required large amounts of tin. Increased urbanization and industrialization in Europe and the United States also increased the popularity of packaged foods that had started to emerge in 1810. Almost all forms of packaging required tin for plating the packaging to ensure durability and to preserve the goods. Tan Teong Jin, Ho Wah Foon and Tan Joo Lan, *The Chinese Malaysian Contribution*, Kuala Lumpur, Center for Malaysian Chinese Studies, 2005, p. 11.
addition to being found in several locations in Java, were also discovered outside Java Island. The problem was that the locations were situated in some areas that were still controlled by local authorities, including in Aceh region which did not have good relations with the Dutch colonial government. However, in order to carry out large scale mining operations on Java Island the Dutch colonial government faced the problem of the overlapping interests between the Cultuur Stelsel and the mining regulations.\(^{31}\)

During the first decade of the 19\(^{th}\) century, the Dutch initially only occupied Java and Madura before succeeding in expanding their colonies to almost all of the islands of the Archipelago. By combining diplomatic, military and social approaches, slowly but surely, the territory and Dutch control extended outside Java although the Dutch colonial administration had to spend a large sum of money to quell some resistance in several colonial wars such as Diponegoro War (1825-1830), Paderi War (1821-1837) and the Aceh War (1873-1904).\(^{32}\)

In some parts of the archipelago especially in East Sumatra, Kalimantan and Lombok, the Dutch expanded their colonies in order to exploit the minerals which also served as a justification for the expensive wars the Dutch fought. In order to gain the permission of the Dutch parliament to wage those expensive wars, the areas that were fought over had to contain minerals which would later generate profits and repay the cost of the wars.\(^{33}\) In some other parts

---

\(^{31}\) Some important differences between the company's and the Dutch colonial government goals can be distinguished, however, in the case of the transition authority between the VOC control and the Dutch colonial government over the Dutch Indies there are some similarities in terms of economic objectives and application of natural resource exploitation. In addition there are also some officials in the Dutch administration who later became important officials on the boards of some of the Dutch mining companies. Thus in this case, mutualism between the Dutch administration and Dutch companies are not only represented in the form of institutional interests but also individual interests.

\(^{32}\) Although the duration of Diponegoro War was shorter compared with some other major colonial wars, the war cost more than 25 million guilders. The Diponegoro War, also known as *De Java Oorlog*, required a lot of military manpower and Dutch soldiers who were fighting the militants in Padri in West Sumatra had to be withdrawn to Java to reinforce Dutch troops fighting the Diponegoro army. The study of the Dutch strategy in defeating the forces of Prince Diponegoro can be read in: Djamhari, Saleh As'ad, *Strategi Menjinakkan Diponegoro: Stelsel Benteng 1827-1830*, Jakarta, Komunitas Bambu, 2004.

\(^{33}\) The case of Dutch control over Aceh, where large oil reserves were later discovered, was one of the Dutch colonial government efforts that combined diplomacy with military operations by taking into account the existence of the British power which also had other interests in Sumatra and in the Malacca Strait. Through the London Agreement, which was signed in 1824, The Netherlands and the British, despite both parties initially demanding economic and political interests in Aceh region, eventually they agreed on several points including some points that isolated the United States of America, another power that was expanding their trade links in Aceh and in the Malacca Straits. The exclusion of the United States was aimed to prevent closer ties and any treaty between the United States and Aceh. If a treaty was established, then it would harm the British ships that would sail in the Malacca Strait and off the east coast of Sumatra. Through this agreement, the British wanted the Dutch to be responsible for preventing the United States gaining a foothold in Aceh. The British intention provided a way for the
of the archipelago, the Dutch colonial government took advantage of regional and border conflicts and undertook political, economic and military approaches in several small kingdoms such as in the case of dispute between the Sultanate of Aceh, Siak and Langkat.\(^3^4\)

Two years before the King of The Netherlands issued the decree which allowed the operation of tin mining on Bangka and Billiton Islands, the Dutch government established the Bureau of Mines or Dienst van het Mijnwezen to maximize research activities related to the possibility of minerals availability and mining exploitation in the Dutch Indies. To facilitate in carrying out the duties of the department, in 1863 the Dutch colonial government divided the Bureau into six sections or afdeling, they were the tin and excise (Mijninspectie en Cijns), the groundwater development (Grondpeilwezen), research/mining research, geological depiction sketches, collection management, laboratory and redaction/yearbook editor (Mijnbouwkundige Onderzoelingen, Geologische Opnemingen, Beheer der Verzamelingen, Laboratory, Redactie van het Jaarboek), law and governance organization (Mijnverordeningen), technical and architectural mining area (Technischezaken en Teekenkamer), general section, personnel, records and expedition (Algemeenezaken Personeel, Archief en Expeditie).

Thus since 1863 the seriousness of the Dutch colonial government to handle and to develop mineral exploration and exploitation efforts in the Dutch Indies was evident. The discoveries of new oil sources, especially on Java Island increased the Dutch colonial government's willingness to expand the exploration and exploitation of minerals in the Dutch Indies. The 1863 Mining Regulation was followed by the regulation and implementation of the Wet Ordonnantie 1866 which was set by Koninklijke Besluit dated January 26, 1866.

The issuance of the Dutch King decree could not be separated from the proposal of the Governor General, L.A.W.J. Sloet van de Beele. The proposal was about the plan of railway construction and connection in Java. It was well received by the Colonial Secretary, Fransen van Dutch power to intervene in the Aceh region and take over their natural resources including oil. See: Ibrahimi, H.M. Nur El, Selayang Pandang Langkah Diplomasi Kerajaan Aceh, Jakarta, Grasindo, 1993, p. 30-35.

\(^3^4\) Along with the internal conflict in the Sultanate of Siak, the Dutch Colonial Government found a way to set foot in North Sumatra. Internal conflicts forced the Sultan of Siak to negotiate with the Dutch Colonial Government and sign a peace agreement which was known as the Siak Tractaat in 1858. The Tractaat actually put the sultanate sovereignty under the rule of the Dutch Colonial Government. In return the Dutch Colonial Government recognized the authority of the Sultanate of Siak over the Sultanate of Deli, Serdang and Asahan. This recognition raised protests from the Sultanate of Aceh because it considered that the area in the northern border covering the Sultanates of Deli, Serdang and Asahan were conquered territories of the Aceh Sultanate. The problem then developed into an open conflict between the Sultanate of Aceh and the Dutch Colonial Government which was known as the Aceh War (1873-1904). See: Reid, Anthony, Asal Mula Konflik Aceh Dari Perebutan Pantai Timur Sumatra Hingga Akhir Kerajaan Aceh Abad ke-19, Jakarta, Yayasan Obor Indonesia, 2007.
de Putte and by the Council of State. Through the decree, Java and Madura were included into the region where later entrepreneurs were allowed to do commercial mining activities, mainly oil mining activity, along with some discoveries of potential oil sources in West and Central Java. However, the decree and the previous regulation issued in 1857 did not make it a requirement for private companies to obtain mining permit.\textsuperscript{35}

Some matters that the Dutch colonial government paid close attention to before issuing the requirements for companies that wanted to undertake mining activities were legal security matters and the definition of rights and obligations. Legal security for the existence of a mining company was one of the important factors to assert \textit{de facto} and \textit{de jure} of a mining company before undertaking mining activities considering that the political and economic situation sometimes changed in the Dutch Indies. In Java and Madura Islands, the mastery and control of the Dutch colonial government was so strong that they facilitated the implementation of mining regulations that would be issued, while in other regions, especially oil exploration efforts in Sumatra, the implementation of mining regulations would face two problems. First it was the security issues \textit{de facto} where some areas allegedly rich in oil were still under the control or power and influence of the local authorities who opposed the presence of the Dutch forces. \textit{De jure}, the application of mining regulations also ought to consider the existence of local authorities and local customs and laws. Despite the fact that the local authorities had demonstrated their loyalty to the Dutch colonial government they still had the right to obtain shares in any mining activities in their kingdom or sultanate areas.

The definition of the rights and obligations imposed for any companies that wanted to conduct mining activities in the Dutch Indies was also an important issue that had to be affirmed.

\textsuperscript{35} Before oil was discovered in large quantities in North Sumatra and Aceh, some scientific investigations actually indicated the presence of oil resources in some parts of Java and Madura. Based on those investigations, the Dutch Indies Governor General, L.A.W.J. Sloet van de Beele proposed that the King of Holland issued a decree to open Java and Madura as a mining region, especially oil. Sloet proposal was well received by the Colonial Minister and the Council of State. Based on \textit{Koninklijke Besluit} dated January 26, 1866 the Dutch government allowed Java and Madura to be included as region where oil mining activities were permitted. However until 1866 the requirements for a company to acquire mining concessions especially oil concessions had not been defined in a regulation because the decree only regulated new additional areas where mining activities could be undertaken. The absence of a complete legal mining regulation, especially the procedures to get concession make entrepreneurs have to lobby directly to the Dutch government or the king of The Netherlands as in the case of tin mining on Billiton Island. In addition to the provision of how much capital had to be owned by a company before asking for concessions, the issue of land ownership and rights of minerals contained in soils had not been set in a regulation either. See: Gerretson, Dr. F.C., \textit{History of the Royal Dutch Volume One}, Leiden, Brill, 1953, p. 39.
as prior to the 1850 mining regulation and the revised version of the regulation in 1857, there had been no regulation related to mining concessions.

In addition to expansion efforts into mineral rich regions, the Dutch colonial government also continued to revise the regulation of mining activities in the Dutch Indies namely *Wet Ordonnantie* or the mining ordinance of 1873. The regulation was issued based on a decree by the Dutch King on September 2, 1873. This additional regulation contained the differences between the license to conduct an investigation into whether a region contained mineral resources and the permission to obtain concessions for commercial mining. This difference from the previous policy was that the licenses to conduct commercial mining issued before the decree were usually given to those who found the source of minerals. Thus, according to the Dutch Indies Mining Ordinance 1873 a person or a mining company had to follow at least two stages in order to conduct commercial mining activities. First was to get permission to investigate whether an area contained minerals or not. If the Dutch colonial government gave permission to conduct the research and the region contained minerals, it was still necessary to pass a second attempt to get permission to conduct commercial mining activities.

The Dutch Indies Mining Ordinance of 1873 reflected a more cautious attitude of the Dutch colonial government in giving permission, not only to conduct research on the presence of minerals, but also in giving permission to those who would exploit or conduct commercial mining. The cautious attitude of the Dutch government indicated that in addition to the increasing value of the minerals, The Hague wanted to control who they gave permission to exploit the minerals too in order to maximize the strategic benefits of the mining activities, namely, the economic and international and diplomatic benefits The Netherlands hoped to gain. Another government consideration was to control which party would be given the right to exploit the minerals.

Along with the increasing competition among international mining companies, the American military fleet was a strong rival to the British and had to be taken into account by the Dutch colonial government, especially in relation to the Aceh case. Aceh was a sultanate where

---

37 The Dutch declared war on Aceh on March 26, 1873. The Aceh War (1873-1904) was one of the longest colonial wars in the archipelago with many casualties, especially on the Aceh side. Six months after the outbreak of war in Aceh, the Dutch colonial government issued the Dutch Indies Mining Ordinance 1873 which added some important rules in the mining business in the Dutch Indies. At this point there was a significant coincidental moment where the Dutch began to conquer Aceh as a region that was rich in natural resources, especially petroleum in 1873 and in the
abundant oil resources were later discovered but which also had good relations with the United States. The relationship would complicate the Dutch colonial powers attempt to conquer Aceh if the Aceh Sultanate managed to get military assistance from the United States in exchange for an ease in restrictions on American shipping and commerce in Aceh region, in particular with regards to the pepper trade.  

The same year the Dutch colonial government published a revised Mining Ordinance. However difficult the Dutch army to conquer of Aceh was, the Dutch never relented or surrendered despite the huge cost of war and the sacrifice of so many men. This indicated the importance of mastering the Aceh region. Beside an oil rich area, Aceh was also strategic as a gateway to the archipelago through the Malacca Straits, especially after the opening of the Suez Canal in 1869 which allowed goods to be transported a lot quicker from Southeast Asia to mother countries in Europe and the Asian markets. See: Laanen, J.T.M. and Pieter Creutzberg, Sejarah Statistik Ekonomi Indonesia, Jakarta, Yayasan Obor Indonesia, 1987, p. 117. From oil mining business point of view, the resources of Aceh’s oil were also located close to sea so that the oil production could easily be transported to the ports and transported to other areas. Geographically, the position of Aceh's oil and other petroleum resources in North Sumatra were relatively close so that they could be connected to each other with pipelines. This geographical position made it easy and inexpensive to undertake oil deliveries because if there was no oil storage tank in one of the oil resources (or a tank with only a small capacity) and moreover the field exploration was far from the port, the oil production could be shipped by barges through rivers or oil pipelines. One of the oil pipelines which were built from the oil exploration field in Perlak, Aceh, to the oil refinery in Pangkalan Brandan was an oil pipeline which was built by the Royal Dutch in 1901. See: Koninklijke Nederlandsche Maatschappij Tot Exploitatie van Petroleumbronnen in Nederlandsch Indie, Verslag Over 1901;'s-Gravenhage, A. Sijthoff, p. 8.  

38 The American fleet showed their power when they attacked Kuala Batu on February 6, 1832. The reason of the attack was to revenge for the piracy of American merchant ship Friendship committed by Aceh people in Kuala Batu. The Aceh people captured the ship because they assumed that American traders cheated Aceh pepper sellers by adjusting the scales of pepper purchase in Kuala Batu. The American Navy sent a frigate, the Potomac, to transport 260 American marines to Kuala Batu. The marines managed to destroy some forts and killed Aceh people in Kuala Batu. The attack was an American effort to maintain the honor of the country despite by killing many people in Kuala Batu. However, the attack was criticized by an American politician, George Bencroft and by American newspaper, Nile's Weekly Register. See: Ibrahimy, H.M. Nur El, Selayang Pandang Langkah Diplomasi Kerajaan Aceh, Jakarta, Grasindo, 1993, p. 27. Along with some agreements between The British and The Netherlands especially after the signing of the Sumatra Treaty in 1871, the Aceh position was pressured by the presence of Dutch power in North Sumatra. Information about the Dutch preparation to attack Aceh was known by the Aceh informant. The Aceh sultan, Sultan Mahmud Shah, sent two envoys to Turkey and Singapore. The Acehnese envoy to Turkey was led by Sayid Abdurrahman Az Zahir. However he was unable to get support from the country because Turkey itself was in difficult situation. The envoy to Singapore was led by Commander Tibang Muhammad. In Singapore, he met with the American consul, Major Studer, to talk about possibilities to make a treaty with the United States. The next Acehnese envoy brought a letter to Major Studer. It was about the request of the sultan that asked for support from American fleet to repel the Dutch fleet. Reid, Anthony, Asal Mula Konflik Aceh Dari Perebutan Pantai Timur Sumatra Hingga Akhir Kerajaan Aceh Abad ke-19, Jakarta, Yayasan Obor Indonesia, 2007, p. 154.
Previously local people refusing permission for their land to be used for commercial mining purposes was seen as a major problem that hampered the progress of the mining sector in the Dutch Indies. From the perspective of the indigenous people who usually worked the land and worked in agriculture in order to provide for their families, their refusal made sense for several reasons. First the level of their knowledge about minerals such as oil and coal was still very limited, including the process of obtaining and utilizing such minerals. The natives had not realized the strategic value of minerals which were increasingly demanded on the world markets and the ease of mineral utilization to improve their life quality. In addition, most of them had no other skills to change their profession from farmers. Thus the land was the only source of their livelihood, and when they refused the exploitation of their land that contained minerals, it meant that they maintained their viability and their family life. These problems contributed to field obstacles, especially in the areas that were directly controlled by the Dutch as in Java and Madura, while in other areas, mining exploitation efforts were constrained by local customs and lands which were owned by a community, so asking permission to conduct an investigation and
The Indische Mijnwet

mining exploitation activities were getting more difficult. In addition to the lands that were not owned by individuals, customary lands were generally preserved land so any activities that destroyed the environment and its habitats were considered as an offense of the custom that could result in penalties for someone or any parties that broke the custom law.

To eliminate this obstacle, the Dutch colonial government made a hard decision. Based on the decree of the Dutch King on September 2, 1873, in Wet Ordonnantie 1873 the Dutch colonial government also added some provisions onto mining regulation that if the owners of lands which contained minerals refused to do or to accept mining activities, then the Dutch colonial government was entitled to take over their lands.\(^{39}\) This policy was contrary to the customary law which existed in some areas of the archipelago. According to customary law, the ownership of the land and everything contained in it belonged to the landowners. In contrast, Western law recognized the separation of ownership between everything that was on the surface and everything that was below the surface. Thus, according to the Dutch colonial government, the landowners only had their rights on the surface while everything contained below the surface was owned by the Dutch colonial government or the King of Holland. The land owners or third party (concession holders) who would conduct mining activities had to pay money to the Dutch King or government in the form of royalties. Entrepreneurs and businessmen who invested in explorations and mines faced not only issues with gaining the necessary permission but also security problems which stemmed from attacks by the indigenous population who did not have a good relationship with the Dutch colonial government. The government itself did not guarantee the security of the mines, especially the areas that were not directly controlled by the government and this made foreign companies worried about the safety of the workers and their assets. However, on the other hand, the Dutch colonial governmental so forced local authorities who were in control of the government to approve a new political contract by handing overall income tax and mining rights in return for the annual money which was given to the kings and local rulers. The Dutch colonial governmental so issued a policy to local rulers who wanted to give concessions that they previously had to seek approval from Batavia to determine a final decision as to whom those concessions would be granted. The Dutch colonial government also tried to issue additional political contracts that mining rights which were within the jurisdiction of local

The Indische Mijnwet

authorities was limited to half of cijns and vastrecht.\footnote{Cijns was the fee of mining gross income while vastrecht was the fixed fees which were calculated based on the total area of the concession.} Through this additional political contract, the Dutch government made serious efforts to centralize power in the Dutch Indies mining sector and it inflicted a counter reaction in the Dutch Parliament.

In addition to making some efforts to centralize power, the Dutch colonial government also conducted internal consolidation to improve mining regulations. Based on the Government Regulation (Gouverments besluit) dated December 31, 1873 No. 33 (Indisch Staatsblad No. 280) the Bureau of Mines or Dienst van het Mijnwezen began to arrange the number of their personnel. The formation of personnel in the bureau was regulated based on the annual budget of the Dutch colonial government. The scope of work, the main duties and the function of the bureau were also described in Indisch Staatsblad no. 280 in 1873.\footnote{Staatsblad Nederlandsch Indie 1873 No. 280, Batavia, Ter Lands Drukkerij, 1874.} The duties and the functions were to set regulation in mining and excavation, to become an extension organ of the Dutch government to secure public interest, to control the whole area that contained minerals and their processing, to provide general information about geology and metallurgy, and to provide a service of ground water drilling/artesian well. The research that was previously undertaken by the bureau was transferred to private entities supervised by the bureau.

As the Dutch government was attempting to change the regulation regarding mining activities in the Dutch Indies, scientific activities that were also published in various journals and covered by domestic and foreign newspapers indicated the presence of various new mineral deposits in the Dutch Indies and in some areas which were still controlled by local authorities. Thus the area of expansion was also an important factor in the development of mining entrepreneurship in the Dutch Indies.

The accumulation of capital for various businesses in the Dutch Indies, especially in the plantation sector, had begun with the abolition of Cultuur Stelsel along with the issuance of the Agrarian Law in 1870 which allowed the inflow of private capital on a large scale.\footnote{As it has been widely discussed in various studies on Cultuur Stelsel or forced cultivation according to the Indonesian point of view, indigenous people in the Dutch Indies suffered much during the application of this system. One reason to review the implementation of Cultuur Stelsel was the victory of the Liberal faction in the Dutch Parliament over the Conservatives who wanted the abolition of Cultuur Stelsel in 1850. The Liberal faction also wanted more opportunities for private entrepreneurs to participate in more economic activities in the Dutch Indies and at the same time, they asked for the Dutch government to reduce their involvement in economic activities and businesses. The reduction of the government involvement actually was intended to improve the competition and to}
The Indische Mijnwet

expansion of Dutch colonialism was also part of the efforts to control natural resources in the form of new mines which began to be found in various areas of the archipelago. The information about the existence of minerals in the archipelago was the contribution of Dutch scientists who undertook research and scientific expeditions in various parts of the Dutch Indies, including in the eastern archipelago. The efforts to discover and to explore various sources of minerals in the Dutch Indies were also influenced by developments in science and technology. The development of science and technology in the late 19th and early 20th century increased the global needs for metals and other minerals. The discovery of various types of production tools, new transportation means, and fuel that was used to operate them, made the need for fuel, especially in industrialized nations increase rapidly.

The development of science and technology also improved the social situation in the Dutch Indies, especially in the big cities. The Dutch colonial government introduced new systems and means of transportation such as trams and motor vehicles that could be seen in Batavia and other major cities such as Surabaya and Bandung from the late 19th century. The Dutch colonial government also imported daily goods including kerosene as one of the oil products from Europe. When sources of minerals, including oil and its products, were more widely used in everyday life in the Dutch Indies the need to meet demand resulted in more mining and exploration. Some discoveries of mineral deposits in large numbers in the Dutch Indies were tin in the islands of Bangka and Belitung (1852), coal in Sawahlunto, West Sumatra (1892), oil in Langkat, North Sumatra (1883) and gold in South Lebak, Banten (1924). The discoveries of various minerals were then explored for commercial purposes. Ultimately they were not only intended for domestic needs but also partly were exported to international markets. In fact, most companies that acquired more mining concessions targeted international markets. This fact made the Dutch Indies widely known not only as a fertile area producing crops and

increase the crop production in the Dutch Indies which automatically would provide more revenue for the Dutch government through taxes.

43 Some important expeditions undertaken by Dutch scientists were organized by Nederlandsch Aardrijkskundig Genootschap (Dutch Geographical Society), a scientific professional organization in Amsterdam that undertook some expeditions and scientific research in the archipelago. The Dutch government provided subsidies for the purposes of these research activities. In addition, survey and mapping related to rainfall was also undertaken by the Dutch colonial government in Batavia through the marine department. These studies and astronomical observations were important for naval officers. See: Metzger, Emil, "Notes on the Dutch East Indies, 1888", Foreign and Commonwealth Office Collection, (1888): 1-44.
The Indische Mijnwet

plantation products, but also as an area rich in various minerals. Some minerals such as oil even replaced crop production as the Dutch Indies mainstay to earn foreign exchange.

Information about the discoveries of minerals in the Dutch Indies was also reported by newspapers in Europe and in the United States. Various newspaper articles attracted governments and American companies’ attention which began to invest their capital in the Dutch Indies, especially in minerals needed by American industries, one of which was oil. The new focus on the Dutch Indies during the late 19th century caused concern amongst American companies who worried that their oil domination and monopolies in Southeast and Far East Asia would be disrupted. This was despite the U.S. Consul in Batavia, Sydney B. Everett writing to the U.S. Department of State in 1898 and informing them that Royal Dutch oil production had decreased. However, Everett was also concerned about the possibility of new oil exploration sites by the Royal Dutch. The decrease in the Royal Dutch's production can be partly explained by the lack of modern technology in the Dutch Indies which impacted upon their ability to explore new oil fields and dig deeper.

3. The Discovery of Oil and The Urgency of The Dutch Indies Mining Act

Oil was one of the most important mining products for the Dutch colonial government in the Dutch Indies, especially after Aeilko Jans Zijlker managed to find an oil source in Pangkalan Brandan, East Sumatra. He acquired a license from the local ruler, the Sultan of Langkat, and raised sufficient money to drill his first oil well in 1884. In Java, oil was discovered near Cirebon for the first time in 1860 by Dr. Edouard Henri von Baumhauer, a Dutch scientist who recorded samples of local oil. However, the first oil drilling was undertaken eleven years later by Jan

---

44 Colonial secretary of the United States in Singapore reported to the State Department that the oil exploration activities in North Sumatra by the Dutch oil company were based on concessions granted by the Sultan of Langkat. At that time the yield of oil exploration reached 1500-20000 cases per month. See: “Oil in Sumatra”, The Boston Daily Globe, 18 December 1892. The Standard Oil Company also followed the information about those oil explorations in the Dutch Indies, especially in Sumatra although the amount of Dutch Indies oil production was not as much as predicted by American oil mining experts. See also: “Report of A Dutch Company Success in South Island”, New York Times, 5 June 1892.

45 According to Sydney B. Everett the decrease of oil production in Sumatra was an opportunity to return American oil monopoly though he also considered that Sumatra was one of the oil rich regions in the world that had not been much explored yet. This statement indicated that in fact there were still many areas in Sumatra that had not been explored for oil. See: "Americans Needed in Sumatra", The Washington Post, 12 November, 1898.

Reerink who had previously visited the United States to collect drilling equipment and learn new skills. He began to drill at Cibodas, West Java, with financial support from *Nederlandsche Handel Maatschappij* in 1871.\textsuperscript{47}

Prior to the commencement of oil drilling, the territory of north Sumatra, in particular the eastern part, had been famous for its palm oil, rubber, coffee and tobacco. Due to the fertility of the soil and the potencies of its natural resources, the east coast of north Sumatra (*Oostkust Cultuur Gebied*) became the largest supplier of the commodity market in the Dutch.\textsuperscript{48} The opening of tobacco plantations influenced the ethnic composition of the region because the Dutch planters brought a lot of cheap labor from central Java and China to the east coast. Around 1900 there were at least 100,000 workers that went to the east coast to open new plantations. Jacob Nienhuys was the pioneer of the opening of the tobacco plantations in East Sumatra. Nienhuys, who originated from Amsterdam, began to exploit the tobacco plantation in Deli in 1863. The opening of the tobacco plantations then also encouraged other investors to come to East Sumatra, especially investors from the United States. The profit of the tobacco plantation, according to Mattie Boom, provided millions of guilders which derived from only two areas – namely plantations in Deli and Langkat between 1877-1905.\textsuperscript{49}

![Illustration 1: The contract labors from Java who would work in Deli plantation. Source: The National Archive Republic of Indonesia KIT Sumatera.](image)

With the increase in plantation production, the Dutch colonial government improved some of the transportation infrastructure, in particular the means used to transport natural products like tobacco. In addition to maximizing the use of water lines by relying on simple boats, the construction of the railway was expanded to link the hinterland with ports on the east coast. The construction of the railroad was undertaken by the private company Deli Spoorweg Maatschappij. The company successfully completed the first line that connected Labuan Deli and Medan, while the permanent line in the harbor that connected the island of Labuan and Belawan Deli was completed in 1887. In addition to those lines, other short lines connecting the plantation areas between Langkat and Serdang were successfully completed by 1900.

Plantations remained a mainstay of the Sultanate of Langkat’s income when oil was found in abundance in the Langkat region. However, when the number of oil production increased significantly in 1903, oil replaced the plantations position as the mainstay of the sultanate income. Since BPM (Bataafsche Petroleum Maatschappij) started to undertake oil mining activities in Langkat (Pangkalan Susu, Besitang, Besirah and Bukit Sentang) in 1907, from the royalty, Sultan of Langkat, Sultan Abdul Aziz, personally received 0.5 cents from every liter of oil that was obtained by the company. BPM also provided 0.5 cent from every liter of oil that was mined by the company to the elites of the Sultanate Langkat namely Datuk Besitang and Datuk Lepan. Apart from BPM, another company that subsequently carried out oil mining activity in Langkat was NIAM (Nederlandsche Indische Aardolie Maatschappij) in 1921. From every liter of oil that was obtained by the company, NIAM gave one cent to the sultan personally and one cent for the sultanate.

For people who lived in the territories of the Sultanate of Langkat, oil was nothing new because in their daily life, especially for activities in the evening or at night, local people used illumination derived from bamboo torches. Those bamboo torches were first dipped into a wallow, where oil was later discovered, and produced a very bright light. It was discovered by a Dutchman, Aeliko Zijlker, who administered one of the tobacco plantations near Pangkalan Brandan, that certain wallows produced a more flammable liquid than others. On one day in 1880, he conducted an inspection of a plantation when suddenly it rained very hard. Together

---

with a plantation overseer, he took shelter in a hut and later on the overseer lit several torches to warm their bodies. Zijlker was stunned to see a torch that shone brighter compared to the other torches. He also asked the foreman who then explained that before lighting the torch, he dipped the tip of his torch into a liquid wallow which was located at the back of the hut. Zijlker smelled the liquid and he suspected that the liquid was kerosene which in Europe had been known as a liquid used to light outboards or oil lamps. Kerosene itself had been imported into the Dutch Indies, so its existence was widely known. The use of bamboo torches which were dipped into a liquid increased Zijlker's curiosity.

Illustration 2: The local rulers in the Langkat Sultanate.
Sitting from left to right: Tengku Jabal (the chief of Luhak Teluk Aru), Tengku Pangeran (Judge of Luhak Langkat Hulu), Sultan Abdul Azis, the Dutch resident assistant, Tengku Mahmud Raja Muda, Tengku Pangeran Muhammad Yasin (the chief of Luhak Langkat Hilir).
Source: The National Archive Republic of Indonesia KIT Sumatera.

To analyze the content of the liquid, Zijlker took some fluid and sent it to Batavia. Analysis showed that the fluid was kerosene, and that it was of better quality than what the
Dutch colonial government imported from Europe. Zijlker was known as a tenacious person in business and had a high entrepreneurial spirit. After the liquid was confirmed as being oil, Zijlker sought to obtain concessions for oil exploration from Sultan Langkat.\textsuperscript{52} He obtained money to acquire the oil exploration concessions from some of his friends in The Netherlands. With those funds, he founded \textit{Voorlopige Sumatra Petroleum Maatschappij} and managed to obtain an oil exploration concession and the approval of Sultan Musa on August 8\textsuperscript{th}, 1883. Based on this concession, the Sultan would get 30 cents from 1 hectoliter of crude oil and 15 cents from 1 hectoliter of refined oil (1 hectoliter is 100 liters and 1 guilder is 100 cents). At that time, oil wells in Pangkalan Brandan produced 180 barrels per day (1 barrel is 159 liters).\textsuperscript{53}

The ease of obtaining the oil exploration concession from Sultan Langkat was not followed by the discovery of large quantities of oil. The first few years were a struggle for Zijlker with very little oil found until eventually he and his crews of oil miners managed to find sources of oil that were considered potentially large enough to produce substantial quantities of oil in Telaga Tunggal I in Pangkalan Brandan region on June 15, 1885.\textsuperscript{54} In addition to these oil wells, more wells were also found in Pangkalan Brandan which made the region well known for its oil sources in the Dutch Indies. However most of the operational costs of oil well drilling had not been covered by the benefits of the operator so the development of oil drilling in Langkat, especially in Pangkalan Brandan, faced financial difficulties. To maintain the activities of oil well drilling in Pangkalan Brandan, the Dutch colonial government, through the mining bureau, participated to help Zijlker and provided additional money to drill several more wells that reached depths of more than 300 meters. Drilling activity was led by a young engineer named Adrian Stoop. At that time, the technology used was still very simple. Modern oil drilling techniques was required in order to be able to obtain large amounts of oil in an economically efficient manner. During this period oil drilling technology had been improved and developed by engineers in the United States, in particular by engineers working for the Standard Oil Company. Dutch engineers therefore traveled to the United States to study petroleum, oil exploration and mining techniques using the modern technology developed by Standard Oil.

In August 1886 the Dutch Indies mining bureau sent Adrian Stoop to New York to learn the ins and outs of oil drilling techniques which included the closure of seeping water, control of wild bursts, fire prevention, the selection of the drill bit and the importance of literature studies regarding all aspects related to oil and petroleum. Back in the Indies, Stoop learned more about the development of oil drilling in Pangkalan Brandan and improved the performance of oil drilling in Langkat region because in addition to drilling techniques, he also studied the ways of producing, processing, storing, transporting and exporting oil as well as learning how to prepare oil exploration reports. The techniques and knowledge improved the oil exploration in Langkat especially in Pangkalan Brandan which saw a rapid rise in oil drilling explorations.

Following Stoop's retirement the most prominent oil engineer in Langkat was Reinder Fennema. If Stoop played an important role in improving the performance of drilling and oil exploration management, then Fennema's contribution was to make geological reports describing the potential oil content in the area of Telaga Tunggal. The geological reports were published in the yearbook of the Dutch Indies Mines and Petroleum Bureau in 1895 and also covered by several newspapers. As a result, many investors flocked to Pangkalan Brandan to make a profit from the oil drilling business.\(^\text{55}\)

Pangkalan Brandan became as well known as Titusville in Pennsylvania for its oil. The popularity of the town was in line with Zijlker's own popularity and his growing fame as the first person who explored oil in that particular area. Zijlker's oil exploration and work also had the support of King William III as well as financial assistance and loans from the Central Bank of the Netherlands Indies.\(^\text{56}\) With great support from the king of the Netherlands and a loan from the Central Bank, Zijlker was able to build a bigger company named *Koninklijke Nederlandsche Maatschappij tot Explotatie van Petroleumbronnen in Nederlandsch Indie* or simply the Royal Dutch in 1890. His leadership of Royal Dutch was cut short by his unexpected death in Singapore in December 1890.\(^\text{57}\) The concession which he got from Sultan Langkat was submitted to the company and his successor as director of the company, Jean Baptiste August Kessler. The new director was also supported by the king of the Netherlands in his attempts to develop oil exploration in the Dutch Indies. In 1897 the company changed its name into *N.V. Koninklijke*

\(^{57}\) The charter of the company was approved by *Koninklijk Besluit* on May 28, 1890. No.20. *Koninklijke Nederlandsche Maatschappij Tot Exploitatie van Petroleumbronnen in Nederlandsch Indie, Verslag Over 1890*, Leiden, D. Donner, 1891, p. 7.
The Indische Mijnwet

Nederlandsch Petroleum Maatschappij. The existence of the company in the Dutch Indies became more important when other oil fields were discovered in North and South Sumatra, Central and East Java and East Kalimantan at the turn of the century. The company then established refineries in those regions. At that time, there were 18 other companies exploring for or producing oil in the Dutch Indies operating under concession by virtue of the 1889 Dutch Indies Mining Act. Under this act, a concession would be granted which gave the concessionaire the mineral resources in an area of land defined and the concessionaire had direct control over the resources mined.

Kessler had experience as a businessman but now he faced the difficult task of reorganizing a company that was in trouble due to programs that were undertaken to the detriment of the company following the death of Zijlker. Capital obtained from a variety of loans required the company to make profits in order to improve the company's capital and to expand its business. Kessler was able to work quickly to reverse the situation although it still required additional capital. One of his achievements was to build an oil pipeline along the 6 miles from Pangkalan Brandan to the oil processing unit in River Balaban which was near the Strait of Malacca and which made the transportation of oil by sea easier. The pipeline not only accelerated the delivery of oil but also reduced the cost of transportation. One of the many achievements of Kessler was the improved performance of the company and the increased profit. At once his success provoked the attention of the Standard Oil Company and Russian oil companies that previously controlled the oil market in Asia. Since the initial discovery of oil in Sumatra, the Standard Oil Company and other American oil companies paid close attention to the possibility of the emergence of their competitors in Southeast Asia. The threat was finally becoming a reality when the Royal Dutch began to show signs of potentially threatening the American oil company monopolies.

Competition between American and Dutch oil companies was increasingly fierce along with the influx of capital from Standard Oil to the archipelago. In 1898 Standard Oil took over the operational concession from Moeara Enim Oil Company in South Sumatra. The potency of oil fields in this region attracted the company to expand its operations into South Palembang region. The financially strong position of Standard Oil enabled the company to deliver the highest bid for a concession in the region but at the same time the Royal Dutch Company also wanted the concession. Thanks to the intervention of the Dutch colonial government, the
The Indische Mijnwet

operation permit of Standard Oil in South Palembang was canceled and eventually it was given to the Royal Dutch Company.

In the beginning, competition between the Standard Oil Company and Royal Dutch in the Dutch Indies was an unfair competition. The Standard Oil Company was an American oil giant which controlled the American oil market and the company had developed their overseas markets in Europe and Asia. Particularly in Southeast Asia, Standard Oil was the largest supplier of oil used for lighting that had begun to be widely used in the Dutch Indies in the mid-19th century. The Dutch Indies itself imported oil in large quantities from Europe. Thus, in terms of capital and the wide areas of the company’s market, Standard Oil's monopoly would be difficult to challenge by any other oil company in the world at that time. The only way that it was possible to prevent the expansion of Standard Oil's market domination in the Dutch Indies was to limit the expansion space of the company with regulation issued by Dutch colonial government. Regulations that were applied in the Dutch Indies themselves had been changing, as well as some political changes that occurred in The Netherlands and in the Dutch Indies. 58

4. The Enactment of the Dutch Indies Mining Act

The decision to centralize the policies related to Dutch Indies mining management, including providing licenses of investigation and exploitation was an appropriate policy if it was associated with efforts to delay competition with foreign companies. If foreign companies were free to invest their capital without restriction they would have dominated the Dutch Indies mining realm. The expropriation powers of the local authorities and their ability to have the final decision over any concessions allowed them to prevent the influx of foreign capital that would have posed a real threat and serious competition to the Dutch companies. At that time Dutch mining companies were still not able to compete with the wealthier foreign companies.

58 Significant political change was the open door policy, especially after the abolition of Cultuur Stelsel followed by the passing of 1870 Agrarian Law which allowed the entry of foreign capital into the Dutch Indies, especially in the plantation sector. However, foreign companies considered that it also had to be applied in mining sector. The passing of Agrarian Law was inseparable from the victory of Liberal group in the Dutch Parliament over the Conservative group. Meanwhile In the Dutch Indies, there was desire of Dutch and European communities that the Dutch Indies administration started to make efforts to decentralize power because of the increasing number of Europeans in the Dutch Indies. However, decentralization of power would have an impact on the lack of government control of natural resources so that this desire received less feedback, especially from the conservative group in the Dutch Parliament.
If the centralized authority of mining operations proved beneficial to the Dutch colonial government, conversely the policy was extremely disadvantageous for the indigenous people. Kings or local rulers who previously had the final say regarding the granting of concessions now had to seek approval from the Dutch colonial government. The Dutch colonial government was also entitled to take possession of the land if the land owners rejected commercial mining activities on their land.

The Dutch nationalists and conservatives responded positively to the efforts to centralize the authority of the mining business; however the policy received harsh criticism from members of the liberal groups of the Dutch Parliament. The centralization of authority or power over mining areas led to the exploitation of the colonies as well as limited the role of the private sector to carry out mining activities greater than the Dutch colonial government did, especially at the same time, the Dutch attempted to secure peace treaties in some areas that were suspected of storing large mineral reserves.\(^{59}\)

When the liberal groups opposed the government's monopoly of the mining industry in the Dutch Indies, the socialist group that incorporated the Anti-Revolutionaire Partij (AR) highlighted the loss of indigenous land rights due to the expansion of mining regulation policy, especially after the issuance of the Mining Act 1899. The increase in the number of studies looking for oil deposits, and the increase in mineral exploration license requests, made the need to issue a mining act to regulate the oil industry increasing urgent. Besides scientific activities, the Dutch colonial government's financial situation was also a consideration for the immediate realization of the Mining Act. Increasing global demand for minerals could be an alternative way to fill government coffers and satisfy the financial requirements of the administration in the Dutch Indies because since 1877 the Dutch government in The Hague did not receive the

---

\(^{59}\) The conquest of Lombok was one of the pacification efforts that on the other side also were related to the Dutch colonial government efforts to control a region that was rich of iron ore. Lombok was an area that complied with the authority of the King of Bali and later ruled by kings from Bali who previously had recognized the sovereignty of the Netherlands. The Dutch presence in North Bali to incorporate Lombok into the residency of the East Indies in 1882 provoked a strong reaction from the kings of some Bali kingdoms that were located in the east and south of the island. Since then the Dutch confrontation with several kingdoms in southern and eastern Bali ultimately led to open conflict that made the Dutch managed to master the whole of Bali. Since being an ally of the Dutch colonial power, Lombok had actively weakened the strength of the kingdoms in southern Bali however the Dutch desire to control Lombok was only realized after being provoked to attack Lombok. The rebellion of the Lombok Muslims of the Sasak tribe was the reason for the Dutch attack on Lombok in 1894. Ricklefs, Merle Calvin, *Sejarah Indonesia Modern 1200-2008*, Jakarta, Penerbit Serambi, 2008, p. 297.
The Indische Mijnwet

economic benefit anymore from its colonies while at the same time, the Dutch colonial government budget in Batavia increased.\textsuperscript{60}

The draft of the Dutch Indies Mining Act itself had been proposed three times, however, it was also three times rejected before finally the Dutch Parliament approved it.\textsuperscript{61} The Dutch Indies Mining Act 1899 was the first mining act that provided clear regulations regarding the rights of landowners that they did not automatically control the minerals contained in their soil because the party that took control of the natural sources was the colonial government. Centralized authority of the government was getting stronger with some provisions which explained that the Mining Bureau or the Provincial Government was responsible for issuing permission to control the mineral management while mining concessions were granted based on applications submitted to the governor general. Thus, the governor general was the most decisive officer in granting concessions.\textsuperscript{62}

Since the beginning of its development both in the United States and in the Dutch Indies, the mining industry required huge amounts of capital, expensive technology and was always a high risk industry. The industry did not, however, require much unskilled labor which meant that the indigenous people who lived around mining explorations were not too involved in the industry.

Through the \textit{Indische Mijnwet 1899} the Dutch colonial government provided opportunities for the private sector to engage in mining activities with a concession system. Based on some provisions of the concession system in the \textit{Indische Mijnwet 1899}, the concession holders were given full authority to manage their mining operations from the beginning until the end of production process. Thus the government was not involved in the oil mining process but was involved in the marketing activities and sales of mineral products which were produced by a mining company.


\textsuperscript{61} Dienst van den Mijnbouw, \textit{Tekst van de Indische Mijnwet (Staatsblad 1899 No. 214 gewijzigd en aangevuld bij de Staatsbladen 1910 No. 588 en 1919 No. 4) en van de Mijnordonnantie (Staatsblad 1906 No. 434 gewijzigd en aangevuld bij de op blz. 21 vermelde Staatsbladen)}, Weltevreden, Landsdrukkerij, 1924.

The Indische Mijnwet

The risks associated with the exploration of minerals was entirely the responsibility of the company as the concession holder, however if the company reaped positive outcome from their mining activities, they were obliged to pay royalties, taxes and bonuses to the government. The Dutch colonial government set the royalty as high as 4 percent of gross production and the contractor was obliged to pay land tax for each acre of land concessions and income tax from net income.\(^63\) In general the concession system that was set out in the *Indische Mijnwet 1899* provided some rights to concession holders such as the right to own natural resources or minerals and mining rights to manage the implementation of their mining activities and the ownership right of their assets to some extent.\(^64\)

From all of the provisions in the Dutch Indies Mining Act 1899 there were some rules that complicated the ability of foreign private companies to conduct commercial mining activities in the Dutch Indies, namely the requirements to obtain mining concessions which were seen, by foreign companies, to be discriminatory. According to article 4 of the Dutch Indies Mining Act 1899, concessions could only be granted to Dutch, or Dutch Indies citizens and those companies that were registered in The Netherlands or in the Dutch Indies.\(^65\) This provision clearly discriminated against all foreign private companies which had been operating in the Dutch Indies and which could not meet these requirements especially since most foreign companies were registered in the country where they came from and of course the majority owners of the companies were not Dutch.

Among the 46 articles in the Dutch Indies Mining Act 1899, the information that regulated concessions dominated the content of the act with 22 articles (Articles 13-34) concerned with the issue. The concession was an important issue considering the increasing number of discoveries of mineral resources in the Dutch Indies and the readiness of Dutch companies and foreign companies to exploit minerals, while at the same time the Dutch's desire to play a greater role in the Dutch Indies mining sector increased. However just like the requirements for any parties that wanted to get mining concessions, the dominance of the Dutch colonial government over the parties which were granted concessions also remained clearly visible. In addition to some provisions that complicated the existence of foreign companies operations, including the difficulty of obtaining concessions, foreign companies that would


operate in the Dutch Indies were also subjected to pay annual dues and other obligations such as some taxes.

The majority of the Dutch parliament supported the issuance of the Dutch Indies Mining Act 1899 but there were also several statements from parliament members that expressed their disapproval of certain provisions, primarily the rights of people who possessed the lands and those who lived in the vicinity of the mining explorations. For the owners of land that contained mineral deposits, the issuance of the mining law was very harmful because there was a policy of separation between the ownership of mining and land tenancy which was not previously distinguished in the custom laws of most of the archipelago.66

Criticism of the Dutch parliament for passing the Act came from not only socialists but also former Dutch officers who served in the Dutch Indies. Former member of the Dutch Indies Supreme Court, Cornelis Marinus Piepers, criticized the Dutch Indies Mining Act 1899 because the act unfairly provided special provisions for the interests of big mining companies who would operate over indigenous lands and landowners. Moreover according to him the term of land owner in The Netherlands itself also meant the owner of the minerals found in it.67

Another figure who also launched harsh criticism of the Dutch Indies Mining Act was Henri Hubert van Kol who had worked at the Department of Public Company in the Dutch Indies. He was a prominent Dutch socialist who also criticized the separation of mining and land ownership. Sympathy for indigenous people whose rights were deprived by the Dutch colonial government encouraged him to submit the resolution that suggested 50% of the mining concession revenue sought to be public funds for the benefit of the owners of the land.68 However his proposal was rejected by the majority of the Dutch Parliament members.

Regardless of the pros and cons of the Act, and the differing opinions expressed by members of the Dutch parliament, the result of the act was a huge increase in mining exploration and exploitation in the Dutch Indies. Several legal constraints were resolved through the passing of the Act but at the same time the Act raised protests from foreign companies whose interests

68 Henri Hubert van Kol later also criticized the Dutch colonial government policies that had benefited the Netherlands but had not adequately compensated the natives. In fact, he also criticized the ethical policy that the Dutch colonial government undertook because basically it provided additional advantages to the colonial government. Moon, Suzanne, Technology and Ethical Idealism: A History of Development in the Netherlands East Indies, Leiden, CNWS Publications, 2007, p. 18.
were harmed. The Dutch government took these problems and the critique of the Act very seriously and worked to amend the Act.

Various mining businesses in the Dutch Indies, especially the oil mining business conducted by the Royal Dutch began to generate a growing income from the production and sale of oil. The profit of Royal Dutch itself increased rapidly even before the issuance of the Dutch Indies Mining Act 1899. Although there was a decrease in the volume due to the capacity of the oil wells in Langkat in 1898, discoveries of new oil sources in South Sumatra provided a new income and an increase of corporate profits between 1901-1910. The possibilities to extract greater profits from the region were increased by the passing of the Act. The Dutch Indies Mining Act gave Dutch companies an advantage in winning concessions to undertake oil exploitation in the areas that were believed to contain the largest oil reserves in the Dutch Indies.

Based on the financial reports of Royal Dutch between 1895–1904 or five years before and after the issuance of the Dutch Indies Mining Act 1899, there is a clear increase in the company’s balance mainly between 1896-1897 and 1902-1903. The significant increase in 1896-1897 was strongly influenced by the high production capacity of the Langkat oil wells and despite in 1898-1899 a decline of balance which was also heavily influenced by the decrease of oil production capacity in the same oil wells, the decline was not significant when compared with the increase the previous year. The company’s balance increased again in 1902-1903 along with the company’s success to get concessions from a number of oil potential areas in South Sumatra, including the oil fields in Moeara Enim.

### Table 1: The balance of The Royal Dutch Company 1895-1904 in guilder.

<table>
<thead>
<tr>
<th>No.</th>
<th>Year</th>
<th>Amount of Company’s Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1895</td>
<td>1.313.055.02</td>
</tr>
<tr>
<td>2</td>
<td>1896</td>
<td>1.765.851.82</td>
</tr>
<tr>
<td>3</td>
<td>1897</td>
<td>2.892.521.17</td>
</tr>
<tr>
<td>4</td>
<td>1898</td>
<td>1.458.627.73</td>
</tr>
<tr>
<td>5</td>
<td>1899</td>
<td>1.654.673.00 (Loss Balance)</td>
</tr>
<tr>
<td>6</td>
<td>1900</td>
<td>1.934.805.55 (Loss Balance)</td>
</tr>
<tr>
<td>7</td>
<td>1901</td>
<td>1.470.744.25</td>
</tr>
<tr>
<td>8</td>
<td>1902</td>
<td>2.178.959.18</td>
</tr>
<tr>
<td>9</td>
<td>1903</td>
<td>4.956.789.33</td>
</tr>
<tr>
<td>10</td>
<td>1904</td>
<td>4.263.760.78</td>
</tr>
</tbody>
</table>

To be able to know the reaction of the authorities and local people related to the issuance of the Dutch Indies Mining Act 1899, it is important to understand the background of their relationship with the Dutch colonial government. The relationship relates whether an area includes direct or indirect controlled area. Direct controlled areas were areas controlled by the Dutch politically and militarily so that the areas were fully under the Dutch colonial government control. In those areas the Dutch colonial government was able to implement all the regulations that considered profitable without having to take into account the interests of other parties. While the definition of indirect controlled areas were areas in which local authorities such as kings or sultans recognize the sovereignty of The Netherlands. It means that the Dutch colonial government gained the recognition of their sovereignty without having to undertake a military conquest.

In some sultanates in East Sumatra, including in the Sultanate of Langkat, the recognition was formalized by a political contract which was signed by the local ruler and the Dutch colonial government. Thus the sovereignty of local rulers actually was an apparent sovereignty because in many cases the sultan had to follow political and economic desires of the Dutch colonial government. Relationship between the two parties was not more as a superior-subordination relationship although economically, the relationship was profitable for local authorities primarily related to Dutch companies investments. The Dutch officials or the Ambtenaar who served in the area even evaluated the loyalty of local rulers from their promptness in carrying out all important orders of the central government in Batavia.\footnote{Reid, Anthony, \textit{Perjuangan Rakyat Revolusi dan Hancurnya Kerajaan di Sumatra}, Jakarta, Pustaka Sinar Harapan, 1987, p. 87.}

Unlike the \textit{Korte Verklaring} which was applied to the Sultanate of Aceh, political contracts (\textit{Lange Politiek Contract}) which were signed by five sultans in East Sumatra (Deli, Langkat, Serdang, Asahan and Siak) contained several provisions that regulated the distribution of rights and powers in each sultanate. Based on the political contract, some sultanates’ rights and powers were given to the Dutch colonial government and the rest were retained by the sultanates while in \textit{Korte Verklaring}, the power of Sultan Aceh and their uleebalang or district leader had been very limited.\footnote{Basarshah, Tuanku Luckman Sinar, \textit{Bangun dan Runtuhnya Kerajaan Melayu di Sumatera Timur}, Medan, Universitas Sumatera Utara Press, 2002, p. 243.}
Although having more power than the Sultan of Aceh, however, in practice, *Lange Politiek Contract* still made the sultans in East Sumatra lose their powers when dealing with the Dutch colonial government. *Lange Politiek Contract* was the first step to change the structure of a sultanate administration before gradually abolishing the sultanate institution. The trick was to slowly remove traditional institutions including the Council of Great People. Sultan usually held meetings to make decisions with the figures of the council. The members of the council and their descendants whom were considered worthy or loyal to the Dutch colonial government subsequently would be appointed to become civil service by the Dutch colonial government just like a regent in Java.

When the Council of Great People was abolished, the sultan was the only single ruler that easily appointed or replaced by the Dutch colonial government. At this point, the government could offer *Korte Verklaring* to limit the sultanate power. However the Dutch real goal was to remove the sultanate system because if it was possible, they would not appoint the next sultan when a sultan died. When the sultanate institution had been abolished, the territory of the former sultanate could be included into the Dutch government territories.

Thus there were two stages to remove a sultanate and its power. First, *Lange Politiek Contract* would slowly turn into a *Korte Verklaring*. The Dutch colonial government would take into account the situation of the sultanate. When it was possible, the government then would turn *Korte Verklaring* into a *Staatsgemeenschap*. The change of *Lange Politiek Contract* status became *Korte Verklaring* even could be undertook if a sultan died and the Dutch colonial government did not want to appoint the next sultan. The government did not want to appoint the next sultan because in economic terms the sultanate was no longer considered to have economic potential. It was applied to the Sultanate of Indragiri.

If a sultanate was successfully changed into a *Staatsgemeenschap*, the influence of the Dutch power could be directly applied to the people in the former sultanate territories. However, to remove sultanates and to make them as *direct ruled gebied* the government needed many government employees. In fact it was difficult for the Dutch colonial government to prepare many government employees in short time. Another consideration was that people in a sultanate still obeyed their sultan. If the sultanate was removed, people would be angry to the Dutch colonial government and it could lead to a chaos situation. In contrast, the sultan could be used to calm his people who refused the Dutch colonial government policy. This is the reason why the
The Indische Mijnwet

sultanate and other native kingdom system were still retained. Some of them even still existed until the Indonesia's independence in 1945.  

All sultans who signed Lange Politiek Contract or Korte Verklaring followed the Dutch colonial government policies. However it did not mean that some sultans were not aware of the Dutch colonial government efforts to limit their powers and even would remove their powers. However, both internally and externally, to sign a political contract was an option to keep their existences. Externally, Dutch political and military power was more superior and it could not be resisted by the sultanates. Internally, the lack of the sultanate territories control and conflict among the sultanate elites became important factors that ultimately exploited by the Dutch to force the sultan to sign a political contract. Those circumstances that manacled the sultan power encouraged some sultans express their dissatisfaction. The Sultan of Serdang, Sulaiman Syariful Alamsyah, was the last sultan whom was forced to sign a political contract in 1907. His famous words after he signed the contract were, "That the native kings were tied by The Netherlands with golden chains ". Sultan Siak even found himself was regarded as "cow" by the Dutch colonial government, while Sultan Husin from the Sultanate of Asahan met the King of The Netherlands to protest the existence of the Lange Politiek Contract in 1908.

Some Dutch pretensions could be accomplished through the existence of political contract agreement including the transfer of the sultan right to the Dutch colonial government to levy taxes (customs of import and export) at the sultanate port. Instead, the Dutch colonial

---

71 There were ten small sultanates and kingdoms that one by one signed political contracts with the Dutch colonial government and almost all the political contracts were replaced with "Korte Verklaring". All authorities of the small kingdoms and sultanates were reduced gradually until they lost their authorities at all except Sultanate of Langkat, Deli and Serdang. They did not lose all of their authorities however the Dutch colonial government continued to renew the political contracts with the sultanates to weaken the power of the sultans. Until 1915, small local kingdoms and sultanates that had political contracts and then were included into the East Sumatra Resident were Asahan, Deli, Kualu, Langkat, Pelalawan (Kampar), Serdang, Siak and Siak Sri Inderapura. See: Basarshah, Tuanku Luckman Sinar, Bangun dan Runtuhnya Kerajaan Melayu di Sumatera Timur, Medan, Universitas Sumatera Utara Press, 2002, p. 256.

72 In the early 1860s several sultans and local rulers in the Northeast Sumatra signed political contracts with the Dutch colonial government which contained some provisions that they would not hold diplomatic relations both among themselves and with foreign governments. In addition, they were also prohibited from having soldiers and military infrastructures. The sultans were forbidden to take everything from a stranded or sunken ship. In addition to those restrictions, the sultan was also obliged to quell piracy at sea, to abolish slavery and to promote the development of trade and industry. Every foreigner who wanted to live in their territories had to ask permission from the Dutch government. With those regulations the Dutch colonial government tried to keep the sultanates remain weak and could not unite against the government. They would never get support from foreign governments politically and military. Conversely the burden of government was reduced because the sultans had to extinguish piracy at sea. Economically, the Dutch colonial government and entrepreneurs got benefits because the sultans had to facilitate in providing various business licensing in their territories. See: Perret, Daniel, Kolonialisme dan Etnisitas Batak dan Melayu di Sumatra Timur Laut, Jakarta, Kepustakaan Populer Gramedia, 2010, p. 216.
government provided permanent compensation to the sultan. Apart from that, the Dutch colonial government could also impose tax system and forced labor in the sultanate just like in other direct ruled gebied.

Economically the regions in the three important sultanates in East Sumatra could be considered as heaven for the Dutch entrepreneurs in tobacco plantation and oil mining. On the other hand, politically Sultanates of Deli, Langkat and Serdang had recognized the sovereignty of the Dutch colonial government so that when their areas became potential ones for the development of tobacco plantation and oil mining, those three local rulers finally supported the existence of Dutch companies. Supports from local rulers and the business expansion desires of Dutch entrepreneurs was a symbiosis mutualism that on the other hand disserved their own people.

The Dutch planters got favorable business situation in East Sumatra region because of the nature and policies of the local authorities. They obtained land concessions (for plantation and later oil mining in Langkat region) with very convenient conditions. Local authorities namely the sultan and datuk or district lords also helped the provision of labors who would work in tobacco plantations. In fact, the Dutch entrepreneurs obtained a lot of benefits because of the bureaucracy that was formed between them and the local authorities. The percentage system and the bribes that they gave to the elites in the three sultanates were much cheaper than the tax they had to pay to a modern government. The presence of the sultans also served as intermediaries to curb the social structure of the Batak people that were complex and autonomous.\textsuperscript{73}

Corruption practices that were committed by the sultanate family were known by educated group among Langkat non-indigenous communities. Some of them even were figures who involved in the Indonesian nationalist movement. To keep this movement not to be widespread, the Dutch colonial government committed rude actions. However, again, the position of sultans could be used as a shield to the rude actions to calm the turmoil in their region.

\textsuperscript{73} In general, there were two big native ethnics in East Sumatra namely Malay and Batak. Some Batak tribes lived in the territories that were claimed by Malay sultanates although they were not directly under the control of the sultanates. Malay sultans, especially the Sultanate of Deli and Langkat, did not deal directly with Batak people, especially Batak Karo. Datuk were the communicators between sultans and Batak Karo people. Generally datuk were descendants of the Karo tribe who had converted to Islam and in many ways they run their own policies. Religion had become a hierarchical link between sultans and datuk who had converted to Islam. However when the influence of the Dutch colonial government power reached the territories where Batak Karo lived, they put the villages of Karo tribes into the administrational structure of Malay sultanates to expand legal powers of the sultan.
Compared with other four sultanates in East Sumatra, the relationship between the Sultanate of Langkat and the Dutch colonial government was very good since the reign of Sultan Musa. The Sultanate of Langkat even had sought the Dutch protection when the sultanate was fighting with other sultanates before the signing of the Siak Treaty. The Sultanate of Langkat territory was initially under the influence of the Aceh Sultanate. However the conflict among the Aceh Sultanate, the Dutch and the British forces made the Sultanate of Langkat finally decided to recognize the Dutch sovereignty in 1869. In 1887 the Dutch recognized Sultan Musa as the sultan of Langkat with the title of Sultan Al Haji Musa Shah Almahadain. At the same time Tengku Abdul Aziz was set as his successor.

In the Sultanate of Langkat, the relationship among the Dutch entrepreneurs, the Dutch colonial government and local authorities worked well, especially during the reign of Sultan Abdul Aziz Abdul Jalil Al Haj Rakhmsyah (1873-1927). Financial income during his reign largely derived from oil concessions. The income of sultanate treasury from oil concessions in Lepan area, Langkat, had started during the sultanate was ruled by Sultan Musa (1840-1893).

Before oil was mined in large quantities, the sultanate relied on their income from tobacco concession just like the Sultanate of Deli did. Sultan Musa was the Sultan of Langkat who provided oil concessions to the Dutch businessman Aeilko Zijlker. In 1892 Sultan Musa resigned from his position because of had been old and in 1893 he appointed Tengku Abdul Aziz as his successor. When he was appointed to replace his father, Sultan Abdul Aziz was still very young. He was only inducted to become the sultan by the Dutch resident in 1896. At the beginning of his reign, Sultan Abdul Aziz was faced with the expansion of oil mining in Pangkalan Brandan area.

When the *Indische Mijnwet 1899* was published, the financial situation of the Royal Dutch Company was not good due to the decrease of oil production from oil wells in Langkat areas. Sultan Abdul Aziz cooperative attitude towards the implementation of the *Indische Mijnwet 1899* could be seen on how he handled Pangkalan Brandan as a regional mainstay of Dutch oil companies. Along with the increase of demand for oil concessions, Pangkalan Brandan region was becoming increasingly important source of the sultanate financial income. To make Pangkalan Brandan as the central area of oil mining in Langkat, Sultan Abdul Aziz made a new *luhak* or district based in Pangkalan Brandan. The cooperative attitude of the sultan influenced
The Indische Mijnwet

the increase of Royal Dutch oil production. The increase of oil production from Langkat areas doubled the company profit between 1902-1903.74

Illustration 3: The new palace of the Langkat Sultanate which was built by Sultan Abdul Azis in 1923. It was built along with the increase of the sultanate income especially from oil production in Langkat.

Source: The National Archive Republic of Indonesia KIT Sumatera.

The income from the oil sector led two impacts on people who lived in the Sultanate of Langkat. On one side, it had a positive impact not only for the royal family but also for people of the Sultanate Langkat especially the Malay ethnic. Physical development that had been initiated by Sultan Musa was followed by Sultan Abdul Aziz. In religion field, the income from oil concessions was used to build mosques in Pangkalan Brandan, Tanjungpura, Stabat, Binjai and Selesai. Besides those mosques, Sultan Abdul Aziz also realized the establishment of religious association called Al Jamiatul Khairiah Mahmudiah Lithalabil. He also built Islamic school called Madrasah Maslurah in the former palace of Sultan Musa and student dormitories beside the school. In addition to Islamic school, Sultan Abdul Aziz also set up seven year primary school in 1900 which was called Langkatsche School. He even invited teacher from The Netherlands named J.F. Itterson to teach at the school. Furthermore he also built a three and five year primary school in several places in Langkat.75

The income from oil concession was also used for pioneering the development of air transportation infrastructure such as airfield for civil aviation, construction of water treatment machinery, construction of power generation machinery and construction of highway that connected Tanjungpura with Besitang and Binjai. The sultan also built a city fortress to avoid floods and hospitals in Tanjungpura and Binjai.

Sultan Abdul Aziz not only concerned with physical development but was also known to be very generous sultan as well. When the price of rice was very expensive because of World War I, many people could not afford to buy rice. The sultan provided living cost of his people for those who could not buy rice and just asked them to read Koran at the Mosque Azizi, Tanjungpura.76

However on the psychological side, the policies of Sultan Langkat that appeared positive actually affected to his own people adversely especially the Malay ethnic. In the reign of Sultan Abdul Aziz the Malay people was used to living with relaxed. Because of the presence of foreign plantation and Dutch oil Company, they did not need to work hard. The sultanate provided them many life supports. It also influenced the thought of the Malays so that they were not critical related to sultanate policies especially about the political contract with the Dutch colonial government. Economic dependence from the sultanate goodness made the Malay mental was not strong enough to compete with newcomers. Almost all trade sectors in Langkat at that time were controlled by Chinese immigrants.

At this point it appeared that the Dutch political contract in the Sultanate of Langkat affected some matters that were interrelated. Political contracts made the sultanate could not refuse any desires of the Dutch colonial government and Dutch entrepreneurs to invest their capital in plantation and mining sectors. Concessions from both sectors spoiled the sultan family to live in clover. Money from these sectors partly was set aside for the welfare of the people especially the Malays and it was a process of their mental damage.

Personally Sultan Abdul Aziz cooperative attitude could be seen from two sides at once. As a sultan whom was appointed by the Dutch resident, naturally his attitude was to maintain good relations with the Dutch colonial government. On the other hand, in order to perpetuate his reign he had to be favored by his people. For this reason he constructed many public facilities and provided ease of living for his people especially the Malays. His efforts succeeded to avoid

76 Ibid 107. The same information was given by one of Langkat Sultanate family members, Drs. H. O.K. Ubaidullah Indra bin Datoek Mahidin (Datoek Indra Perkasa). Interview with Drs. H. O.K. Ubaidullah Indra bin Datoek Mahidin (Datoek Indra Perkasa), Medan, February 21, 2013.
The Indische Mijnwet
turmoil in Langkat community and kept peaceful to the Dutch entrepreneurs and the Dutch government.

6. Conclusion

Domination over archipelago which was later known as the Dutch Indies was a process. The final result of the process was a colonial state. The occupation of each area has a different background and the Dutch colonial government mostly managed to implement right strategies for many occupations. Generalization should be avoided in those occupations because we have to consider internal and external factors in any occupations undertaken by the Dutch colonial government.

Almost all territories controlled by the Dutch, directly or indirectly, between 1870-1914 were rich region of mineral resources. The Dutch persistence to occupy these areas is one of important factors which ultimately led to the consolidation of colonial administration in the late 19th century. It is important to note that there were some Dutch companies that later invested their capital in those areas. At this point we can see a strong relationship between territorial expansions conducted by the Dutch colonial government and private company investments primarily oil mining and plantation companies. One of strong relationships between territorial expansion and Dutch private investment was the military expedition conducted by the Dutch colonial government in Aceh and West Papua (Irian Jaya). Between 1907-1915, based on an advice of KNIL officer (Koninklijke Netherlandsch Indische Leger or The Royal Netherlands East Indies Army), Anton Hendrikus Colijn, the Dutch government sent four military expeditions to the central Cordillera, West Papua. Those expensive military operations were intended to secure resources and to map the region interior.

Another factor is the opportunity to take control an area due to lack of native kingdom weakness in terms of military and political sides. In general, Dutch military technology was more superior to any native kingdoms in the archipelago; however, the rivalries among local kingdoms or rulers made the Dutch colonial government could play their diplomatic role effectively to support one party by political contract. Both of two factors above existed in almost the same time in the late of 19th century. Of course the world market situation that needed more raw materials and new energy sources to run industries in industrial countries as the external factor outside the
The Indische Mijnwet

Dutch Indies also influenced the way of the Dutch colonial administration to manage their colonies.

When the Dutch political alliance defeated the native kingdom that opposed the Dutch power, the next step was to control the entire region, including the region of the party that supported the Dutch. In this case the Dutch got two benefits at once. First they got other native kingdom recognition through political contracts and the ease of private company investment. Secondly, the Dutch got support from the native kingdom that had been tied up in political contract to attack other native kingdoms that opposed them. However, to occupy and to manage the rich region of mineral resources especially oil rich regions, the Dutch colonial government needed to issue regulation to set how those minerals could provide benefit for the government and The Netherlands. It was also important to consider the desire of foreign private companies that wanted to invest their capital and would become strong competitor for Dutch private companies in the Dutch Indies.

The issuance of the Dutch Indies Mining Act 1899 became a strategic legal effort in facing the development of competition between foreign oil companies and Dutch oil companies in the Dutch Indies. From the Dutch point of view the attempt to issue the mining act was an excellent political and economic strategy and the act was issued at the right time, namely when American oil companies began to develop their oil business in the Dutch Indies. The greater the interest by American oil companies in the Dutch Indies, the greater the threat to the existence of the Dutch oil companies amidst the increase in the global demand for oil. If a liberal approach had been followed, and oil companies were allowed to compete on an equal footing, then the Dutch oil companies would have found it difficult to both compete with the American companies and to maintain their dominant position in the Dutch Indies oil market.

The Dutch Indies Mining Act 1899 provided not only a positive impact on the Dutch oil companies and a negative impact on the foreign oil companies that wanted to operate in the Dutch Indies but also impacted on the Dutch colonial government itself that passed the act and the indigenous people whose living standard was not improved when oil increasingly provided huge profits for Dutch and foreign oil companies.

For the Dutch colonial government the Dutch Indies Mining Act strengthened their control over the Dutch Indies and the Dutch Indies mineral sources because the presence of Dutch and foreign mining companies that operated in the Dutch Indies became de facto reason
for the control over various areas which previously could not reached by colonial activities. It is important to note that different areas which later were known to contain large quantities of minerals geographically were very difficult to reach because they were located in hinterland and geopolitically they remain in territories controlled by a kingdom or a sultanate that had not had good relations with the Dutch colonial government. The Dutch used bad relation with some Sultanates and local rulers to attack and to control the areas. Some areas were situated in the hinterland and the Dutch previously did not notice the areas because usually they were remote and were difficult to reach. That was why there were no colonial activities there. However, then the Dutch knew that the remote areas contained minerals, so they opened the areas for exploitation and for other colonial activities including building infrastructures and forming local governments under the Dutch colonial administration.

Without the possibility of minerals it is unlikely that the colonial government would have paid much attention to the hinterland. In addition to strengthening the control over mineral resources rich areas, the Dutch Indies Mining Act also provided other compensation to the Dutch colonial government namely financial benefits from the concessions which had to be paid by the oil companies. A good, mutual relationship between mining companies and the Dutch colonial government was an important factor of the Dutch Indies Mining Act as several key officials at Royal Dutch were previously key officials in the Dutch colonial government.

A group that suffered from the Dutch Indies Mining Act was the local residents who did not benefit economically from the presence of oil companies in the area where they lived. Even the people who owned the land containing minerals did not have the rights to minerals that were within their land. In fact the mining industry was one of the favorite sectors for Dutch investors because their surplus capital achieved greater profit when invested in the Dutch Indies, especially in mining, agriculture and transportation sectors than when invested in The Netherlands itself. Cheap labor was the main attraction for the Dutch investors including the coolies or laborers imported from Java to work in various commercial mining fields outside Java. Mining operations actually did not involve local people because workers employed in the mining areas actually came from Java as the oil companies were able to pay them a lower wage. Thus from the indigenous peoples point of view there were two categories namely local people who lived in areas around mining exploration including landowners whose lands contained minerals and
native workers employed in mining areas. Both parties were impacted negatively by the passing of the Dutch Indies Mining Act.

Despite being politically and military weak compared with other European powers, the Dutch were still a more superior power among indigenous kingdoms in the archipelago. Thus externally or internationally geopolitically, the Dutch was an inferior power while internally in the archipelago, the Dutch was a superior power. When the Dutch managed to control the areas in the archipelago that were rich in natural resources and minerals, and other countries of Europe and the United States, that were more superior, wanted to participate in exploiting the minerals in the archipelago, the Dutch struggled to maintain their control and so passed the Dutch Indies Mining Act. The Act allowed the Dutch to control the flow of foreign capital and the influence of foreign companies in the archipelago while at the same time protecting the interests of the Dutch companies.
CHAPTER THREE

THE BEGINNING OF THE ROYAL DUTCH/Shell AND
STANDARD OIL COMPANY RIVALRY

Introduction

This chapter describes the beginning of the oil rivalry in the Dutch Indies. It begins with an overview of the political and economic relationship between the United States, The Netherlands and the Dutch Indies since the mid-19th century, namely the period when the oil industries in the United States and the Dutch Indies were still at an early stage of development. Since the independence of the United States of America, the two countries had very good relations which were evident from their various co-operations, including the Treaty of Alliance which was ratified in 1782. However, the Dutch colonial government’s policies which sought to restrict the American oil companies’ investment in the Dutch Indies caused discontent amongst the American government and American oil companies, straining their relationship with the Dutch Indies.

1. The American-Dutch Diplomatic and Economic Relationship

The world political constellation at the end of the 19th century was marked by the increased competition among European economic, political and military powers, in particular among the German, British, Russian and French. In addition to the European powers, the United States of America and Japan also emerged as serious new competitors that had to be taken into account, along with the development of industrial and trade sectors in those countries.¹ Competition

¹ The increase of U.S. fleet capabilities also improved the development of American trade with other countries. The U.S. fleet convoyed the American commercial fleet to some important trading centers in Asia and had been able to match other countries’ fleets in the Pacific. The assertion of the American’s fleet power was their success in destroying the Spanish fleet in Manila Bay, Philippines in 1898. Meanwhile, Japan emerged as a new world power after the Meiji restoration in 1868. During the Meiji restoration, Japanese feudalism was gradually replaced by a market economy. During this time education became one of the most pressing priorities in Japan. Japan adapted to western science that synergized with their hard work spirit and unyielding style of Bushido. See: Boscacaro, Adriana, Franco Gatti and Massimo Raveri, Rethinking Japan: Social Sciences, Ideology & Thought, London, Routledge, 1990, p. 323.
among world colonial powers centered on the need for new colonies from which they could obtain raw materials for their industries, the colonies also provided markets for their industrial goods. Capitalism, which developed rapidly, also stirred up the international competition and further implemented the desire of the colonial powers to implement a more favorable imperialism.²

Struggling for new colonies also meant that a country had to improve their military capabilities to be able to defeat other forces or local authorities. The control over other areas, especially those areas that were rich in natural resources would increase industrialization efforts to improve the economic prosperity of a country. In the midst of the competitive world, the Netherlands was trying to maintain its existence as well as trying to maintain the integrity of their colonies.

The Netherlands was one of the European countries that were late to industrialize.³ The country only started the process of their industrialization in the mid-19th century when other European industrialized countries and the United States had already recognized the importance of raw materials and energy sources for large-scale industries. Although the process of industrialization in The Netherlands was rather late, the Dutch were able to take advantage of the Dutch Indies, which ensured success in industrialization, due to the availability of natural and

² Modern imperialism emerged along with the rise of the industrial revolution that gave priority to economic development. The occupation of areas rich in raw materials and territorial expansion in order to reach new markets for industrial products were the main goals of modern imperialism. Although increasing military power was not the only way to control regions that were rich in raw materials and to control new markets, military power was an important factor of modern imperialism. It was an important factor because a strong military was needed not only to control territories but also to preserve the areas that had already been seized. The military aspect became the Dutch’s weak point in the Dutch Indies because they were so large and rich in natural resources, yet they were only maintained by a relatively small military force. By 1914 the Dutch military forces had reached nearly 200,000 troops. However the Dutch Indies, whose size was fifty times that of Holland, was only defended by a small fleet and an army of some 30,000 poorly trained and equipped troops. The Netherlands also maintained good relations with the British because the presence of the British military helped them to maintain the status quo of regional security in Southeast Asia. The weakness of the Dutch military was also the reason why The Netherlands was so keen to promote international law so that it safeguarded legally what they themselves could not secure militarily and politically. See: Amersfoort, Herman and Wim Klinkert (Ed), Small Powers in The Age of Total War 1900-1940, Leiden, Brill, 2011, p. 66.

³ In terms of capital, the lateness of industrialization in The Netherlands compared to other European industrial countries raises some questions because previously VOC was one of trading companies that was able to compete with other major European trading companies. From the economic point of view, the lateness was possibly because of the high labor costs and the unavailability of iron-ore and coal. In terms of the psychological impact, the lack of an entrepreneurship spirit was also considered to have contributed to the lateness of industrialization in The Netherlands. However the most probable reason was the change in government policies that applied political and economic liberalization between 1840-1870. The policies worked well with the support of overseas colonies, especially the Dutch Indies that provided cheap labor and vast plantations, especially for tobacco, sugar and coffee. See: Sluyterman, Keetie E., Dutch Enterprise in the 20th Century: Business Strategies in Small Open Country, London, Routledge, 2005, p. 5.
human resources in the Dutch Indies. The importance of natural and human resources in the Dutch Indies for industrialization in The Netherlands encouraged the mother country to perpetuate their control over the Dutch Indies. The subordinate nature of the relationship between the mother country and her colonies made the mother country economically wealthy, while at the same time the standard of native life in the colonies decreased. Globally, colonies contributed significantly to the rapid industrialization that took place in Europe and in the United States.

The availability of raw materials and energy sources was key to power the industrial machines. If the domestic sources of raw materials were inadequate, then acquiring raw materials overseas became a necessity and military solutions often became a choice. It became a concern that generally the Dutch military forces were limited in capability either to maintain their sovereignty in Europe or to keep her colonies, in particular the Dutch Indies. The Dutch Indies was increasingly sought after by industrialized countries as several mineral sources were found in large quantity.

The Netherlands could maintain their existence in Europe and in the Dutch Indies until the arrival of Japanese forces in the Pacific War because of internal and external factors. The external factor was the Dutch ability to position themselves within the framework of international relations among other competitive world powers. The internal factor was the Dutch success in maximizing their military capabilities and diplomatic efforts to subdue local rulers or bound them through political agreements. These two factors allowed The Netherlands to focus

---

4 One of the Dutch colonial government efforts to improve their military capabilities was to establish KNIL (Koninklijke Nederlandsch Indisch Leger), previously Oost Indische Leger, that was formed by Governor General Johannes van den Bosch at the end of Diponegoro War in 1830. In 1836 King Willem I provided Koninklijk Leger status to the troops and later the name changed to KNIL. However the troops were officially named KNIL by the Dutch Prime Minister, Hendrikus Colijn, in 1933. KNIL played an important role in conquering several native kingdoms outside Java in the 19th and early 20th centuries although its main task was to maintain security and stability in the regions that had been controlled by the Dutch. It was officially dissolved in 1950. See: Cribb, Robert B., Historical Dictionary of Indonesia, Lanham, Scarecrow Press, 2004, p. 221. See also: Meel, P. van, Gedenkschrift Koninklijk Nederlands-Indisch Leger 1830-1950, Doordrecht, Stichting Herdenking Oud KNIL Artilleristen, 1990, p. 65-66.

5 In the archipelago some minerals such as gold and silver had long been discovered and were utilized by local people. However only around the mid-19th century did the Dutch government and Dutch companies successfully conducted large-scale mining. Large-scale mining activities were reported by various newspapers in the world, especially oil mining activities. The Dutch Indies was increasingly well known and sought after by industrial countries around the world. Previously VOC knew several mineral sources in the archipelago including tin sources in Bangka and Belitung Islands in 1710. The company obtained tin through negotiations and purchases with the Sultan of Palembang efforts to conduct commercial tin mining on a wide scale only begun in 1850. See: Poesponegoro, Marwati Djoened, Sejarah Nasional Indonesia: Zaman Kebangkitan Nasional dan Masa Hindia Belanda, Jakarta, Balai Pustaka, 2008, p. 194-206.
on their industrial development and improved the country's infrastructures thanks to the financial benefits gained through their colony management, especially in the Dutch Indies.

The Dutch government was aware of some threats that potentially could seize their colonies in the Dutch Indies, in particular the German interest in Papua New Guinea and the fear of Japanese expansion to Southeast Asia. Japanese success in defeating Russia in Manchuria in 1905 made the country a military power in Asia that had to be taken seriously by the Dutch colonial government. However the fear of Japanese expansion evaporated after the United States defeated Spain in the Philippines and colonized the country in 1898.  

The presence of the U.S. military in the Philippines was not a threat to the Dutch in the Dutch Indies particularly because the two countries had had good relations in the past. Dutch traders on the island of St. Eustatius in the Caribbean had supported the American freedom fighters attempting to gain their independence from the British and provided loans to the country in the early years after American independence. Diplomatic relations between the United States and The Netherlands is one of the best examples of a strong bilateral relationship between any two states in the world. The two countries not only formally bound themselves in the form of diplomatic relations and other forms of cooperation but also were bound by strong historical ties. The Netherlands was one of the European powers that managed to establish a colony on the east coast of North America, in areas that are now part of the state of New York. New York City itself was founded by Dutch immigrants who initially named the city New Amsterdam.

---

7 In addition to giving cash loans to the USA, the Dutch merchants played an important role in providing supplies to the American revolutionaries. Six years before the two countries started formal relations, the Dutch had acknowledged the independence of the USA informally. St. Eustatius, a tiny island of the Dutch Antilles, was the place where the American rebels used to take supplies for the American colonies during the Revolutionary War. The island became the first of a series of free ports set up by the Dutch in the Caribbean. It was situated at the confluence of the Atlantic and the Caribbean. The port was very important for many European and American households because of the goods that were exported to and imported from 200 warehouses clustered on the shore around Port Orange. See: Hurst, Ronald, The Golden Rock, An Episode of the American War of Independence. Annapolis: Naval Institute Press 1996, p. 7. See also: Jameson, J. Franklin, “St. Eustatius in the American Revolution”, The American Historical Review, Vol. 8, No. 4 (Jul., 1903): 683-708.
8 The USA needed almost six years to get formal recognition from The Netherlands when the Dutch States-General finally recognized the USA formally on April 19th, 1782. The Dutch patriots had good contacts with some important figures of the American Revolution. They supported the revolution because it was regarded as a splendid example of a democratic revolution. They also played important role in securing the loans that the American government needed during the war and helped them to overcome the financial and economic crisis that followed the end of the war. Most of these loans were placed in Amsterdam and some of them in Antwerp. The success of these loans helped to establish the credibility of the United States and gave the US time to reorganize its financial affairs. See: George Maria Welling, The Prize of Neutrality; Trade Relations Between Amsterdam and North America 1771-1817: A Study in Computational History, (Unpublished PhD Dissertation: University of Groningen, 1998), p. 191.
Historical ties between the United States and The Netherlands are still evident today through the influence of Dutch culture in American society.\(^9\)

Apart from the political relationship, The Netherlands had maintained very good economic relations with the United States since U.S. independence. The Netherlands provided loans to the U.S. Federal Government for purposes of economic development of the young republic. A Dutch company, the *Amsterdam House of Hope and Company*, was even involved in raising the fifteen million dollars that President Thomas Jefferson needed to buy the French North American colonies, known as the Louisiana Purchase.\(^10\)

The economic relationship between The Netherlands and the United States increased after the end of the Civil War in 1865. The reconstruction process in the United States was accompanied by infrastructure improvements that supported economic activities including the continuation of road and railway construction that was abandoned due to the Civil War. The production of agricultural products, especially grain and cotton, rose sharply. The situation in the United States after the Civil War improved the economic activities and trade with other countries, including The Netherlands. Dutch imports from the United States included wheat, corn, flour, meat products, animal fats, vegetable oil and relatively small quantities of timber, iron and cotton. United States imports from The Netherlands were mostly food stuffs, like cheese and herring. The quantity of U.S. exports to The Netherlands increased from 4 million guilders in 1850 to 284 million guilders in 1900, an increase of 600%\(^11\).

In addition to The Netherlands, the United States also had, since the early 19\(^{th}\) century, good political and economic relations with the Dutch colonial government in Batavia. The number of U.S. commercial ships that visited Batavia from China increased between 1780 –

---

\(^9\) Some national leaders, including three former presidents of the United States, Martin Van Buren, Theodore Roosevelt and Franklin Delano Roosevelt, were American figures whose descendants were a group of Dutch people who once inhabited areas in North America. The word *dollar* that later became the name of the American currency was also one of Dutch influence in economic field. It is from Dutch word *daaler* (which later became *daalder*). *Daalder* was the Dutch coin. See: Sijs, Nicoline van der, *Cookies, Coleslaw, and Stoops: The Influence of Dutch on the North American Languages*, Amsterdam, Amsterdam University Press, 2009, p. 50 and 237.


The Beginning of The Royal Dutch/Shell and Standard Oil Company Rivalry

1792.\textsuperscript{12} The number of American ships which sailed to those regions had grown to be the second largest after the British by the early 1800s.\textsuperscript{13}

Based on the report of the Dutch representative, Pieter Johannes van Berckel, in Philadelphia on October 25, 1787, the first American ship which visited Batavia was \textit{The Hope}.\textsuperscript{14} The ship departed from New York in February 1786 returned to the city with a cargo of 800 chests of Bohee tea, 500 chests of Songlo and Souchong tea, 200 chests of porcelain and a considerable consignment of nankeen and silk cloth. According to van Berckel, the purpose of the ships short visit to Batavia was so that the American merchants could trade spices in Batavia, something which they did not manage to do. That was why the ship did not bring spices when they arrived in Philadelphia. However the visit of the American ship in Batavia showed that they had a special interest in Dutch Indies trade. Batavia was home to the Dutch central administration in Asia and the city was the auction place for certain commodities, especially opium from Bengal before it was distributed to other trade centers by the Dutch authorities. Opium was highly sought after in China and it indicated a correlation between the arrival of American merchants on the way to China and the opium of Bengal which was auctioned in Batavia.

After the successful commercial journey of \textit{The Hope}, Van Berckel and the Dutch embassy secretary, Van Dorsten, who at one point temporary replaced him in the performance of his official duties, kept sending reports to the Dutch States General regarding American ships which had returned from the Dutch Indies. Based on those observations regarding the contents of the American ships’ cargoes, they considered that the American merchants would further

\begin{footnotes}
\item[12] Before establishing good relations with the Dutch in Batavia, the American merchants had already established trade relations with Chinese merchants. The first American ship which sailed to Canton and traded in the city was \textit{The Empress of China} on February 22\textsuperscript{nd}, 1784. Besides Chinese tea, the American merchants also found that the American markets were interested in outlandish Chinese goods. When the British Company no longer dominated the American markets, especially after the end of American Revolution, the American merchants took advantage of the opportunity to sell these Chinese goods on the American market. That was why when the \textit{Empress of China} returned to New York, the ship brought plenty of outlandish Chinese curios. Pletcher, David M., \textit{The Diplomacy of Involvement: American Economic Expansion Across the Pacific 1784 – 1900}, Columbia, University of Missouri Press, 2001, p. 9.
\item[13] The increasing number of the American ships was a testament to the anti-monopoly of the American merchants who did not follow the Company terms. The spirit of American enterprise was also influenced by the American domestic situation during the decade of 1780 – 1790 when the USA suffered a severe economic depression. See: James Robert Fichter, \textit{United States, Britain and the East Indies, 1773 – 1815} (Unpublished PhD Dissertation: Harvard University, 2006), p. 48.
\end{footnotes}
develop their trade in the Dutch Indies. The quality and quantity of the Chinese commodities that *The Hope* managed to bring to New York was the beginning of close business ties between the two.

The Dutch in Batavia understandably worried that the Americans could become the next competitor, especially in the spice trade which the Dutch still tried to monopolize. Moreover, American merchants were getting more familiar with the routes and the practicalities of Southeast Asian trade by using the same route which the Spanish merchants previously used.

After the VOC was officially dissolved in 1799, American commercial ships kept coming to Batavia, bringing more and more products to trade. The American consul in Batavia reported that goods from the western coast of the United States were received at Batavia via Hong Kong and Singapore. Goods from the eastern coast, when not coming direct by sailing vessels, were received via England or Holland.\(^{15}\) In terms of the economics until the late 19th century the relationship between the United States and The Netherlands and its colonies was good. Trading activity that was seen from the figures of exports and imports increased. In terms of politics, there were no issues that could lead to the disruption of diplomatic relations between the two countries until the rise of competition between American and Dutch oil companies.

### 2. The Beginning of Oil Competition in Asia

The discovery of oil in large quantities in Titusville and the establishment of the Standard Oil Company was the beginning of the tension that developed in the American-Dutch relationship and which culminated when the U.S. Government issued the Land Lease Act in 1920. It can be said that the American-Dutch political relationship was strained because of the competition of private companies that actually gave priority to profits. However in a broader perspective, the

---

\(^{15}\) Since 1864 the Dutch colonial government had imported kerosene and then petroleum from the USA. Petroleum was always shipped direct by sailing vessels. The American Consul, B.S. Rairden, described how the Dutch colonial government managed the transportation of foreign products which arrived in Batavia as follows: “*At Batavia general cargo was always landed at a quay at other ports on the north coast of Java. Petroleum and explosives were landed in lighters. There were government ware houses for all kinds of cargo, except petroleum, which was stored in private stores outside of the city. All goods from Batavia to the hinterland were transported by rail and were handled carefully; for light goods not exceeding 500 pounds in weight horse trucks were used, and for heavy goods buffalo trucks. For short distances goods of light weight were transported by coolies. There was very little demand for American goods in Java, and, with the exception of petroleum little was shipped from the United States to Java.*” See: Report of American Consul in Batavia, B. S. Rairden, September 1, 1891. The United States, Bureau of Foreign Commerce, Department of Commerce and Labor, *Consular Reports, Issues 188-191*, Washington, Government Printing Office, 1894, p. 617.
struggle for natural resources and the expansion of marketing areas can also be a national interest in which the role of the state is to promote the economic sector, which also depends on relations with other countries in regards to imports and exports. Thus any foreign policy should consider not only the political factors but also the economic ones because of the existence of a reciprocal relationship between the two factors.

The relationship between the Dutch Indies and the United States relating to oil issues had started not long after the discovery of oil in Titusville. The success of Drake oil drilling on August 27, 1859 produced an oil product which was later demanded by people all over the world including in Southeast Asia- kerosene. The discovery of oil in large quantities attracted many businessmen to invest their capital for profit. However there were too many oil companies in the oil drilling business which led to too many products flooding the American oil market. The oil price dropped sharply. The surplus of kerosene on the American oil market allowed the oil product to be exported to other countries to achieve a better price. In the same year of the Drake oil drilling success, American kerosene began to ship to Australia and in 1861 it had entered the European market. Calcutta became the first American kerosene market in Asia with a successful delivery on September 30, 1863.\textsuperscript{16} Exports of American kerosene to the Dutch Indies began in June 1864.

On April 30, 1865, Captain Horace Freeman arrived in Batavia from Boston aboard the clipper \textit{Memnon}.\textsuperscript{17} In just twelve months since kerosene was first exported to the Dutch Indies, the United States had exported 20,000 gallons of crude oil, 4,000 gallons of kerosene and as much as 3,000 gallons of benzene, altogether worth $25,000. Kerosene was the first oil product which was introduced for sale at auctions in various ports. It was purchased by wealthy Chinese men who distributed it to small dealers in the interior. It was possible that American kerosene went from Batavia to Sumatra after being introduced in Java in 1864. It is also possible that the ship that carried American kerosene to Sumatra was the same ship that carried the kerosene to Batavia. Subsequently the ship went to Padang in the west coast of Sumatra for coffee.\textsuperscript{18}

The Dutch Indies appeared to become a promising market for American kerosene since the amount of kerosene exports increased ten times within three years. In 1866 – 1867 the export

\textsuperscript{17} Sears, J. Henry, \textit{Brewster Ship Masters}, Yarmouthport, C.W. Swift Publisher, 1906, p.34.
\textsuperscript{18} Gould, James, \textit{Americans in Sumatra, Op.Cit}, p. 42.
of American kerosene reached 42,230 gallons and during the next three years the number tripled each year, to 138,000 gallons in 1867 and 457,792 gallons in 1868 – 1869. By the 1880's the Dutch Indies became an important market for American kerosene. In 1882 – 1883 the export of American kerosene to the Dutch Indies reached 800,000 gallons. The number increased drastically in 1884–1885 when it reached 4.85 million gallons. At the end of the decade the Dutch Indies imported as much as 22.34 million gallons of American kerosene. However the United States was not the only country that supplied kerosene to the Dutch Indies as there were several other countries, the Dutch Indies also produced kerosene so at that time there were some kerosene products on the Dutch Indies market. One of the keys to the success of American kerosene in the Dutch Indies market was the better packaging compared with the other kerosene products. The excellence of the American packaging ensured the quality of the kerosene remained good during the journey to the Dutch Indies.


The discovery of oil in the Dutch Indies was only about a decade after the discovery of oil in Titusville and immediately attracted the attention of the world including the United

--

Oil was one of the key energy sources and until now, people have not found another energy source that can actually replace it. Instead, oil gradually replaced the role of coal in almost all sectors, including the use of energy to power ships for both commercial and military purposes. In the early 20th century, oil had become the most important energy source for the world powers, that all fought to ensure that they had access to this essential commodity.

Several American newspapers reported the existence of oil fields in the Dutch Indies in the early 1890's when the oil wells in North Sumatra began to produce oil in large quantities. The area of Pangkalan Brandan actually had been producing oil since Aeiklo Janz Zijlker got oil concessions from Sultan of Langkat in 1883; however the amount of oil that was produced at that time was not much. The United States government began to pay serious attention when oil production in the area rose sharply in 1892, two years after the Royal Dutch Company was established. This concern was followed with American government vigilance because the amount of oil production in Pangkalan Brandan could disrupt the oil price in the oil market especially in the Asian market that at that time was controlled by the Standard Oil Company.

---

20 The American interest in the discovery of oil in large quantities in North Sumatra had been reported by various newspapers published in the United States and later in a document by the U.S. State Department. In addition to the U.S. Government, American private oil companies were also interested in investing their capital in the Dutch Indies, especially Standard Oil Company who wanted to expand their area of production and marketing in Asia after successfully controlling the American domestic market.

21 In addition to technology, capital was an important factor in oil mining. At the beginning of the world oil company competition in the early 20th century, the companies that could compete at the international level were those companies from big countries such as the Anglo-Iranian, Standard Oil and later the Royal Dutch Company. However, having a large capital could not guarantee expansion because at the international level, oil companies were also dependent on the energy policy of nations at the state level. In some cases an oil company could grow to become a big company because of the ease of access that was obtained from political lobbying of a country. Thus companies objectives and national interests synergized in the expansion of an oil company’s network.

22 New York Times published an article about the success of the Dutch oil company in getting the areas that produced large amounts of oil in North Sumatra after doing research and drilling for several years. The amount of profits earned by the Dutch company was shown by the report on the distribution of dividends which reached 16% though it was denied by the Standard Oil Company officer, Samuel Calvin Tate Dodd. According to him, the company had agents in the Dutch Indies who would report it if the information was correct. If the report was true, the Standard Oil Company of course got a serious challenge from the Dutch oil company because the distribution of dividends by a large percentage showed great profit which would double the company's capital and allow it to continue the company's network development and could increase oil production. Above all it eventually would threaten the monopoly of Standard Oil in Asia. His rejection of the truth of the report meant that at that time Standard Oil did not consider the Dutch Companies as a serious threat. See: “Report of A Dutch Company’s Success in Sumatra”, New York Times, June 5, 1892.

23 There were several oil companies operating in Southeast Asia but the Royal Dutch Company was the most serious threat to the Standard Oil trade in Southeast Asia especially in the Dutch Indies. However, in this case, the Royal Dutch Company had a couple of weaknesses when it had to face the Standard Oil in the war of oil trade. The Dutch company did not have enough capital and skillful labor to develop their oil fields to compete with the Standard Oil Company on a large scale. Overall, capital owned by the Standard Oil Company at that time was more than that owned by the Royal Dutch. With more capital, Standard Oil tried to control Royal Dutch. In 1897 the head of the
If one follows the initial competition between the Royal Dutch Company and Standard Oil, then it initially looked unlikely that Royal Dutch would be able to compete with Standard Oil outside the United States. Until the early 20th century Standard Oil was the company that dominated oil production and distribution in the United States. Moreover, almost all banks, steamship companies and railway companies were interested in cooperating with Standard Oil. With more capital from the cooperation with those various companies, Standard Oil dominated and monopolized the domestic oil market. Not only the domestic oil market but the company then also managed to control the overseas oil market. At that time it was difficult to predict that there would be other company that would be able to break Standard Oil’s domination, especially in the United States.

Standard Oil overseas domination slowly started to be challenged with the rise of Royal Dutch in the early 20th century. In 1900 Royal Dutch was still a small company when compared with Standard Oil although at that time the company had control of the oil fields of British India and large holdings in Rumania, Persia and Russia. Hereinafter, the existence of oil in the Dutch Indies became a decisive factor in oil competition between Royal Dutch and Standard Oil. Indeed Royal Dutch had production areas outside the Dutch Indies, however up until 1913 one half of the amount of the company production came from oil fields that existed in Sumatra, Java and Borneo. According to Emile Deen who met with a Standard Oil representative, Chauncey Lufkin, in Surabaya in 1890, Standard Oil had made a mistake. The mistake, according to him, was the main factor in allowing Royal Dutch’s development from a small company to the primary competitor of Standard Oil. In 1890 Lufkin, who later became the head of the Texas Company, sent some reports to the Standard Oil office in New York. He urged the company to attempt to gain several areas in Java, Sumatra, Borneo and British India that were expected to contain oil. He worried if the company did not try to take over those areas, there would be another competitor that would move in which had potential to present difficulties for Standard Oil in the world oil market. At that time Lufkin’s warnings were disregarded, however they were proved correct 20 years later. The rise of Royal Dutch that later dominated the areas that were reported by Lufkin became the important factor of Royal Dutch development that not only


managed to compete with Standard Oil in Asia but also later expanded its business into United States.

Among the many oil sources that had been found in the Dutch Indies, the existence of oil fields in Pangkalan Brandan, Langkat, was the most important to the Royal Dutch Company. In addition to the high quality oil and the large amount of oil production that increased sharply, the ease of transporting oil products from Langkat was one of the Dutch company’s advantages. The company could reduce their oil price due to the lower transportation costs. If the Royal Dutch could increase their production capacity and could reduce their oil prices because of lower transportation costs, thus the Standard Oil Company would find it difficult to compete with the Dutch company with their oil products from Sumatra.

Illustration 5: The view of BPM refinery in Pangkalan Brandan.
Source: The National Archive Republic of Indonesia KIT Sumatera.

Apart from producing oil in large quantities, geographically companies that got oil supplies from Russia, the Dutch Indies, Galicia, Rumania and Burma had an advantage because they were closer to the oil markets in Europe, Asia and Africa. Conversely, American oil companies that carried oil from the USA had higher transportation costs when transporting their oil to other countries. Apart from covering further distances, they also had to take into account the time it took to get the oil to the market. Another benefit that non-US oil producers had was
the cheaper wage costs compared to the higher U.S. wages and salaries.\textsuperscript{25} According to the head of Standard Oil’s foreign department, William H. Libby, the other factor that made it difficult for Standard Oil to compete with other companies abroad was the absence of government support. Indeed, Standard Oil was frequently negatively impacted by local government policies, such as those in the Dutch Indies.

Initially the competition between American and Dutch oil companies was an unequal competition. However, after Royal Dutch merged with the Shell Transport and Trading Company in 1907, competition between the two companies intensified.\textsuperscript{26} The abundance of

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{image}
\caption{A labor family in front of their house. Shell Company provided some facilities for their labors who worked in the oil fields in Sumatra including housing and bicycle to go to their working place.}
\end{figure}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{image}
\caption{Illustration 6: A labor family in front of their house. Shell Company provided some facilities for their labors who worked in the oil fields in Sumatra including housing and bicycle to go to their working place.}
\end{figure}

25 Until 1913 BPM (\textit{Bataafsche Petroleum Maatschappij}), the subsidiary of Royal Dutch/Shell, had been employing 23,167 workers and 825 European employers in the Dutch Indies. In addition to improving the salaries of their workers, BPM also began to give Sunday off for all workers and eight working hours per day for European employees. See: Jonker, Joost and Jan Luiten Van Zanden, \textit{From Challenger to Joint Industry Leader, 1890-1939, A History of Royal Dutch Shell}, Oxford, Oxford University Press, 2007, p. 102.

26 The head of Standard Oil’s foreign department, William H. Libby, called the amalgamation of the two companies “the great foreign combinations against Standard Oil.” However besides The Royal Dutch/Shell, the development of other foreign oil companies that cooperated with some banks to increase their capital showed other threats to Standard Oil’s domination. In Germany a holding company was created under the auspices of the most powerful banks in the empires to dominate the sale of both Russian and Romanian products not only in Germany but also in other European markets. In Galicia a prominent industrial concern joined with a powerful Austro Hungarian Bank to rescue the Galician industry from a period of semi demoralization. Another strong company was the Asiatic Company that comprised three of the leading industrial corporations of England, France and Holland to control the
The Beginning of The Royal Dutch/Shell and Standard Oil Company Rivalry

Dutch Indies oil sources and the support of oil delivery with big tankers and the solid Shell business network made Standard Oil face a serious challenger. The support of the Dutch government to block Standard Oil investment in the Dutch Indies through the application of the *Indische Mijnwet* worked well. Outside the United States, oil production in the Dutch Indies itself was second in the world in 1905.\(^\text{27}\)

The oil monopoly of the Standard Oil Company began by dominating the American domestic oil market. The company could dominate the domestic market despite higher costs due to the relative remoteness of their oil wells. The expensive transportation costs made the price of oil which was sold by the company more expensive. However with Standard Oil’s greater production capacity and a wider network than any other company, the greater cost was balanced by their wider network, which meant other companies could not compete with Standard Oil.\(^\text{28}\) With a greater level of production, Standard Oil could sell oil at a cheaper price to force other companies into bankruptcy. Having no competitors that could threaten the monopoly of Standard Oil, the company was able to control the price of oil in accordance with the company’s demands and manage their profits.

The success that Standard Oil had in monopolizing the American domestic market continued with their successful monopolization of the Asian oil market with the same strategy used in the US. By controlling 25% of the production area and 85% of oil refining in the United States and Asia, the company managed to dominate and control the Asian oil market in a relatively short time.\(^\text{29}\) With large capital, Standard Oil could afford to buy oil in other parts of

---

\(^\text{27}\) In 1905 the normal annual oil product in Russia reached 80,584,000 barrels, the Netherlands 7,275,000 barrels, Galicia 5,235,000 barrels, Rumania 3,975,000 barrels and Burma 2,510,000 barrels. See: “Standard Oil Defence From No. 26 Broadway: Company’s Foreign Agent Discusses Prices Here”, *The New York Times*, March 25, 1905. See also: “Newspaper Specials”, *Wall Street Journal*, March 27, 1905.

\(^\text{28}\) After successfully controlling the oil industry and oil markets in some regions, John D. Rockefeller tried to expand the Standard Oil monopoly in the United States by establishing the Standard Oil Trust in 1882. Each state would have its own Standard Oil; however the central trust managed everything. The existence of the Standard Oil Trust that was established with a capital of 70 million dollars further confirmed the dominance of Standard Oil in the oil business in the United States. According to John D. Rockefeller, Standard Oil was not guilty of the other company’s bankruptcy because the bankruptcy was the fault of the company itself that was not able to compete with Standard Oil Company. See: Hubbard, Silas, *John D. Rockefeller and His Career*, New York, Published by the Author, 1904, p. 107.

\(^\text{29}\) Standard Oil kerosene export to Asia and Europe began to increase in 1891 along with the extensive use of gasoline and fuel oil for transport vehicles and as a consequence of the transfer of the industry in America and Europe to oil instead of hard coal. See: Piskarev, Alexey and Mikhail Shkatov, *Energy Potential of the Russian Arctic Seas: Choice of Development Strategy*, Amsterdam, Elsevier, 2012, p. 5.
Asia which had high prices and then sell it at a cheaper price than other companies could afford to, resulting in Standard Oil’s competitors going bankrupt. If it was possible, Standard Oil would buy those companies and then dominate their markets.

The first country in Asia that became Standard Oil’s oil production export place was China. The Chinese market was a familiar one for American traders because in the past many American commercial fleets had regularly visited Canton via Batavia. Standard Oil began to sell their kerosene in China in 1876 and managed to form a marketing and distribution system. However, Standard Oil’s export of large quantities of goods to Asia began only in 1891. Asian oil markets became American oil targets since the discovery of oil in large quantities in California and Texas were not supported by adequate transport to transport oil from the two regions to the eastern parts of the United States.

During 1891-1894 Standard Oil managed to control Asian kerosene markets, especially in China. However the American kerosene trade in China began to decline in 1894. The decline of American kerosene sales was not due to a decrease of kerosene demand in China but because of changes in the distribution system by agents of Russian oil companies in China, namely the tank distribution system. The oil produced from the Baku region was supplied by Russian oil agents to a system of tanks, supplied by steamers that brought the raw product in bulk, thus enabling its sale at a price slightly lower than the usual charge for American oil. The most dangerous thing for American kerosene trade of this system was that the Chinese dealers bought American old tins and then they filled them with Russian oil and shipped them in large quantities.

---

30 The first American ship which sailed to the Indies was the Harriet which arrived in the Cape of Good Hope in April 1784. The ship brought the American ginseng to Canton. Previously, this commodity was introduced by French fur traders to the Chinese in 1716, but later the American developed the American ginseng trade on a larger scale to trade with silver. The first American ginseng trader who exported ginseng to China was John Jacob Astor in the late eighteenth century. Later Daniel Boone from Kentucky continued the American ginseng trade. See: James Robert Fichter, United States, Britain and the East Indies, Op. Cit, p. 48.


32 Report of American Consul in Amoy, China, Delaware Kemper, December 23, 1895, United States, Bureau of Foreign Commerce, Department of Commerce and Labor, Consular Reports, Issues 188-191, Washington, Government Printing Office, 1894, p. 453. According to the report, there were 255,039 cases of Standard Oil trademark counterfeiting in 1894 and in 1895 there were 57,000 cases. The American representatives threatened the Chinese oil dealers that they would bring the case to court because the use of old cans was against Chinese trademark law.
to the interior.\textsuperscript{33} The embezzlement and the ease of the distribution system contributed to make the Russian oil imports exceed American oil imports for the first time in 1895.\textsuperscript{34}

The American oil trade business increased in competitiveness due to the growing number of companies that were operating in the Chinese oil market, a market that was attractive to all the major global oil players. The oil from Batum, Russia, which was imported in large quantities penetrated the Chinese market and threatened the market which previously had been dominated by American oil. Most of the oil trade between Batum and China until the beginning of 1898 was controlled by a number of different companies. Since February 1, 1898, the oil trade had been consolidated into a single company, known as Transport Shell and Trading Company Limited.\textsuperscript{35} Since February 1, 1898, the trade was consolidated into one corporation, known as the Shell Transport and Trading Company, Limited.\textsuperscript{36}

\textsuperscript{33} Oil drilling activities in Russia were a little bit slower than in the United States. The Baku oil only produced a small amount of kerosene. The slow development of the oil industry was due to a lack of entrepreneurs and investors in Russia compared with in the United States, as well as government legislation which imposed a high duty on kerosene production in 1872. The Russian government amended the legislation and managed to increase oil production to 5 million tons in 1893. Since that year Russian oil had been able to compete with American oil in the European market. See: Piskarev, Alexey and Mikhail Shkatov, \textit{Energy Potential of the Russian Arctic Seas: Choice of Development Strategy}, Amsterdam, Elsevier, 2012, \textit{Op. Cit}, p. 5.


\textsuperscript{35} Shell was founded by Marcus Samuel. He began his business career trading in curious, mainly painted, seashells and boxes made from them. In 1890 when he returned from a business trip to Japan, he was interested in trading oil which was found in large quantities in Russia. He managed to acquire a tanker fleet and obtained permission to transit his tanker through the Suez Canal in 1892. He tried to get capital and managed to get a nine year contract from the Rothschilds to send oil from Russia to Asia. His business collided with the interests of Standard Oil in Asia. However with a broad knowledge in the transportation industry, Standard Oil could not beat him in Asia. In 1897 he founded the company Shell Transport and Trading Company and continued to compete with Standard Oil not only in Asia but also in the United States. Shell even tried to beat Standard Oil and broke its domination in the United States. See: Vassiliou, M.S., \textit{Historical Dictionary of the Petroleum Industry}, Lanham, Scarecrow Press, 2009, p. 445.

\textsuperscript{36} The company had a capital of $ 9,000,000 in 18,000 shares of $500 each, privately subscribed by the various firms interested in the combination. These firms were the Borneo Company, of the Straits Settlements; Speidel r & Co., of Saigon; Ker, Bolton & Co., of the Philippines; Anold, Karberg & Co., of Hongkong and the China ports; M. Samuel & Co., of Japan; Best & Co., of Madras; Graham & Co., of Bremen; A. Range & Co., of London; Lane & Mac Andrew, of London; and several other British firms. This powerful combination possessed huge resources in carrying, storing, and distributing stock, and had a network of stations in all the principal centers in India, the Straits Settlements, China, Hong Kong, and Japan. It had also fourteen tank steamers, which were constantly carrying oil to the various stations. These tank ships weighed 25,000 tons each. In addition, the company possessed 200,000 acres of petroleum-producing land in Borneo. It also constructed, in Borneo, one of the largest oil refineries in the world, at an expense $ 973,300. In the consular district of Canton, in all the principal cities of the provinces of Kwangtung and Kwangsi, kerosene oil was used by the natives. See: Report of American Consul in Canton, China, Edward Bedloe, February 14, 1898, United States, Bureau of Foreign Commerce, Department of Commerce and Labor, \textit{Consular Reports, Issues 212-215}, Washington, Government Printing Office, 1898, p. 180.
In addition to Russian oil from Batum, a Dutch oil company, The Royal Dutch Company, also began to enliven the competition in the Chinese market. Royal Dutch produced oil from Langkat, Sumatra, and became a new player in the Asian oil competition. Oil dealers in China considered oil from Langkat as lower grade oil. However, the price of the oil was much cheaper and so the oil was very popular in China. Both Langkat oil and Russian oil agents actively encouraged the sale of their oil products in trading centers that were densely populated, such as Canton. In addition to the amount of Russian and Langkat oils that were imported in large quantities at low prices, the decline of American oil sales was also due to American oil companies who did not have active agents to sell their products. On the other hand, British and German oil agents were very active in selling Russian and Langkat oils especially in Kwangtung, Kwangsi, Kweichou and in Province of Yunnan.

Another country that had the potential to become an oil producer was Japan. Until the late 19th century, Japan imported oil from the United States. However, along with some oil discoveries in Langkat, it was possible that Japan would start to import oil from the Dutch Indies because of the lower price compared to American oil. There was also the possibility to reduce oil imports along with the discovery of oil wells about 6 miles from the town of Nagaoka. During 1894 and 1895, the wells were very productive and produced 30,000 gallons a day.37

Thus, until 1898 Standard Oil had to compete with the Dutch oil companies, the Royal Dutch, and Russian oil companies that were working with Shell Transport and Trading Company to control the kerosene market in China. The competition also encouraged each company to find new markets to sell their products to other regions including Southeast Asia, especially the Dutch Indies. In addition to the discovery of new oil sources in the region, demographically Southeast Asia was quite densely populated so it was a region that had the potential to become a promising market alongside China.

The success of Standard Oil in penetrating the oil market in China in early 1891 led the company to expand its trade network in Asia, especially in the Dutch Indies. At first Standard Oil’s interest in investing their capital in the Dutch Indies before 1900 was due to the excellent quality of the oil produced from the Dutch Indies. The oil industry in the Dutch Indies itself was

still relatively new and small in scale, so if at that time Standard Oil was given the opportunity to invest their capital in the Dutch Indies, the company would have been able to dominate the oil market and oil producing region in the Dutch Indies. At that time Standard Oil not only had controlled the American market and oil industry but also the Chinese kerosene market. Compared with Royal Dutch, at that time Standard Oil was much more superior in terms of both capital and network to control the American and Asian markets. Standard Oil Company's interest increased after seeing the success that the Royal Dutch had in mining oil in large quantities. Standard Oil kept monitoring the development of Royal Dutch efforts in finding new oil wells. On the other hand, the combination between the quality and the amount of oil discovered by Dutch companies was a concern for Standard Oil because later Royal Dutch became a threat to their monopoly of the oil market in China.\textsuperscript{38}

The oil industry in the Dutch Indies experienced rapid development after the discovery of new oil sources in Sumatra and Borneo during the 1890s.\textsuperscript{39} The facilities constructed that supported the oil industry in the Dutch Indies synergized with the oil drilling activities in large quantities so that Standard Oil had to compete with the Dutch company to take control of the Dutch Indies oil market. Until 1898 both Royal Dutch and Shell could sell oil cheaper than Standard oil did in the Dutch Indies.\textsuperscript{40}

\textsuperscript{38} The Royal Dutch Company was not the only Standard Oil competitor in Asia. Another company that also competed with Standard Oil was The Shell Transport and Trading Company owned by Marcus Samuel. In 1891 the company formed a marketing agreement with the Rothschilds who ran the oil mining business in the Baku region. The cooperation agreement between the Rothschilds and Marcus Samuel was a cooperation to supply kerosene to Asian markets via the Suez Canal. Crude oil which was available in the Baku region was abundant and cheap so the Rothschild’s company could produce large amounts of kerosene. The tankers that were designed by Marcus Samuel to ship kerosene from Baku to some regions in Asia only took a quarter of the time that it took Standard Oil to ship their kerosene product to Asia. See: Nairn, Alasdair, Engines That Move Markets: Technology Investing from Railroads to the Internet and Beyond, New York, John Wiley & Sons, 2002, p. 156.

\textsuperscript{39} In 1897, a Dutch engineer, Jacobus Hubertus Menten, accidentally discovered large oil reserves in Kutai, Kalimantan while coal mining. He tried to get additional capital to conduct oil mining in the area however he did not manage to attract the attention of the bank owners in Amsterdam. Later he met Marcus Samuel who was willing to provide funds to carry out oil exploitation activities in Kutai. See: Poesponegoro, Marwati Djoened and Nugroho Notsusanto, Zaman Kebangkitan Nasional dan Masa Republik Indonesia 1900-1942, Jakarta, Balai Pustaka, 2008, p. 197. See also: Yergin, Daniel, The Prize: The Epic Quest for Oil, Money and Power, Free Press, 2011, chapter 6.

\textsuperscript{40} There was an increase of American oil imports by 330,608 cases in one year before it was driven out of the Dutch Indies. On the other hand Russian oil decreased by 236,845 cases, and the Sumatra oil increased by 208,917 cases. This, despite the fact that oil prices were: American: $1.26 per case; Russian: $1.22 per case; Sumatran: $1.18 per case. See: Report of American Consul in Batavia, Sidney B. Everett, February, 1898, United States, Bureau of Foreign Commerce, Department of Commerce and Labor, Consular Reports, Issues 212-215, Washington, Government Printing Office, 1898, p. 190.
Standard Oil’s first attempt to obtain a foothold in the Dutch Indies was to conduct negotiations to create a partnership with the Moeara Enim Petroleum Company in 1898. The company was selected to be a business partner of Standard Oil in the Dutch Indies because the company had received oil concessions in the south Sumatra region. The region was one of a number of potential areas which were believed to contain the largest oil in the Dutch Indies. A tentative agreement was reached in 1898 providing for the formation of a new corporation.

For the Moeara Enim Petroleum Company, the offer of Standard Oil was very helpful because at that time the company only had 3,000,000 guilders or about $1.2 million while previously the company had been willing to provide funds as high as 4,000,000 guilders or about $1.6 million. The funds were needed to exploit oil fields in the region of Palembang. Concession areas that the company obtained were very wide so the directors of the company believed that the existing funds were considered enough only to get the oil out of the soil and to set up a large refinery on the dike of the Moesi River. However these were not the company’s only goals. The company still needed much more capital for the rapid and decisive development of the whole enterprise, which required the purchase of ships to transport oil and the construction of a tank station with related equipment in various ports in the east.

Considering the tight competition in the future, the directors of Moeara Enim Petroleum Company were encouraged to take advantage of the opportunity to work with a bigger company like Standard Oil. Both companies agreed to conduct negotiations related to a new company which would be established in Amsterdam. To expand the company's business that would be established the Standard Oil Company would provide cash funds of as much as 6,000,000 florins or $ 2.4 million. Neither company would be allowed to sell its shares in the new company for twenty years, but the Standard Oil Company would have for five years the option of buying out the Moeara Enim Company's interest at 300 per cent.

---


The object of the new company would be, in the first place, to develop the concessions of the Moeara Enim Company to the greatest possible extent, with the power to bring in other promising concessions. It would be assisted from the outset by the Standard Oil Company in every possible way. Mr. Jan Willem Ijzerman would become the first president of the new company and the Moeara Enim and Standard Oil companies would be represented in the board of directors in proportion to their respective interests.\textsuperscript{45}

For the Moeara Enim Company, a preliminary agreement with Standard Oil was to provide many advantages. First, all the difficulties in obtaining additional capital could be solved. Second, the most extensive of its possible development concessions would be insured, since the ability and experience of the Standard Oil specialists would be utilized in every branch, namely for the production of crude oil, the construction of refineries, the preparation of the oil for the market, etc. Third, all obstacles to the opening of markets for its oil would be removed, because the mercantile relations of the Standard Oil Company in the East would be taken advantage of. On the other side, an amalgamation with the Standard Oil Company would however, also result in the Moeara Enim Petroleum Company losing its independence. The amalgamation meant the two companies would share in the decision-making authorities especially related to crucial decisions. However the board hoped to retain its independence from Standard Oil.

Standard Oil had not completed their negotiations with Moeara Enim Petroleum Company when The Netherlands States-General considered issuing a mining law that would regulate mining activities in the Dutch Indies by the end of 1898. The \textit{Indisch Mijnwet} itself was issued on May 23, 1899. According to the act, one of the requirements for foreign companies that would undertake mining activities in the Dutch Indies was that the company's director was a Dutch citizen and the company was registered in The Netherlands or in the Dutch Indies. This requirement, which made it difficult for Standard Oil to operate in the Dutch Indies, actually could be solved by forming a new Dutch company and the negotiation process of establishing the new company was still ongoing at that stage.

Explicitly the requirements for foreign companies to operate in the Dutch Indies based on the \textit{Indische Mijnwet} reflected the Dutch colonial government’s efforts to restrict the entry of foreign private capital into the Dutch Indies. At the same time, these requirements also provided

a way for Dutch oil companies to dominate the Dutch Indies oil industry in the absence of a strong competitor of foreign private companies, especially Standard Oil. The track record of Standard Oil as a big oil company as well as an astute company in monopolizing oil sources and the markets was well known, especially the company’s success in controlling the American oil industry and forcing their competitors to go bankrupt. In addition the Dutch government in The Hague was also concerned about the influx of foreign powers that would control the Dutch Indies oil resources.

Another obstacle that Standard Oil faced was the oil lobbying groups who wanted Royal Dutch to be the sole company, and to monopolize, the oil industry in the Dutch Indies. The existence of several officers who had worked for the Dutch colonial government and who later became high ranking officers at Royal Dutch showed, with the rapid development of Royal Dutch which in a short time was able to reincarnate as a large company not only in the Dutch Indies but also in the world, the strong relationship among the Dutch Indies government and their policies.

Standard Oil failed to form a new company with Moeara. Negotiations between the directors of both companies did not reach an agreement on which company would have more authority in regards to strategic decision making. In the same year, the Dutch Minister of Colonial Affairs, Jacob Theodoor Cremer, sent a letter to Moeara Enim's board of directors and offered a the renewal of the company concession for 5 years. Cremer’s offer to extend oil concessions to the Moeara Enim Petroleum Company can be interpreted as an attempt to prevent the amalgamation of the company with the Standard Oil Company.\textsuperscript{46} The offer of further concessions contributed to the termination of discussion regarding the sharing of shares in the merger talks of Standard Oil and the Moeara Enim Petroleum Company to form a new company that would operate in the Dutch Indies.

The failure of Standard Oil and Moeara Enim to form a new company closed the possibility for Standard Oil to compete directly with other oil companies in the Dutch Indies. According to the U.S. consul in Batavia, the Dutch Minister of Colonial Affairs, Jacob Theodoor Cremer, played an important role in thwarting the merger efforts of the two companies, due his

belief that foreign oil companies were not desirable in the Dutch colony.\textsuperscript{47} The merger of the two companies itself was aimed at controlling the eastern markets, and of course, the new company would strengthen the position of Standard Oil as a legitimate competitor to the Royal Dutch Company. The failure of the merger was followed by the decrease of oil imports to the Dutch Indies from the United States and Russia in 1898. The decline shows that the Dutch oil companies, with the support of the Dutch colonial government, were ready to take over the oil market in the Dutch Indies, especially in Java, as well as remove the influence of Standard Oil and the Russian companies.

Having failed to merge with Standard Oil, Moeara Enim instead conducted negotiations with the Anglo-Russian oil syndicate, which Shell Transport and Trading Company was a part of.\textsuperscript{48} By taking advantage of an extensive market network in East Asia owned by Shell, Moeara Enim could sell more of their oil products. In addition to having a large fleet of tank steamships, Shell had a storehouse of petroleum in all the important harbors in China and Japan. The company also possessed its own factories to make cases, tins and kettles that were needed for oil packaging. Although Moeara Enim made progress, the company ultimately could not maintain their existence in the Dutch Indies. The competition among Dutch companies that operated in the Dutch Indies eventually only generated one winner, the Royal Dutch Company.\textsuperscript{49}

Until 1900 Standard Oil faced problems in entering the Dutch Indies oil market. The two failures of Rockefeller to halt the Dutch Company oil monopoly in the Dutch Indies forced Standard Oil to sell their oil at a low price on the Far East and Asian markets. The price war against Royal Dutch nearly put the company out of business. Royal Dutch only survived and

\textsuperscript{49} Competition among Dutch oil companies in the Dutch Indies could be said to have ended on June 24\textsuperscript{th}, 1911 when Royal Dutch managed to absorb their last competitor, the \textit{Dordtsche Petroleum Company}. What Royal Dutch did to dominate the oil industry in the Dutch Indies in some ways is similar to what Standard Oil did in the United States. The difference was that the absolute monopoly of Standard Oil in the United States was limited by the U.S. Government passing the Anti-Trust Act in 1890, while the Royal Dutch monopoly in the Dutch Indies was indirectly supported by the Dutch government and the Dutch colonial government. In addition to fears of Dutch oil resource shifting into the hands of a foreign power, the Dutch king and the Dutch elites who had Royal Dutch shares also influenced the decisions taken by the Dutch colonial government relating to providing potential oil concessions to the company.
competed with Standard Oil thanks to financial support from the Rothschilds.\textsuperscript{50} Financially, the Rothschilds also supported the formation of the Asiatic Petroleum Company in 1902 who together with Royal Dutch and the Shell Trading and Transport Company were the main stockholders.\textsuperscript{51} If the Rothschilds’ shares supported Royal Dutch against Standard Oil in the oil market in Asia, the Dutch Indies mining act helped Royal Dutch in keeping up with the competition with Standard Oil and other foreign oil companies in the Dutch Indies.

The difficulties faced by Standard Oil did not stop the company's efforts in trying to maintain their monopoly over the oil trade in the Dutch Indies. The company efforts found a little way when Shell was forced to sell their shares to Standard Oil.\textsuperscript{52} Shell was a big company and a powerful competitor for Standard Oil. However, at the same time, Shell was also a strong competitor for Royal Dutch in the Dutch Indies. Unlike Standard Oil that had difficulties in getting potential oil concessions in the Dutch Indies, Shell obtained oil concessions in the region that contained potential oil reserves in Balikpapan, Borneo. Thus Shell had more access to the Dutch Indies market than Standard Oil did.

Just like Standard Oil, Shell had a strong network and assets which were desired by all oil companies to develop their business. The Shell oil-tankers which could transport oil quickly were very useful for the oil companies that needed to transport oil in large quantities. Shorter shipment times to destination ports, along with the larger capacity of the tankers were an important factor to the success of oil marketing. Thus both Standard Oil and Royal Dutch would be able to improve their product marketing capabilities if one of them could control Shell’s shares. When Shell had to resolve their financial problems and sell their shares, Standard Oil, which had more capital than Royal Dutch, bought many shares from Shell. In addition to trying

\textsuperscript{50} The Rothschilds were a German Jewish family that owned banks in several European countries. The founder of the Rothschild dynasty was Mayer Amschel Rothschild who had started his business by selling medals and rare coins from the age of 12 in Frankfurt. He was able to expand his business into finance and banking services and at the same time, managed to have a good relationship with the nobles and government officials. Mayer died in 1818 and his sons inherited his business. They developed the Rothschilds’ business in several European countries and became a major banking dynasty. See Reeves, John, \textit{The Rothschilds: The Financial Rulers of Nations}, Charleston, Biblio Bazaar, 2010.

\textsuperscript{51} Nowell, Gregory Patrick, \textit{Mercantile States and the World Oil Cartel 1900 – 1939}, USA, Cornel University Press, 1994, p. 57.

\textsuperscript{52} The purchase of a majority of Shell’s shares was one of Standard Oil’s attempts to monopolize oil trade to Africa and the Dutch Indies. The purchase was one of Standard Oil victories in its business competition with Shell, especially because at that time Shell dominated the oil trade in South Africa, South America and Borneo. See: “Standard Oil’s Purchase: Now Controls the Trade to Africa and Far Eastern Fields.”, \textit{New York Times}, December 5, 1901.
to reduce competition with Shell, Standard Oil through the purchase of Shell shares, at the same
time, tried to strengthen their position to compete with Royal Dutch in the Dutch Indies.

The most difficult time during Shell’s poor financial situation was in 1902. Shell approved an
agreement with the Rothschilds to supply oil to Europe. To meet the oil volume needed by the
Rothschilds, Shell cooperated with an American oil company, Gulf Oil. To fulfill the contract
with the Rothschilds, the company relied on Gulf Oil’s wells at Spindletop. However in 1902
the oil wells ran dry and Marcus Samuel could not meet the demand for oil supplies to Europe
under his agreement with the Rothschilds. He eventually chose to cooperate with Royal Dutch.
In 1907 the two companies agreed to merge into one company with 40% shares belonging to
Shell and 60% owned by Royal Dutch. The new company then soon became the most serious
challenger to Standard Oil.

In the United States itself, Standard Oil began to face challenges from other American oil
companies although its domination had previously been unwavering. Even the total oil sales of
Standard Oil abroad were higher than its domestic total. The diversion of oil sales to other
countries had been Standard Oil policy since the oil price in the United States decreased because
of over production. Although facing challenges from Royal Dutch/Shell, Standard Oil still
managed to sell 63% of the total amount of illuminating oil refined abroad since 1906.

55 Yergin, Daniel, The Prize The Epic Quest for Oil, Money and Power, New York, Touchstone, p. 127.
56 The efforts of Standard Oil to monopolize the domestic oil production and market were conducted in various ways
including reducing the oil price to make force other companies into bankruptcy. This meant that other small
companies were not able to compete with Standard Oil. These unfair practices later were published by newspapers
and raised criticism towards Standard Oil. See: “How Oil Trust Blocks New York Competition”, New York Times,
December 1, 1906. Criticism of the ways Standard Oil monopolized American oil production and the market led to
desires to dissolve Standard Oil especially when the company could not explain the existence of a large amount of
mysterious money on their balance sheets. See: “Standard Oil Has A $22,000,000 Waif”, The New York Times,
December 4, 1908.
57 One of Standard Oil excellences in winning domestic and overseas oil competition was the accuracy to map
competition among oil companies. The mapping and collecting information about other companies’ capabilities and
capitals meant Standard Oil could measure their strength to compete with other oil companies in different areas.
According to John D. Archbold, by 1908 there were 400 oil companies in the world and Standard Oil managed to
compete with them by selling their products in every part of the world. To know other companies available capital
was one of the important factors in the competitive oil world, besides of course the right marketing strategy.
However from the existing 400 companies, the capital of 253 companies was not known. The total capital of the
remaining147 companies was$274,941,185. The capital of Standard Oil itself was $3,500,000, however, the
company’s plants and property were valued at $70,000,000. See: “Archbold Tells of Trust’s Foreign Foes”, Los
Angeles Times, December 1, 1908.
On the other hand, the amalgamation of Royal Dutch and Shell made the two companies more solid. After the amalgamation, the two companies established two operating companies namely the Anglo-Saxon Petroleum Company in London and BPM in The Hague. Both of them were owned in the agreed 60:40 ratio by Royal Dutch and Shell. Each subsidiary focused on a certain business based on their holding company respective previous experiences. Shell owned all tanker and ships besides marketing installations. The company also provided shipping and storage services to Asiatic. On the other hand, BPM would own and managed all exploration and production. It also dealt with refining operations and consigned the products to the Asiatic Company. With a greater share ownership ratio, Royal Dutch had rights that Shell did not have. Royal Dutch had 25% of Shell’s share and therefore the company had a right to appoint two directors to the Shell board. One of directors whom were appointed by Royal Dutch was Henri Deterding. He managed to develop Royal Dutch and solved some of the company’s problems in the early part of the 20th century. On the board of Shell, he acted as the manager so he also could play a key role and participate in all the decisive decisions regarding Shell’s policies. Conversely, Shell did not have the right to appoint directors to the Royal Dutch board. Thus generally Royal Dutch dominated with their managerial presence although Shell actually had more assets than Royal Dutch did.

For the two companies, the domination of Royal Dutch officers in the joint company actually benefited Royal Dutch/Shell when one considers their competition with Standard Oil, especially in the Dutch Indies. More Royal Dutch officers who could take part in making decisions for the group and had a good relationship with the Dutch colonial government meant that the colonial government would support administrative things and lobby activities of the company in the Dutch Indies. Besides providing opportunities to obtain better oil concessions, the Royal Dutch officers, at the same time, could lobby the Dutch colonial government in order to prevent their competitors especially Standard Oil from getting oil concessions. They also

---

58 The relationship between the Royal Dutch officers or BPM and the Dutch colonial officers went even to the extent where former high rank officers of the Dutch colonial government later became officers in those companies. Some of them were conservative leaders of the Anti-Revolutionary Party namely the former Minister of War, Hendrikus Colijn and later former Governor General, Bonifacius Cornelis De Jonge. In addition their brothers also got good positions in BPM such as Cornelis Pleyte and Hendrikus Colijn who replaced Loudon and Cohen Stuart in BPM as Director of Royal Dutch and President of BPM. Jonker, Joost and Jan Luiten Van Zanden, *From Challenger to Joint Industry Leader, 1890-1939, A History of Royal Dutch Shell*, Oxford, Oxford University Press, 2007, p. 126 and 145.
managed to solve many problems which were faced by including the problems with developing the operational area in Borneo.

One of Royal Dutch’s key successes was to approach Shell and beat Standard Oil in the oil company competition in the Dutch Indies until 1913, namely due to the role of Henri Deterding. Managerial revamping that was conducted by Deterding in Royal Dutch and Shell was very effective and right on target. He also frequently visited the company’s oil installation and gave direct solutions to the problems that the company faced.\(^{59}\) At this point it seems that besides the existence of the oil lobby that heavily influenced the Dutch colonial government’s decision to give Royal Dutch benefits, internally the company simply were better prepared to face competition with other companies especially Standard Oil.

The merger between Royal Dutch and Shell and the new management structure led by Henri Deterding allowed the group to develop rapidly. Besides in the Dutch Indies, the group also conducted oil exploration and production in Rumania, Russia, Venezuela and the United States.\(^{60}\) With more oil exploitation areas owned by Royal Dutch/Shell, the company also produced more oil.\(^{61}\) The increase in Royal Dutch/Shell oil production meant that the company could compete for the markets that had previously been dominated by Standard Oil. To take over or to maintain their market share, both Royal Dutch and Standard Oil decreased their oil price to attract new clients for their oil products. The price war in England in 1910 led to a dramatic decrease in the oil price to 7 cents a gallon.\(^{62}\)


\(^{60}\) In addition to conducting oil exploration and production, the company also sought to promote their various oil products through some world rally championships. The victories at some races, such as Prince Borghese who won the motor cycle championship from Peking to Paris in 1907 and the car rally championship in Brooklands, England, also influenced the public perception and trust in Shell oil products. Apart from that, Ernest Shackleton and Captain Peter Scott also succeeded to cross the Channel Strait by using Shell oil. See: Swan, Robert and Gil Reavil, *Antarctica 2014: My Quest to Save the Earth’s Last Wilderness*, New York, Random House LLC, 2009, p. 74.

\(^{61}\) In 1912 Royal Dutch/Shell managed to produce around 21,000,000 barrels of oil. As much as 10,850,000 of the oil production were from oil fields in Java, Sumatra and Borneo. See: “Remarkable Expansion of The Royal Dutch Shell”, *The Wall Street Journal*, May 2, 1914.

By 1911 the competition between Royal Dutch/Shell and Standard Oil had entered a new phase along with the dissolution of the Standard Oil Trust by the U.S. Government based on the Anti-Trust Act which was issued in 1890. On May 15th, 1911, the U.S. Supreme Court ordered the dissolution of the Standard Oil Trust and it directly influenced the domination of Standard Oil, both in the domestic market and overseas. The Standard Oil Company split to become several different oil companies in several states. The competition against Royal Dutch/Shell was continued by the Standard Oil of New Jersey, later to become known as Exxon.\(^63\)

The dissolution was a blow for Standard Oil who was seeking to stop Royal Dutch/Shell expansion in United States. The expansion into the United States was conducted in 1912, one year after the Standard Oil Trust dissolution. For Royal Dutch, the expansion was undertaken with some considerations. First was the oil price in the American market that at that time was still being dominated by Standard Oil. Based on calculations by Royal Dutch/Shell, they were still able to sell their oil products cheaper than Standard Oil could in the American market. This consideration was based on the advantage of cheap ocean freight rates. The tankers of the group could carry oil at a lower cost than railway transportation that had become the mainstay of Standard Oil.\(^64\) Royal Dutch only paid between 1.5 – 2 cents to carry one gallon of oil from the Dutch Indies to the Pacific Coast.\(^65\) To facilitate the oil transportation from some ports in the Dutch Indies to the Pacific Coast, Royal Dutch established terminal and storage facilities at several points on the Pacific Coast.\(^66\) To build storage tanks, Royal Dutch bought lands in Seattle, Portland and San Pedro.

The efforts of Royal Dutch to expand its business in United States were counterbalanced by Standard Oil New Jersey establishing NKPM (Nederlandsch Koloniale Petroleum Maatschappij) in April 1912. The establishment of NKPM followed the requirements that were laid down in the Indische Mijnwet where the majority of the directors had to be Dutch, although the capital was owned by Standard Oil New Jersey. Although Standard Oil New Jersey had a

---

\(^63\) In 1910 Standard Oil in New Jersey or Jersey Standard brought out a new blend of fuel under the trade name Esso. However the name change of the company that was Jersey Standard to Exxon Corporation was officially conducted in 1972. It was approved by Jersey Standard shareholders in a special shareholders meeting. See: Vassiliou, The A to Z of The Petroleum Industry, Lanham, Scarecrow Press, 2009, p. 188.

\(^64\) To take over the Standard Oil market in the United States, Royal Dutch transported Dutch Indies oil using big tankers to some terminals on the Pacific Coast while Standard Oil who had oil sources in United States had been using railway to transport their oil since 1874. See: Tarbell, Ida, The History of The Standard Oil Company, New York, Cosimo, 2007, p. 352.

\(^65\) “Newspaper Special”, Wall Street Journal, September 12, 1912.

company that could operate in the Dutch Indies, NKPM had difficulties in obtaining promising oil concessions. Before January 1, 1913, NKPM had submitted 1,364 applications for oil concessions; however they obtained only two concessions. At this point the NKPM propaganda on BPM can be understood. It stated that BPM was not a real Dutch company because of the big influence of British capital in BPM. Royal Dutch responded to the propaganda by lobbying the Dutch colonial government and Dutch ministers concerned requesting that they do not give the Jambi oil field or other reserved oil fields to the Standard Oil Company.

Although NKPM did not manage to obtain the Jambi oil concession, the Dutch colonial government gave NKPM an oil concession in the area around Talang Akar. The concession grant was based on the government consideration that the area had little potential of being a successful oil mining center. NKPM conducted drilling activities by using simple equipment for four years but they did not manage to obtain much oil. The company then returned their concession to the Dutch colonial government. In 1919 NKPM managed to obtain further oil concessions that were also located around Talang Akar and Pendopo. The company’s hard efforts started to show a significant result in 1921 when the drilling team found a potential oil well, Talang Akar Well No. 6.

The existence of NKPM was still considered as a menace for the Dutch Indies oil industry because the trust system that Standard Oil had applied in the United States could be introduced by Standard Oil New Jersey in the Dutch Indies if the Dutch colonial government

---

67 This number was very few if it was compared with the number of oil concessions which BPM obtained. From 1200 Royal Dutch/Shell applications between January 1911 and April 1913, the Dutch colonial government only agreed to 125 applications. Seven concessions of this number later were granted to BPM. See: Reed, Peter Mellish, “Standard Oil in Indonesia 1898-1928”, The Business History Review, Vol. 32, No. 3 (Autumn, 1958), pp. 311-337, p. 316.


69 Jasjfi et.al, Bunga Rampai 100 Tahun Perminyakan Indonesia, Jakarta, Lemigas, 1985, p. 40.

70 The discovery of Talang Akar Well No. 6 later became one of the miracles in oil history. Later the well produced oil in large quantities and became one of the most potential oil sources in the Dutch Indies before World War II. To process oil which was obtained from the Talang Akar area, NKPM built an oil refinery in the Sungai Gerong area. It was located on the bank of the Musi River. The oil refinery was opposite the oil refinery that was owned by Shell in Plaju. To accelerate the oil transportation and to decrease the transportation cost, NKPM made a pipeline from the oil field in Talang Akar to Sungai Gerong. The company finished the pipeline in 1926 with the capacity of 500 barrels per day. It is very possible that the Dutch colonial government prediction was wrong in relation to the oil potential in Talang Akar because at that time they gave more priority to the Jambi area so that they returned the Talang Akar oil concession to NKPM. Ibid, Jasjfi et.al, Bunga Rampai 100 Tahun Perminyakan Indonesia, p. 40.
gave the opportunity for NKPM to develop. *The New York Times* quoted the English newspaper, *The Times* of London that described NKPM as “the horse of Troy”.\(^71\)

Once the Shell group could compete with Standard Oil in Asia and Standard Oil began experiencing difficulties in expanding their business in the Dutch Indies, the group that consisted of Royal Dutch, Shell and the Asiatic Company challenged the Standard Oil domination in United States in 1913.\(^72\) On June 14, 1913, the first steamer of the Asiatic company, *The August Kessler*, owned by the Rotschilds, arrived in California. The steamer carried 3,000,000 gallons of gasoline from Sumatra and the gasoline was of the highest paraffin grade.\(^73\) The agent of the Shell group in United States, the American Gasoline Company, explained that refined oil would be produced in California from the crude product and the company was ready to sell the Sumatran gasoline to break Standard Oil’s monopoly that had existed for more than ten years.\(^74\)

The increase of Royal Dutch/Shell’s investment in the United States was also influenced by the outbreak of World War I. Previously Royal Dutch personnel had conducted all their financing in London and Amsterdam, however after World War I began, they were forced to move their activities to New York.\(^75\) Royal Dutch/Shell was seen as a developing oil company with growth potential and the company shares were demanded by both the public and other companies that wanted to benefit by buying the shares and reaping the rewards of the profit sharing through dividends, which had increased in each of the prior four years. The increase was 41 percent in 1912, 48 percent in 1913, 49 percent in 1914 and 49 percent in 1915.\(^76\)

\(^71\) “Holland Warned To Halt Oil Trust”, *The New York Times*, June 3, 1912.

\(^72\) Two years earlier, Royal Dutch/Shell had sent two of their employees, J.C. Van Panthaleon van Eck and F.P.S. Harris to Seattle to start a marketing organization for the Pacific North West and San Francisco Bay area. Jonker, Joost and Jan Luiten Van Zanden, *From Challenger to Joint Industry Leader, 1890-1939, A History of Royal Dutch Shell*, Op. Cit, p. 126.

\(^73\) “Rothschild In Oil Trade”, *The New York Times*, June 16, 1913.

\(^74\) Apart from Royal Dutch/Shell, there were also two other companies that competed with Standard Oil in California namely the Union Oil Company of California and the Associated Oil Company. Standard Oil competed with Union Oil Company of California in oil refining, while in the gasoline and engine and stove distillate trade, Standard Oil faced the opposition of the Associated Oil Company and the Royal Dutch/Shell. Royal Dutch/Shell’s decision to compete with other American companies in California was the right one because oil needs for motor vehicles in California kept increasing. In 1915 the oil needs just for the city of Los Angeles was $3,000,000. See: “Development of California Petroleum Products”, *Los Angeles Times*, January 1, 1916.

\(^75\) “Royal Dutch Combine Sells 74,000 Shares”, *Wall Street Journal*, December 9, 1916.

\(^76\) “Royal Dutch Shares Bought To Introduce Here”, *Wall Street Journal*, December 8, 1916.
Prior to the enactment of the *Indische Mijnwet* in 1899, Dutch and foreign oil companies could negotiate directly with local authorities to obtain oil concessions. Local authorities granted oil concessions without waiting to know the attitude of the Dutch colonial government, though in practice, they usually considered the attitude of the Dutch colonial government before refusing or approving a concession. This shows the strong influence of the Dutch colonial government over local authorities. It also indicates that essentially, all concessions in the Dutch Indies were controlled by the government in Batavia.

The concession system that was laid out in the *Indische Mijnwet* prevailed along with more and more oil discoveries in the Dutch Indies. In a concession system, control of natural resources was in the hand of the Dutch colonial government. This system positioned the government only as the tax collector because the management of natural resource exploration and exploitation were in the hands of private companies both foreign and Dutch companies. Foreign investment itself had started earlier in the Dutch Indies in 1870 when the Dutch colonial government started to apply the open door policy. The influx of foreign capital made the Dutch Indies a key supplier of raw materials for the European industries as well as a marketing area of industrial goods. The huge interest of foreign investors to invest their capital was due to their desire to obtain huge profits. Cheap labor, vast fertile lands and promising markets were important factors that invited private capital to come to the Dutch Indies.

When oil was discovered, previously coal had been discovered in the Dutch Indies as well, the Dutch Indies became the perfect colony for the colonial government and the European capitalists since it was not only a supplier of raw materials and labor, but also the energy used to power industrial machines. With all the natural resources, indigenous people in the Dutch Indies ought to get more than just a life improvement. The discovery of oil focused the colonial government’s attention on exploiting the resource for profit, rather than improving the lives of the local communities. This is reflected in the *Indische Mijnwet* that does not mention any requirement to share the benefits of the oil exploitation with the local communities. This condition generated criticism from the Dutch Parliament and made the Dutch government seek to revise the *Indische Mijnwet*. However the revision focused more on improving the concession
system to make it more profitable for the Dutch government as well as to prevent the entry of foreign investment into the Dutch Indies.

The Dutch government paid great attention to the revision of the Dutch Indies Mining Act or the *Indisch Mijnwet 1899* because it had many implications for Dutch and foreign companies conducting their mining businesses in the Dutch Indies. The Dutch and the Dutch colonial government coordinated with each other to revise the act. The Dutch government had the authority and responsibility to make the final decision but the colonial government played a very important role in voicing their opinions and concerns regarding the officer whom would be appointed by the Dutch government to draw up the revision to the legislation. The Dutch colonial government was also the party which had been monitoring and had been dealing with the mining exploration in the Dutch Indies. At that time many of the explorations had resulted in researchers encouraging and promoting further commercial explorations and mining due to the new oil finds. As a result, many domestic and international companies wanted to invest their capital in this now-promising mining enterprise in the Dutch Indies. However, during the revision of the *Indisch Mijnwet 1899*, the Dutch government stopped all mining exploration activities in the Dutch Indies and postponed the concessions which were under consideration in 1901.

To satisfy all interested parties involved in mining activities in the Dutch Indies and to stop possible criticism aimed at the Dutch Parliament for the unfairness of the Act in regards to the provisions and impact on the indigenous peoples, the government carefully selected the officers and parties that would be responsible for the revision. The government asked for all parties that dealt with oil exploration in the Dutch Indies to provide their opinions and inputs for the new draft to revise the *Indisch Mijnwet 1899*. At the same time, the government looked for a suitable person to be stationed in the Dutch Indies who would have a wide authority to make a new draft for the revision. The Dutch government appointed Mr. J.G. Pott as the head of the civil service department in the Dutch Indies to produce a draft of the revision. He had to cooperate with Governor General Carel Herman Aart Van der Wijck in planning the draft revision. The Governor General let Mr. Pott handle the draft by himself so he could begin to produce a draft revision without further delay.

---

Apart from law experts, previously in 1901 the Dutch government had asked for advice from Dr. Christiaan Snouck Hurgronje, an Arabist who was also involved in solving the problems surrounding Jambi oil exploration, to give more information relating to the attitudes or reactions of the indigenous people who lived around the exploration areas. Snouck also highlighted the importance of taking the opinions and attitudes of the indigenous people into account when forming the revised legislation.

Anthropological approaches could have been important in understanding how big the resistance of the indigenous people would be to the mining exploration projects which were conducted by the companies based on the concessions given by the Dutch Indies government. It was possible that Snouck was worried that the issue of mines would enrage the indigenous people and lead the leaders to start a revolt against the Dutch colonial government. In some cases, the peoples’ rebellions arose because of the wrong approaches taken by the Dutch colonial government who usually used military force as the final solution, for instance in the case of tin mining on Belitung Island. However, based on his statement, Snouck realized that actually the indigenous people, especially in the case of the Jambi oil exploration, had the right to claim the deposit mineral contained in their soil. Van Heutsz, who was close to the olie lobby networks, brought the advice and reports of Snouck to the Dutch colonial government for them to consider during the revision of the Indisch Mijnwet 1899.

Pott completed the final version in 1904. The revised versions of the Dutch Indies mining regulations were published in 1904 and 1905. All of the revised items, in particular the new concession system and the regulation of the Dutch colonial government’s participation in mining exploration, was published by the Indisch Staatsblad. Two years later, Pott presented his works in front of the representatives of the interested parties that wanted to understand the revised version and how they were to implement the new system. He explained that most of the articles of the revised version had been adapted to the unique conditions of the Dutch Indies mining business. Most of the representatives who attended Pott’s presentation was satisfied especially the representatives of the Royal Dutch Company. The Royal Dutch satisfaction refers to the absence of an article change related to the requirement of there being a majority of Dutch officers for a company that wanted to apply for oil concessions. It was possible that Royal Dutch

---

felt that foreign companies would face difficulties in fulfilling the requirement though for Standard Oil it was not a difficult obstacle to overcome.

The legal efforts to adjust the *Indisch Mijnwet* did not stop in 1906. There were further efforts to accommodate the role of the Dutch government in the *Indisch Mijnwet* that were conducted between 1910-1918. The Dutch colonial government amended the *Indisch Mijnwet* by adding article 5A to the act. These were basic changes because the new provisions meant that basically the Dutch colonial government could implement its own mining business, including oil and gas mining. Since 1918 a distinction was made between the management of oil and natural gas and other minerals that still used the concession system. The Dutch Indies Governor General could make agreements with private parties to develop the Dutch Indies petroleum and mining sectors. The Dutch colonial government was also authorized to divide some regions that contained oil, various metals, sulfur, coal and gemstones. Some areas were earmarked for mining activities through concessions and would be mined by the private sector while other parts would be protected and used for the government's mining areas. Those regions would become reserve ones that later would be developed by a state corporation or through a cooperation with private parties.

Article 5A allowed the Dutch colonial government to control the oil and gas mining businesses while private companies that were interested in conducting business in these fields had to negotiate a contract with the Dutch government under the provisions of article 5A. The changes were intended to increase state revenues from the oil sector. Companies that conducted their mining activities under 5A were obliged to pay taxes to the Dutch government, some as high as 4% of the shipped crude oil value. Apart from this, the government had the right to take 20% of a company’s net profits. The difference between the concession system and 5A contracts was the contract duration. A 5A contract was valid only for 40 years. Companies also had to return any portion of their work area if the mining result was considered less favorable. With the enactment of article 5A oil and gas mining were separated from other mineral mining activities.

---

79 The amendment about a contract system on article 5A was regulated in *Staatsblad* 1910 No. 588 while the amendment about the classification of metals and minerals in 5A contract was regulated in *Staatsblad* 1919 No. 4. See: *Staatsblad Nederlandsch Indie*, Staatsblad 1910 No. 588, Batavia, Ter Lands Drukkerij, 1911 and *Staatsblad Nederlandsch Indie*, Staatsblad 1919 No. 4, Batavia, Ter Lands Drukkerij, 1920.


The Beginning of The Royal Dutch/Shell and Standard Oil Company Rivalry

that were still using the concession system. In general, the procedure for conducting mining exploration and exploitation of oil in the Dutch Indies became clearer; however the obligation that was imposed on private companies increased. Thus revenues from the oil sector increased along with the increasing role and authority of the state.

The *Indisch Mijnwet 1910* revised version seemed to provide easiness for foreign companies to get concessions in the Dutch Indies. Likewise, the requirement that the company had to be led by a majority of Dutch officers was not a difficult one to fulfill. Based on this provision, Standard Oil founded a company with a majority Dutch board of directors so it could operate in the Dutch Indies.

Although facing difficulties, Standard Oil did not stop in their efforts to obtain oil concessions in more promising areas in the Dutch Indies. In 1913 various oil companies took part in a tender to exploit oil in the Jambi region. The Dutch Minister of Colonial Affairs played an important role in the election of *Zuid-Perlak Petroleum Maatschappij*. However, later the company was discredited. The offer that was proposed by *Bataafsche Petroleum Maatschappij* was also ruled out by the Dutch colonial government. Eventually the government took over the operation and development of these oil fields.82

At this point it became clear that the Dutch government was worried about the increasing competition among oil companies of both Dutch and foreign origin. At the same time more oil sources were being discovered which resulted in greater competition as Dutch and foreign companies were invited to apply for mining concessions. The government saw the oil company competition from two points of view. From the economic viewpoint, the competition resulted in better profits for the government. While from the political side, the competition increased the political leverage on the Dutch Indies and allowed certain parties to gain political power due to the strength of the economic sector. Considering the existing political constellation at that time, the Dutch colonial government was worried about the Japanese political influence that penetrated through Japanese companies’ investments. Later the Japanese issue became the Dutch government’s justification and counter argument to American claims that the *Indische Mijnwet* was designed to prevent the entry of foreign capital into the Dutch Indies.

4. Standard Oil and Royal Dutch/Shell During World War I

The outbreak of World War I affected the competition among oil companies around the world. More extensive battlefields, included in the areas of world oil sources, decreased directly the amount of oil production and marketing area coverage. Oil itself determined which party ultimately won the war. Wars before World War I counted on the number of humans and horses, however during World War I the parties that were involved in the war relied on the number of humans and war machines that used oil for their fuels. Those war machines intensified the extent of damage and destruction.

All oil companies in Europe felt the impact of the war including Royal Dutch/Shell. The company anticipated various possibilities that would influence the company’s activities. One of them was to issue the company policy for their employees who wanted to mobilize and join the fight for their respective countries. This situation was unique because the company’s employees were from several countries involved in the war. The company gave permission for those who wanted to take voluntary military leave for three months and paid them their full salary. The company guaranteed that they would get their old jobs back at the end of the war. This policy might be taken because the war was estimated to last for several weeks. The leave of employees meant that there would be some work left undone by the employees. This obviously affected the company’s performance despite the profit from oil sales increasing as oil demand increased during the war. However in fact, the war had a negative impact on Royal Dutch/Shell because several access routes to oil sources were closed due to the blockades of the parties that disputed the rights to them.

83 World War I involved many fighting machines that used oil as fuel. Tanks and aircraft used a lot of gasoline. Ironically, the number of both of them increased sharply during World War I. Along with the increase of these fighting machines, the demand of oil for fuel increased. In August 1914 the British only had 84 airplanes for military use. Four years later the number increased rapidly and reached 1,230 only for the western front. In addition to aircraft, tanks also required a lot of oil for power. Until 1918 the British had 2600 tanks and French 3800. Jonker, Joost and Jan Luiten Van Zanden, From Challenger to Joint Industry Leader, 1890-1939, A History of Royal Dutch Shell, Op. Cit, p. 165.


85 The speed of the motor vehicles that used oil as their fuels became one of the decisive factors during World War I. To anticipate the attack of German troops, the French commander, General Joseph Gallieni, hired taxi armada to transport the French troops to intercept the German troops outside Paris. See: Yergin, Daniel, The Prize: The Epic Quest for Oil, Money and Power, Free Press, 2011, p. 153. In addition the excellence of the British air force compared with the German air force was because the British air force used oil as fuel for their aircrafts while the
For Royal Dutch/Shell some of whose oil fields were situated in conflict areas, World War I was harmful for their business interest. Apart from the oil sources in the Dutch Indies especially in Borneo, all oil sources that supplied oil for Royal Dutch/Shell in Europe had difficulties in gaining access to marketing destinations, especially in Rumania.\(^8^6\) The group’s oil supply from Russian areas that had to cross the Dardanelles Strait was cut off because of the blockade by the Turkish troops that were allied with Germany. The situation was getting worse three years later. After the Bolshevik revolution in 1917, the Russian communists managed to nationalize oil sources in Baku and Batum in 1920.

In 1913 Royal Dutch subsidiaries were able to control the oil production in the Dutch Indies more than 10,000,000 barrels, about 7,000,000 barrels in Russia and probably 3,500,000 in Romania. From the company oil production centers, Royal Dutch tried to meet the oil demand especially for oil markets that they controlled. However the disruption of oil supply from Russia and Romania made the company could only rely on oil from the Dutch Indies which was certainly not sufficient to fulfill their oil markets. Royal Dutch made their efforts to find other oil sources especially in areas that were not affected by the war and the oil was able to be transported through secure route. Oil fields in the United States were one of their choices. One indication that the company would begin to rely on American oil was the oil shipments from Port Arthur, Texas, in early October 1914 to meet the company oil markets in the Far East. Standard Oil itself anticipated the movement of Royal Dutch business by considering to conduct oil drilling activities in Shensi, China, although it would be difficult because of the lack of railroad facilities in that territory.\(^8^7\)

Royal Dutch’s efforts to increase their oil production in the United States were to build an oil pipeline to transport oil efficiently. The pipeline that was designed and was constructed by Sanderson and Porter for Royal Dutch subsidiary, the Valley Pipe Line Company of California, was 170 miles long. It extended from Coalinga oil fields to a tidewater terminal near Martinez in San Francisco Bay and was expected to carry 25,000 barrels per day.\(^8^8\) The success of Royal


\(^8^7\) “Royal Dutch-Shell Combine Seriously Affected By War”, *Wall Street Journal*, October 5, 1914.

Dutch/Shell to develop their business in the United States primarily in Oklahoma and California was followed by the sale of the company shares in New York.\(^8^9\)

In addition to United States, Royal Dutch kept trying to find new oil sources in the Dutch Indies to increase their oil production in the midst of the increasing oil demand since the outbreak of World War I. Royal Dutch efforts were focused on areas that were under the control of local authorities or indirect controlled areas because since 1913, along with the revision of the Dutch Indies Mining Act and the Dutch Indies government's efforts to establish reserved areas, the government suspended to grant concessions and reconsidered a number of oil concession applications which had been submitted by private companies. Royal Dutch efforts only showed tangible result in 1917 when the company managed to find new oil source in Pangkalan Susu area, Langkat, which could produce as much as 1,500 tons of oil or 12,500 barrels per day.\(^9^0\) The company even claimed that it was the best grade of Sumatra oil so far obtained. Thus the Royal Dutch/Shell only managed to anticipate their oil production shortage from Russia and Romania towards the end of World War I although to some extent they were still able to compete with Standard Oil during the war.

Illustration 7: The welding material for drilling at the BPM dock in Pangkalan Brandan.
Source: The National Archive Republic of Indonesia KIT Sumatera.

---


Both Royal Dutch and Standard Oil sought to transport their oil through safe sea lanes to meet the demands of parties that involved in the war. However, eventually they still had to take the sea lanes that included sea war zones especially in the sea battlefields in European waters. Oil delivery was increasingly risky when the two companies finally stopped the delivery to one of the parties at war because the embargoed party would attempt to stop oil supplies to their enemies in various ways.

When the oil supply from Royal Dutch/Shell and Standard Oil New Jersey stopped shortly after the outbreak of the war, Germany relied on the oil supply from Rumania. The reliability of the oil supply to the Allied forces made the situation in battlefields difficult for the German side because all parties involved in World War I counted on a good oil supply to power their war machines. For the German side the solution to stop the Allied oil supply was to disrupt the tankers that transported oil for the Allied forces by sea. To realize the plan, Germany deployed submarines known as U-boats. The German U-boat submarines managed to head off the tankers that supplied oil for the Allied side. The German U-boats that mostly operated in the British Isles and the Mediterranean Sea managed to sink some tankers including six tankers owned by Standard Oil New Jersey between February and December 1917.91 The U-boat operation was an unrestricted submarine campaign against Allied shipping and it clearly disrupted the Allied oil supply. To solve the problem, the Allied forces formed the Inter-Allied Petroleum Conference with the USA, Britain, France, and Italy as members.92 Two oil companies that actually competed namely Standard Oil New Jersey and Royal Dutch/Shell were involved actively to support the Allied plan. The introduction of convoys as an antidote to the German U-boats and the joint management system by Standard Oil and Royal Dutch/Shell helped to solve the Allies' supply problems.

Germany tried to secure their only oil area that supplied them in Rumania, however their efforts failed. After Russian troops managed to win some battles against Austria-Hungary on the Eastern front in 1916, Rumania, which was previously neutral, eventually declared war against

---


Austria-Hungary which was allied with Germany. Rumania decided to join with the Allied forces although they also had their own agenda to take Transylvania. However it was the British troops that played an important role in ensuring the failure of the German plan to take over Rumanian oil fields for their oil supply by destroying the oil fields. It took time for Germany to restore the oil fields to a stage where they could produce oil again. The German efforts to get oil from Baku by conducting a peace treaty with Revolutionary Russia also failed.  

The local people of Baku opposed Lenin and refused to give oil to the Germans. The Allied forces oil blockade weakened the German forces and they eventually signed the armistice or peace treaty on November 11, 1918.  

Standard Oil New Jersey played an important role in the oil supply to the Allied forces. Oil production and supply from the United States became one of the decisive factors in the Allied victory. Geographically the United States was not affected by World War I, so the oil production activities in the country continued to run smoothly. The United States supplied at least 80 percent of the oil needs of the Allied nations, despite U.S. oil needs also being extremely high during that time. In addition to supplying oil to the Allies, the United States also had to meet their own oil needs for military, industry and civil activities. President Woodrow Wilson appointed Mark Requa as the first Fuel administrator to ensure adequate supplies, effective distribution, and appropriate allocation. His main task was to create a working relationship between the government and oil industry to accomplish the above goals. Unlike several years earlier, the relationship between the U.S. Government and U.S. oil companies, especially Standard Oil Company, was much better because of their respective interests related to oil. The U.S. government wanted to secure the national oil interest while for the U.S. oil companies the attitude of the U.S. government supported their efforts to obtain oil concessions abroad. It was also an opportunity to expand their businesses.  

The amount of U.S. oil that was used during World War I brought out an energy crisis concern in the country. Such concern was followed by an oil production decrease in American oilfields. The high demand and less oil production increased the oil price rapidly. For oil

---

companies, high oil demand actually was not a big problem because it was followed by the increase of the oil price. The real problem was the limited oil supply. This situation encouraged the U.S. Government to acquire oil reserves overseas and tried to support American oil companies in getting overseas oil concessions. The amount of U.S. oil which had been used by other countries and also those which had been used to support the Allies during World War I was the U.S. Government’s reasoning in asking other countries to provide access for American oil companies to obtain oil concessions in their countries, colonies or mandate areas.

5. Conclusion

U.S. concerns about the shortage of oil resources can be seen from various aspects. Economically, oil became the most important source of energy in the early 20th century. Oil replaced coal as the most desired energy source. Coal itself was the trigger of the industrial revolution in Europe and the United States a century earlier. Thus oil as an energy source was essential for the continuance of industrialization. The United States itself had huge oil reserves however for their industrial perpetuity in the long term the country needed a steady supply of and access to oil reserves abroad.

To be able to dominate oil resources overseas, a country had to have political power in order to secure access to oil resources controlled by other parties or countries. Thus competition for access to oil resources required political power, and in some cases, it required a strong fleet to secure tanker shipping lanes. At this point it shows the relationship between the economic and the political interests related to the oil industry. Competition for world oil resources in the early 20th century was becoming increasingly complex because almost all of the world's oil resources were in the colonies of industrial countries including the oil resources in the Middle East which were in the mandate areas. Competition was getting harder because most of the industrialized countries that needed oil as their energy source did not have enough domestic oil resources to run their industries, conversely those countries had political and military powers to obtain access to oil resources.

Competition to gain access to oil resources became a political compromise when the United States had to compete with countries that had diplomatic relations and those that became American allies during World War I. To get political compromises and results that were
acceptable to all parties, there should be a *give and take* from all parties. In some cases they had to provide opportunity to their opponent negotiator. Political compromise is one of the diplomatic efforts to solve bilateral or multilateral problems that can provide satisfaction to all parties. Nevertheless the success rate to achieve each party’s goal in political compromises depends on each party’s ability to apply political pressure.

In the interest of national interests, the United States government undertook diplomatic efforts along with Standard Oil, a commercial company, to force the Dutch government to take notice of their interests, something which happened only in 1920 when both of them had the same intentions though they had different interests. Standard Oil had started their investments in Southeast Asia including in the Dutch Indies in the late 19th century. The Standard Oil journey as a commercial oil company that provided more priority to profit had not had the support of the U.S. Government when the American national interests had not been threatened in regards to energy shortages and political hegemony interests. Between 1890-1899 Standard Oil was trying to obtain oil concessions in the Dutch Indies without the support of the U.S. Government, as American national interests were not as stake and thus the company received no diplomatic support from Washington.

On the other hand, the Dutch colonial government restricted foreign oil company investment by utilizing various political issues to achieve economic goals. The issue of Japanese expansion peril through Japanese company investments to justify the restrictions on all foreign companies was initially very effective. The Dutch government considered that the United States would accept the reason. However, the reason could not be accepted by the U.S. Government and American oil companies. For the U.S. Government, the reason was contrary to the open door policy that the Dutch government and the Dutch colonial government introduced. Moreover, Dutch companies got the same treatment as other companies operating in the United States. For American oil companies, the reason was more intended to provide more opportunities to Dutch oil companies to develop their business without strong competitors. With some requirements that made it difficult for foreign oil companies to operate in the Dutch Indies, Dutch oil companies especially the Royal Dutch Company did not face strong competitors for potential oil concessions in the Dutch Indies.

In 1907 Royal Dutch/Shell formed a subsidiary named the *Bataafsche Petroleum Maatschappij* (BPM) to run their operation in the Dutch Indies. The amalgamation saved these
Dutch and British concerns from going under financially but they could not keep Standard Oil out of the Dutch Indies much longer. It seemed that Rockefeller was sure that the Dutch Indies would be a promising oil exploration area in the future and so the American company kept being involved to ensure they received oil exploration concessions. However it was only after political and economic pressure from the U.S. Government that the Dutch Indies gave the go-ahead for Standard Oil to start drilling for oil in the Dutch Indies.

For Standard Oil, prospecting oil concessions in the Dutch Indies that were ultimately obtained was a long and winding road, moreover under the Dutch Indies Mining Act 1899, the concession was only granted to the Dutch, the Dutch people who live in The Netherlands and the Dutch Indies and a company based in The Netherlands and the Dutch Indies. Standard Oil’s big efforts to get a foothold in the Dutch Indies failed due to their own mistakes. Standard Oil also never had the political leverage to be able to change some articles of the Indisch Mijnwet that made it difficult for foreign companies to get oil concessions. Standard Oil’s powerlessness to penetrate the Dutch Indies oil industry shows that large capital and extensive networks could not guarantee that a company could operate in a country. In fact the Dutch colonial government only needed a single law to stop the expansion of a foreign company. It also shows that the strength of the economy should be supported by political power when the state has started to play a political role in the domestic and international competition.

Competition among major oil companies were also extremely influenced by political situation in the world. When there was a conflict in a vast region that included world oil sources, the effect of the conflict would automatically disrupt the amount of oil production and distribution to the market areas. This made the Royal Dutch/Shell lost profit of their business more than the Standard Oil did because the company had oil sources in the areas that were directly affected by the war especially their oil fields in Romania in the early years of war and their oil sources in Russia in the last years of the war. The Infrastructure of Royal Dutch/Shell oil fields suffered severe damage in Romania as a result of war and would take much time and huge cost to restore the condition as it was before the war. Conversely the infrastructures of the company oil field in Russia were relatively safe. There was no significant damage however the company had difficulties to maintain their properties because the authority of the oil region was taken over by the communist government. The company had to negotiate with the new ruler to continue their business or just to get back their properties.
Standard Oil sought to take advantage from the production and distribution difficulties faced by Royal Dutch/Shell by increasing their production and distribution to take over the market that could not be supplied by the Royal Dutch/Shell. However, their oil production was ultimately more focused on the interests of the Allies so that Royal Dutch oil markets relatively did not switch to Standard Oil products in addition to high oil demand in United States. Standard Oil had not been able to get potential oil concessions in the Dutch Indies either since the colonial government suspended to grant oil concessions to private companies to establish government reserved areas that would be exploited later.

Thus World War I provided some impacts to the Royal Dutch/Shell and Standard Oil businesses. In general, the Royal Dutch/Shell suffered heavy losses due to the disruption of oil production and distribution from their oil fields in Romania and Russia. However, the company did not automatically lose their market because Standard Oil was busy to supply their oil to the Allies so they could not try their best to take over the Royal Dutch/Shell markets. On the other hand, Royal Dutch efforts to balance the amount of production for fulfilling their market demand could be said to be successful. Royal Dutch/Shell sought to meet their oil market with oil supplies from the United States and the Dutch Indies. World War I itself increased the oil prices due to concerns about the lack of oil supply from oil sources as a result of damage that occurred in many important oil fields in the world and the change of some rulers that controlled world oil production centers.
CHAPTER FOUR

THE FAILURE OF AMERICAN OIL DIPLOMACY
IN THE CASE OF THE JAMBI OIL CONCESSION
1919-1921

Introduction

This chapter deals with the U.S. Government support to the American oil companies that wanted to operate in the Dutch Indies. The support was the diplomatic efforts of the U.S. Government that asked the Dutch government to give equal opportunity for all companies both foreign and domestic that wanted to operate in the Dutch Indies. The American diplomatic efforts took times for years until finally the U.S. Government satisfied with the Dutch government policies that allowed American oil companies to participate in some oil potential areas in the Dutch Indies.

1. Oil and American National Interests

The relationship between the United States and The Netherlands entered a new stage when American companies began to invest in the Dutch Indies. Before NKPM (Nederlandsche Koloniale Petroleum Maatschappij ) that was established as Standard Oil New Jersey subsidiary, a couple of American companies had invested their capital in the plantation sector. In addition the economic and trade cooperation between the two countries increased since the end of 19th century. American merchant ships also visited some ports in the Dutch Indies as transit ports before they continued their journey to China. The increase of American company investments in the Dutch Indies also strengthened the international recognition of the Dutch occupation over the Dutch Indies de jure and de facto. However along with the discovery of oil in the Dutch Indies, some issues related to competition between Dutch and American oil companies affected the relationship of the two countries.

1 In 1909 an American company, Goodyear Rubber Company that dealt with rubber plantation, was established in East Sumatra. The establishment of the company was followed by the establishment of Hollands Amerikaanse Plantage Maatschappij in 1910. See: Posponegoro, Marwati Djoned and Nugroho Notosusanto, Sejarah Nasional Indonesia: Zaman Kebangkitan Nasional dan Masa Republik Indonesia 1900-1942, Jakarta, PT. Balai Pustaka, 2008, p. 171.
The intervention by the Dutch colonial government in the rivalry between Royal Dutch and Standard Oil eventually attracted the serious attention of the U.S. Government. The U.S. interest in the development of the Dutch Indies oil industry can be classified into two periods. The first period is 1890-1899 and the second period is 1920-1928. The first period was marked by the increase of American kerosene exports and Standard Oil’s efforts to set foothold in the Dutch Indies’ oil industry. However in 1894 the export of American kerosene decreased and Standard Oil faced difficulties in getting possible oil concession in the Dutch Indies. The failure of Standard Oil was followed by the attitude of the Dutch government that restricted foreign mining companies’ investment through the Dutch Indies Mining Act or the *Indische Mijnwet* 1899.

During 1899 – 1920, the U.S. Government only monitored the development of the Dutch Indies oil industry and the movements of Standard Oil in competition with other companies in the Dutch Indies. Although some American consul reports in Batavia showed American dissatisfaction at the Dutch and the Dutch colonial government policies, the U.S. Government had not tried to conduct diplomatic efforts to seek clarification on some of the Dutch policies that were considered harmful to American companies as in the case of Moeara Enim. Even the issuance of *Indische Mijnwet* that was considered detrimental to foreign mining companies in the Dutch Indies was only taken seriously by the U.S. State Department in 1920. After 1920 the U.S. Government paid more attention to the existence of this rule and considered it as a tool to restrict the entry of American capital into the Dutch Indies.

The second period was marked by the serious attention the U.S. Government paid to the fate of American oil companies’ investments in the Dutch Indies. The attention was also due to the fact that Standard Oil had tried to follow the Dutch colonial government’s regulations to be able to operate in the Dutch Indies or to obtain potential oil concessions. Having failed to

---


3 According to Krasner the earliest concerns about oil shortages were voiced by American public officials before World War I had ended. However there were comments from American public officials and American oil companies officials published in leading American newspapers related to oil exploration in the Dutch Indies since 1892. They concerned American oil domination in Southeast Asia when Royal Dutch emerged as a new potential oil company. See: Krasner, Stephen D., *Defending the National Interest Raw Materials Investments and U.S. Foreign Policy*, Princeton, Princeton University Press, 1978, p. 107.
conduct a share amalgamation with the Moeara Enim Petroleum Company, Standard Oil attempted to follow the official regulation as written in the Indische Mijnwet which was to form a company that was registered in the Netherlands, namely NKPM. However NKPM’s efforts to obtain oil concessions in potential areas also faced unequal treatment from the Dutch colonial government that provided more potential oil concessions to the Royal Dutch and Shell subsidiary, Bataafsche Petroleum Maatschappij (BPM). At this point the U.S. Government began to pay attention to the Dutch colonial government policies which were considered unfair to foreign companies and at the same time those policies did not reflect the open door policy which was propagated by the Dutch government. At the same time, the Dutch companies that were operating in the United States had opportunities to invest their capital without any restrictions. This paradoxical situation later became the U.S. Government’s reason for restricting foreign companies’ investments, especially those from countries that restricted American company investments.

In addition to external factors, including the attitude of the Dutch colonial government, internally, there were American interests to secure domestic oil needs. World War I had consumed a lot of the world’s energy reserves and brought out American concern. The country was alarmed by the energy crisis that emerged before the end of World War I. This concern

---

4 The change of fuel application from coal to oil was not only conducted in world industry but also in fighting machines, including power to move commercial and war ships. World War I obviously contributed to the increased demand in oil and the increase in the world oil price. In addition to ground fighting vehicles, the use of aircraft to stake out enemy positions was for the first time used in a large scale war. At the beginning of the war, Germany had the largest air fleet with as many as 232 aircraft, Great Britain had 113 aircraft and France had 138 aircraft. Thus, as more and more war machines were used, the greater the demand for energy, especially oil. See: Hamilton, John, Aircraft of World War I, Edina, ABDO and Daughters, 2004, p. 8. In addition to war purposes, commercial airlines also began to develop after World War I further increasing the demand for aviation oil. See: Dierikx, Marc L.J., “Clashing Dutch and British Interests on The Colonial Air Routes 1918-1928”, Journal of Contemporary History, Vol. 26, No. 2 (Apr., 1991): 333-351.

5 To organize and to secure energy reserves related to national energy needs, the U.S. Government established the United States Fuel Administration as an emergency agency on August 23, 1917. The function of the agency was to regulate the production, distribution and consumption of coal, natural gas and fuel products of petroleum. President Wilson also issued an executive order to establish an Oil Division within the agency to impose controls on petroleum products. All manufacturers and distributors with an output of more than 100,000 barrels of fuel oil per annum were required to secure licenses from the Fuel Administration. The agency was formally discontinued on June 30, 1919. One of American officials, Mark L. Requa whom was appointed by President Wilson as the head of the agency in 1917, was the first American official to warn that foreign oil supplies would be vital in the postwar period. See: Nash, Gerald D., United States Oil Policy 1890-1964 Business and Government in Twentieth Century America, Pittsburgh, Pittsburgh University Press, 1968, p. 29.
encouraged the U.S. Government to secure not only domestic oil sources but also foreign oil sources, especially in Mexico.\(^6\)

Fears of oil shortages were also expressed by public officials, members of Congress, journalists and oil company executives. Those fears were not only related to the assets of the American oil companies but also related to other countries attempts to control oil sources around the world. James D. Phelan, a Senator from California, warned the Secretary of the Interior in 1919 that the British were trying to take control of the richest oil fields in the world.\(^7\) Almost at the same time, American oil interests in various regions in the world faced difficulties in gaining access to oil resources.\(^8\) This situation made the U.S. Government realize that internal political consolidations and diplomatic efforts had to be taken to protect the interests of American oil companies around the world including in the Dutch Indies because at the same time, the U.S. Government also had to secure their energy needs, especially oil for the continuity of their industries and national interests. In other words, the security of energy reserves was linked with the viability of the United States economic interests.

In addition to concerns about protecting the interests of American oil companies, the U.S. Government also tried to maintain the balance of political power in Southeast Asia along with the Japanese military and economic rise.\(^9\) Moreover Japan was very interested in the Dutch

\(^6\) In 1913 Wilson's administration supported the rebels against the administration of Mexican President Victoriano Huerta. The American support was related to the fate of American oil company investments in Mexico. President Wilson considered Huerta’s dictatorship was a throwback to feudal times – a landed oligarchy willing to use the US competitors in Mexico to maintain the status quo. See: Raat, William Dirk and Michael M. Brescia, *Mexico and the United States: Ambivalent Vistas*, Athens, University of Georgia Press, 2010, p. 120. In 1917, 90 percent of Mexican oil resources were owned by foreigners and at that time, Mexico was the third largest producer of oil after the United States and Russia. Most of the Mexican oil went to the United States which in turn enabled it to export fuel to the Allies, especially England. This issue gained importance because there were also German efforts to cooperate with Mexico to prevent Mexican oil from boosting the Allies war energy supplies. Mexican oil thus become strategic for the United States both economically and politically. According to an American oil entrepreneur, Edward Laurence Doheny, the future, welfare and prosperity of the United States, during and after the war would be dependent largely on the uninterrupted and continued exploitation and control of the Mexican oil fields owned by American companies. See: Rippy, Merrill, *Oil and the Mexican Revolution*, Leiden, Brill, 1972, p. 158.

\(^7\) Apart from Mexico, at that time the regions of the world which contained plenty of oil reserves were the Dutch Indies and the Middle East. Krasner, Stephen D., *Defending the National Interest Raw Materials Investments and U.S. Foreign Policy*, Princeton, Princeton University Press, 1978, p. 108.

\(^8\) Based on the San Remo agreement of 1920, the British received the mandate over Palestine and the Mesopotamia regions that later were known to contain huge amounts of oil. Some U.S. oil companies were interested in investing their capital in the region however the British prevented American companies from operating in Palestine or Mesopotamia on the grounds that no arrangements could be made until the new governments were established. At the same time, the British companies namely Shell and Anglo-Iranian were active in the areas.

\(^9\) Economic relations between the United States and Japan since the early 20th century went well. Japan was one of many countries that imported oil from the United States. However, political relations between the two countries were strained in 1924 when the U.S. Government restricted foreign immigrants through the issuance of the
Indies oil sources while at the same time militarily the Dutch colonial government was very weak. Anytime Japan attacked the Dutch Indies and controlled their oil resources, the American oil companies would face increasing difficulties to invest their capital in the Dutch Indies as Japan's oil demand both for industrial and military purposes was greater than The Netherlands was. Thus the U.S. military presence in the Philippines and American companies in the Dutch Indies was one of a counterweight to other powers that would try to take over the Dutch Indies natural resources. For The Netherlands, the concern about a Japanese attack on the Dutch Indies was that once Japan launched an attack the Dutch Indies would be lost forever and cut off from The Netherlands due to the relatively weak military might of the Dutch Indies. To prevent this occurring, The Netherlands had to ensure they maintained a strong presence on the Dutch Indies and counter other powers influence in the Pacific.

For the Dutch colonial government, Japan was not the only foreign power to fear. Apart from Japan, other forces that could interfere with the colonial order in Southeast Asia were communist movements. Communism that spread in various colonies in Southeast Asia after the Bolshevik Revolution in Russia seemed to become an appropriate anti-thesis for colonialism. The ideology was usually well received by people especially the oppressed groups in colonies

---

10 More oil discoveries in the Dutch Indies not only increased the Royal Dutch oil production capacity but raised concern of a war in the Pacific region as well. It was possible that oil discoveries in the Dutch Indies increased Japanese desire to control the Dutch colony if the war between Japan and the British or the United States took place. According to the American Governor General in Philippines, General Leonard Wood, the Dutch Indies would be occupied by one of the parties if war occurred. If it was observed from military preparation and stronger motivation, then one of those two powers that Wood meant was Japan because it was almost impossible that the British or the U.S. attacked the Dutch Indies for oil because they had good relations with The Netherlands. Report of American Vice Consul in Charge, Rollin R. Winslow, about the warning of the American Governor General, Leonard Wood, to the U.S. State Department, Surabaya, January 17, 1924. The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929, M.682. Roll 46. 856e.00-856e.0443/5. See also: “De waarschuwing van den Amerikaanschen gouverneur-generaal”, Soerabaiaisch Handelsblad, December 22, 1923.

11 For the Dutch colonial government, the U.S. oil companies investment in the Dutch Indies, of course the amount of which did not endanger the dominance of Dutch oil company, was necessary to prevent Japanese aggression despite the fact that the strategy only benefited the Dutch colonial government and disserved the United States. Thus the American companies investments’ only served as protector to prevent Japanese aggression because the United States possibly would take action to protect their companies’ investment if Japan attacked the Dutch Indies. See: Foster, Anne, Projections of Power: The United States and Europe in Colonial Southeast Asia 1919-1941, Durham, Duke University Press, 2010, p. 63.

12 Report of American Consul in Soerabaja (now Surabaya), Rollin R. Winslow, to State Department. File No. 800. July 23, 1923. The Roosevelt Center Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929, Roll 46. M.682. Java and Madura (Netherlands East Indies), 856e.00-856e.0442/5. See also: “Wat is er gedaan met India” Soerabaiaisch Handelsblad, July 17, 1923.
including the Dutch Indies.\textsuperscript{13} The U.S. Government, through their consul in the Dutch Indies, followed the development of communism in the Dutch Indies carefully especially since the Soviet Union considered Southeast Asia as a potentially fruitful area for staging communist uprisings.\textsuperscript{14} In fact competition between the United States and the Soviet Union to expand their political and ideological influence in Southeast Asia had already started during this period. American concern was justified because the spread of communism and the emergence of communist parties had begun in 1920 in the Dutch Indies and 1921 in China.\textsuperscript{15}

Political and economic competition was not only among countries that had ideological differences because in addition to the Soviet Union, the United States also competed with the British in Southeast Asia. The British was another power that had good relations with the Dutch colonial government. The British had concerns about the American economic power presence through American company’s investments in different areas of the British and Dutch colonies in Southeast Asia and through American commercial fleet network in the Pacific region.

The trade volume between the United States and some colonies in Southeast Asia shows an increase in the 1920s. Export of raw materials from Southeast Asia to the United States and U.S. official encouragements to U.S. companies to invest in Southeast Asia became the European colonial officials concern because if the American investments were not stopped, the United States would be able to control the economy in Southeast Asia, especially in the Malay Peninsula and the Dutch Indies. Sooner or later it might threaten British and Dutch political and economic interests in Southeast Asia. This answers the question why the British Government


\textsuperscript{15} There are some lengthy American consul reports related to the spread of communism in various areas in the Dutch Indies and some sabotage acts and propaganda activities of the communists. The report shows the U.S. concern for communism which thrived in the Dutch Indies where the natives were being oppressed by Dutch colonialism. Activities of Indonesian Communist Party (PKI) members also led to the sabotage of foreign companies, including U.S. companies that employed many labors such as plantations and mining companies. See: Report of American Consul in Soerabaya, Rollin R. Winslow, to State Department. File No. 800. November 1, 1924.The Roosevelt Center, \textit{Records of the Department of State Relating to International Affairs of the Netherlands 1910-1929}, Roll 46, Java and Madura (Netherlands East Indies). 856e.00-856e.0443/5. See also: “Protest Vergadering”, \textit{Soerabaiasch Handelsblad}, October 14, 1924.
approved the amalgamation between the Royal Dutch Company and the Shell Transport and Trading Company despite Royal Dutch controlling the company shares more than Shell did. The British wanted the oil resources in the Dutch Indies to remain under control of a power that had a good relationship with them, like The Netherlands. According to the British Government point of view, The Netherlands was preferable to the United States whom was seen as rivals.

2. Jambi Oil Concession

Oil fields in Djambi (now ‘Jambi’) were the most important factor why the U.S. Government kept insisting to ask the Dutch government to give equal opportunity for all foreign companies that wanted to invest in the Dutch Indies.\(^{16}\) Jambi oil concession was the only concession that the Dutch government gave to BPM after 1913. Although only one concession, the U.S. Government protested the Dutch government policy that decided to give the concession only to BPM in 1921.\(^{17}\) The U.S. Government protest was based on the fact that Jambi was the most potential not only in the Dutch Indies but also in the world at that time.

Geographically, Jambi is situated in the eastern part of Sumatra. During the colonial period, Jambi was a residency that covered 18.610 square miles or about 5000 square miles larger than Holland. In 1921 Jambi population was 207,265 with various ethnics namely European, Chinese, Japanese, Arabs, Malays and Javanese. The total number of European people was only 100 among 203,116 natives.

People began to use oil in Jambi especially to substitute the tallow candle in 1888, or two years before Royal Dutch Company was established. At that time many contracts to exploit oil in Jambi were conducted with local rulers. The high potential of Jambi oil made the Dutch colonial government welcome any companies that wanted to open oil fields in Jambi on September 5, 1902. Until January 2, 1903 the government had received 2034 proposals from various

\(^{16}\) Jambi oil fields contained about 750,000 acres rich in oil lands and after the Indonesian independence, the area still have been producing much oil. See: “Dutch Oil Monopoly Up”, *The New York Times*, April 6, 1921.

\(^{17}\) The Dutch Lower House passed the bill in April 1921 that agreed to give Jambi oil concession to BPM. The company would cooperate with the Dutch government for 40 years. While the Upper House passed the bill that previously had been passed by the Lower House in June 1921. The decision of the Upper House changed the bill to become a law. According to the U.S. Government, the Dutch government decision that did not involve American capitals in Jambi oil concession actually did not represent the true state of opinion in the country, however, it was more about political reason to exclude American capital from the concession. “Djambi’s Oil That Has Troubled International Waters”, *The New York Times*, July 10, 1921.
companies. However, because there were too many concession proposals and the Jambi situation had not been safe enough, the Dutch government closed the opportunity for all companies that wanted to operate in Jambi on November 16, 1904.\textsuperscript{18} Almost at the same time, the Dutch government revised the \textit{Indische Mijnwet 1899}.

Since the Dutch colonial government closed Jambi oil fields in 1904 until 1912, the Bureau of Mines or \textit{Dienst van het Mijnwezen} under Dr. August Tobler conducted research about the geological composition to know the mineral content especially in the area of southern Jambi namely Tembesi and Batanghari River. Findings possibly led to the issuance of a government decree on May 22, 1908. The decree set that the area of Kerinci, Serampas districts and Temiang River became reserved areas that would be exploited by the government. Besides those areas, later it was known that other areas in Jambi contained large oil deposit especially in Bajubong area.\textsuperscript{19}

Dr. August Tobler only finished his research in 1912; however in November 1911 the Dutch colonial government issued a decree to reopen oil concession for all companies that wanted to operate in Jambi. The reopening of Jambi oil concession had relation with the huge oil deposit in Jambi but the government did not have enough capital and skill to exploit the whole area. There were six companies that competed for concessions in particular, namely:

1. \textit{The Zuid Peurlak Petroleum Maatschappij} that offered to give 62.5\% of mining yield to the Dutch government as royalties.
2. BPM that offered to give 50\% of mining yield to the Dutch government as royalties.
3. The Java and Borneo Oil and Rubber Syndicate that offered to give 50\% of mining yield to the Dutch government as royalties.
4. NKPM that offered to give 40\% of mining yield to the Dutch government as royalties.
5. The General Petroleum Company Sirius that offered to give 40\% of mining yield to the Dutch government as royalties.

\textsuperscript{18} The security in Jambi had not been stable because there was still resistance of the local ruler namely Sultan Thaha Syaifuddin. He was the last Jambi sultan who conducted resistance against the Dutch colonial power until he died in Muara Tebo, Jambi, on April 26, 1904. After Jambi was conquered by the Dutch power, thus the oil concessions owned by Sultan Thaha were taken over by the Dutch colonial government. Jambi then became a residency. The first Dutch resident in Jambi was O. L. Helfrich. He worked as resident from 1906 until 1908. See: \textit{Regeeringsalmanak voor Nederlandsch Indie 1823-1942}, Batavia, Landsdrukkerij, 1823-1942.

6. The Netherlands Company for the Operation of Mining Works that offered to give 40% of mining yield to the Dutch government as royalties.

The Dutch government needed time to decide where the concession would go to. Based on the highest offer, the Zuid Peurlak Petroleum Maatschappij should get the concession. The process to formulate a bill related to the decision of the concession winner took a couple of years. In 1915 the Minister of Colonial Affairs, Theodoor. B. Pleyte, introduced the bill that the government decided to give a 840,000 acres concession to BPM and a 550,000 acres concession to the Zuid Peurlak Petroleum Maatschappij. The bill was discussed in the Second Chamber that was responsible to pass or to reject a concession proposal since 1911. The Chamber failed to pass the bill because of the motion of J. W. Albarda from the socialist party. They demanded a more pronounced government role in Jambi oil concession. The government was asked to formulate a new contract with the private companies. Hopefully the new contract would give the government more authorities to supervise the concession application. It was also expected to provide more benefits to the government.

The debate about the right formula for Jambi oil concession took place until 1917 when the Minister of Colonial Affairs reintroduced the bill on November 7, 1917, together with an explanatory memorandum. The Lower House then examined the bill and gave their temporary report on March 5th, 1918. The report showed that the bill did not satisfy the members’ expectation. The Dutch Government then sought to talk with Royal Dutch/Shell to establish a joint venture company that would exploit Jambi oil. Further research that indicated large oil deposits also encouraged the Dutch government to conduct oil exploitation in Jambi. However Royal Dutch/Shell refused to cooperate with the government because at that time, the debate about the Indische Mijnwet revision was still going on in the Lower House. In addition the U.S. Government protest to ask for equal opportunity to get oil concession in Jambi also added uncertainty to which company the government would give the concession. Royal Dutch/Shell only decided to conduct a cooperation with the Dutch government through Royal Dutch subsidiary namely BPM in 1920.


The Lower House adopted the bill of Djambi oil field on April 29, 1921 by a vote of 49 to 30. The bill decided to give the concession to BPM to exploit Jambi oil for 40 years with capital of 10,000,000 guilders which a half of it would be shared with the Dutch government. See: “Dutch Hold Oil Monopoly: Ignore Protest by Hughes; Americans Barred in Sumatra”, Los Angeles Times, April 30, 1920.
After a series of debates, the Dutch Upper and Lower House eventually passed a bill on the Jambi oil field. The Dutch government and BPM agreed to formulate a cooperation to establish a new company namely NIAM (Nederlandsch Indische Aardolie Maatschappij) in July 1921. The NIAM capital was 15 million guilders, and both parties equally shared the capitals.22

The oil drilling activities in Jambi were started in 1922 in the midst of the U.S. Government protest that considered the Dutch government had applied discrimination to foreign companies in Jambi oil concession case. The Dutch government kept trying to show that they did not discriminate other companies by giving NKPM some concessions. In June 1922 NKPM obtained a concession for developing territory for 75 years in Palembang as wide as 8250 acres. Besides this concession NKPM also obtained an oil concession in Modjokerto area, East Java, as wide as 4895 acres. Previously on April 6, 1922, NKPM had obtained two concessions for development of oil bearing territory in section of Samarinda of the residency south and east district of Borneo. These concessions were known as Koetei I and II as wide as respectively 9435 acres and 5407 acres.23

Although NKPM obtained some concessions, which most of them were concessions for developing oil territory, the U.S. Government still considered the policy of the Dutch government that did not involve American capital in Jambi oil concession was a discrimination policy. The U.S. Government protest was reasonable considering Jambi concession that was given to BPM was certainly an area that could produce much oil, while most of concessions that NKPM obtained were developing oil territory concession. It means that they still had to do many drilling activities to know whether those areas could be exploited economically.

3. The Efforts and Obstacles of The American Oil Diplomacy

To rectify the unfortunate situation of American oil companies and American interests especially in the Dutch Indies, the U.S. Government began to take political steps in 1920. It was started to response the report of American consul in Batavia, John F. Jewell, related to oil industry in the

---


The Failure of American Oil Diplomacy in The Case of The Jambi Oil Concession 1919-1921

Dutch Indies. The U.S State Department instructed the U.S. consul in Batavia that he provide reports and recommendations for every diplomatic action that the U.S. Government could do to support American companies and the interests of the United States related to American investment in the Dutch Indies oil industry.

In addition to the American consul in Batavia, the U.S. State Department also asked the mission in The Hague to report on the matter. These diplomatic efforts had to be conducted simultaneously considering both the Dutch and the Dutch colonial governments had respective roles related to oil industry management in the Dutch Indies. The Dutch government with the Dutch Parliament was the parties who were responsible to formulate, to make and to pass the Dutch Indies Mining Act while the Dutch colonial government especially the governor general was the officer who granted oil concession and supervised the application of concessions. Thus the American diplomatic efforts had to be conducted at various levels either in The Hague or in Batavia.

The efforts to consolidate American diplomats formed a shaft of Washington-Batavia-The Hague and it went intensively since the mid 1920. In addition to instructing their diplomats in The Hague, the State Department also expressed their disappointment over some difficulties that American oil companies faced to obtain oil concession in the Dutch Indies, especially in the case of Jambi oil concession. The U.S. diplomats in The Hague made formal and informal

---

24 On his January 27th, 1920, report, Jewell reported about oil production situation in the Dutch Indies. The number of oil production increased since 1914 until 1918. He also explained about the Dutch Indies Mining Act which according to his opinion compounded foreign companies to get oil concession than in securing it. The important points of Jewell’s report are the difficulties of American companies to obtain oil concession. See: The Department of State, Papers Relating to The Foreign Relations of The United States Volume III, Washington, GPO, 1936, p. 260. The response of the U.S. Government shows that the government started to response seriously about the faith of American oil companies in the Dutch Indies after the national interest related to energy sources rose.

25 Through the State Secretary, Alvey A. Adee, the U.S. Government instructed the American Chargé in The Netherlands to make a representation to the government of the Netherlands with reference to its petroleum policy in the Dutch Indies. The American government also asked the Chargé to provide information and consideration about the Dutch colonial government policies related to oil industry in the Dutch Indies. Alvey also noted the resolution which was adopted by The Board of Directors of the American Petroleum Institute on September 27, 1919 that American companies ought to receive privileges similar to foreign companies that operated in the United States. If the American companies did not receive similar privileges, the American government would take effective steps through diplomatic channels. See: The Department of State, Papers Relating to The Foreign Relations of The United States Volume III, Washington, GPO, 1936, p. 265.


political efforts to draw the attention of the Dutch government to provide equal opportunity for all companies that wanted to acquire oil concessions.28

Initial efforts conducted by the U.S. State Department were to clarify inequality carried out by the Dutch government as well as asking whether the United States capital was still acceptable in the Dutch Indies.29 The Dutch government through the Ministry for Foreign Affairs explained that based on the results of the conference that were held by former Minister of Colonial Affairs in April 1913, the Dutch government decided to consider all requests for permission to discover the mineral.30 However based on the amended *Indische Mijnwet* valid on July 20, 1920, the holders of a license to prospect were no longer entitled to concessions for the mining of petroleum, coal and iodine (mineral category B). Mining activities of those mineral could only be done with the permission of the government and through an exploitation agreement which legally would satisfy to the people or joint stock companies.

The Dutch government concern about foreign political intervention through foreign investment was not only related to the Dutch Indies security issues but also regional security in Southeast Asia. At this point the colonial government considered that the application of the *Indische Mijnwet* had relation with the colonial security issues that should be understood by the U.S. Government. The Dutch government argued that the ability of the United States and The Netherlands in maintaining their regional security and sovereignty were different. The United States was a great power and had the ability to safeguard their interests while The Netherlands

---

28 According to the report of American Minister, William Phillips, who did informal talks with the Dutch Minister for Foreign Affairs and the head of the economic section of the Foreign Office, there was no Dutch regulation against the will of American companies. According to the report, the old law was repealed in 1912 because of a socialist demand that the Government reserves to itself oil development. The Dutch government recognized that the new regulations after 1912 contradicted with the interests of all companies including Dutch company. However the Dutch government did not mention the conditions that compounded foreign companies to operate in the Dutch Indies despite these had been implemented before 1912. See : The letter of the American Minister in The Netherlands to the Secretary of State, The Hague, June 5, 1920, The Department of State, Papers Relating to the Foreign Relations of the United States Volume III, Washington, GPO, 1936, p. 267. The Dutch government through The Netherlands Chargé provided his response to the Secretary of State that some rules in *Indies Mijnwet* actually was not to limit the presence of foreign companies because these rules were not rigid as in the absence of restrictions upon the ownership, the holding or the control of the stock of companies. Papers Relating to the Foreign Relations of the United States Volume III, Washington, GPO, 1936, p. 268.


was a small force that had to be careful to deal with other countries. According to van Karnebeek, the Dutch were not worried about the political influence of the United States but he worried about other political forces that could penetrate the Dutch Indies through the economy sector. He thought that it was not quite fair to expect reciprocal arrangements between Governments in all cases because conditions within two countries might be wholly different.  

Both the Dutch and the U.S. Governments stood on their respective stances regarding the case of Jambi. The assertiveness of the Dutch government attitude was responded by the U.S. Government that asserted that the provisions on the Land Lease Act required the Dutch government to provide the same opportunities as the U.S. Government did to foreign companies that wanted to operate in the United States. It seemed that the U.S. Government wanted to acquire equity to obtain potential oil concessions could be solved immediately because the U.S. Government policy just like on the Land Lease Act was taken in a relatively short time. However on the other hand the Dutch government did not want to be controlled by other countries considering the oil sources in question were in their colony.

Although the bill regarding the decision to grant oil concessions in Jambi had not been decided by the Lower House, however the U.S. Government did not seem interested in following the development of American company's investment in Jambi through negotiations with BPM.

31 Karnebeek’s explanation referred to other forces that was suspected would take advantage from private investment for political purposes such as Japanese forces. From state point of view, the explanation could be accepted given the Dutch military capability was very limited to protect the Dutch Indies, however from economic side, American companies considered that the efforts to prevent the entry of foreign capital to the Dutch Indies was only the Dutch government reason especially the elites who had a relationship with oil lobby. This was because the restriction was followed by granting potential oil concessions to Dutch oil companies and not to foreign oil companies. In other words, the Dutch government was not worried about the U.S. political influence which could penetrate through their oil company investments, but Dutch oil companies concerned their inability to prevent the expansion of American companies in the Dutch Indies. See: Letter of the American Minister in The Netherlands to the Secretary of State, The Hague, July 22, 1920, Papers Relating to the Foreign Relations of the United States Volume III, Washington, GPO, 1936, p. 273.

32 The firmness of the U.S. Government's attitude was shown by the letter of the Secretary of Interior. Through the letter, the Secretary of Interior had explicitly mentioned The Netherlands as a non reciprocating country: “Pending action by the Netherlands Government or the receipt of information which would warrant a different course, you are advised that the Department will not issue permits or leases under the act of February 25, 1920, to corporations organized under the laws of the United States where the controlling or major portion of the stock of the corporation is owned, held, or controlled by citizens of the Netherlands or other non reciprocating countries.” Ibid, Papers Relating to The Foreign Relations of The United States Volume III, Washington, GPO, 1936, p. 279.

33 The Secretary of State asked the American Minister, William Phillips, to refer to the four terms in taking political attitude related to the Dutch government's decision that wanted to cooperate with BPM, as follow: 1. Ask the Dutch government to modify the policy so that the policy was similar to the policies that provided such equality in the United States. 2. A division of the Jambi area that gave a concession to the Dutch company and also gave American companies a fair opportunity to negotiate with the Dutch government. 3. A private arrangements between BPM and an American company would not be satisfactory to this government from the standpoint of principle or as a
In fact the United States Government did not encourage American oil companies to negotiate with BPM because it would weaken their diplomatic efforts to gain equality in obtaining potential oil concessions through Jambi case. This is reflected in the attitude of the U.S. State Department that it reemphasized that the implementation of the Public Land Lease Act to Dutch capitals was still applied until the Dutch government provided equal opportunities to American companies. The attitudes and statements of the U.S. State Department referred to their communication with the U.S. Interior Department. Royal Dutch itself wanted specific information whether cooperation with American company could satisfy American company and the U.S. Government to remove the U.S. restrictions to the Dutch capitals if Standard Oil agreed to cooperate with BPM. However, Standard Oil of New Jersey itself did not propose to negotiate with BPM because it was almost impossible that BPM would provide opportunity for their competitors to participate in the exploitation of oil fields in Jambi.

4. The Failure of NKPM To Obtain Oil Concession In Jambi

The bill that proposed the cooperation between BPM and the Dutch government to exploit oil in Jambi was reintroduced to the Second Chamber on November 22, 1920. Just like the previous bill regarding the oil exploitation in Jambi, the debate also took place in the Dutch Parliament between for and against groups of a state greater role.

Like the previous socialist party reasons, those who supported considered that the greater role of the state would provide more profits for the government. Most members of the Dutch Parliament considered that the inclusion of BPM capital was a form of surrender to the Royal
Dutch. They did not agree that the exploitation of oil in Jambi could not be done by the government if it did not include private capital. Most of the Dutch Parliament members also believed that the government ought to be able to manage oil field in Jambi, started from taking the oil from soil until transported it to the coast. If it was necessary, they could employ skilled workers from Austria and Germany. A greater role of the government was also expected to avoid more fierce competition between Royal Dutch and Standard Oil that both wanted the oil fields in Jambi. They believed that the signing of a contract with one of those companies would increase the tensions and conflicts of an international nature. This attitude became an indication that some parliament members wanted to decrease tensions with the U.S. Government that wanted equality of opportunity, especially in getting the oil field concession in Jambi. Conversely, those who rejected considered that the role of the state demanded greater responsibility and greater capital with a greater risk of loss. If the private sector was given more roles, the state’s loss would be little if the oil exploitation did not get the expected results. In addition, the government would find difficulties to raise much capital for the oil exploitation in Jambi if they did not involve private capital.

The Dutch Parliament now faced a dilemma, not only because there was a difference of opinion between the two groups that supported and rejected the bill but also because previously the parliament had rejected the government proposal which had been introduced by the Minister of Colonial Affairs, Theodoor Pleyte in 1915. The rejection was also considered to propound the government to implement the plan to exploit Jambi oil though Parliament members also regretted that succeeding Ministers had not defined their attitude in this matter with greater promptitude. Although there was a government preference to BPM, there were also some member’s opinions who wanted to ask the government to offer Jambi oil concession to other companies that might be more beneficial for the government by an open tender.

The U.S. Government considered that the existence of difference opinion among the Dutch Parliament members was an opportunity to reopen the tender for Jambi oil concession.\textsuperscript{36} At least there were four points that the U.S. Government looked at the opportunity namely:\textsuperscript{37}


\textsuperscript{37} Letter of the U.S. Trade Commissioner, Coldwell S. Johnston, to the Director of Bureau of Foreign and Domestic Commerce, Dr. Roy S. Mac Elwes, The Hague, September 1920, The Roosevelt Center, Records of the Department
1. The bill had not been submitted to the opinion of Volksraad.
2. It was undesirable to increase of the Royal Dutch's influence in the Dutch Indies.
3. The bill meant the surrender of Jambi's oil to the Royal Dutch.
4. It was worried that the competition between Standard Oil and Royal Dutch would bring international conflict and would put The Netherlands in a difficult position to support involved parties.

Although there was still a possibility that the Dutch government would change the bill of oil concessions in Jambi, for the U.S. Government, a change of the bill would mean nothing for American oil interest if the Dutch government still applied the policies that are considered to restrict foreign capital. Conversely the U.S. firm attitude by implementing the Public Land Lease Act to the Dutch capital did not change the Dutch government policy to foreign capital that wanted to invest in the Dutch Indies. The Dutch Secretary General, Christiaan Snouck Hurgronje, reaffirmed that the Dutch government did not discriminate against foreign capital. Snouck argued that the absence of American capital in Jambi oil concession reflected a lack of interest in obtaining and exploiting petroleum concessions in the Dutch Indies.\(^3\)

In fact NKPM obtained two concessions in October 1919, one concession on January 3, 1920 and petroleum, gas and coal concessions on September 4, 1920. Thus, NKPM obtained those concessions after the law was amended. The Dutch government applied the new provisions to the concessions that NKPM obtained that under the amended law section 28-2A, the discovery of petroleum does not give a right to obtain a concession to exploit.\(^3\) NKPM had to follow the regulation and still had to submit a further application if they wanted to get permission to exploit.

Standard Oil New Jersey, through NKPM, was not the only American oil company that wanted to obtain oil concessions in Jambi. Another American company that tried to obtain it was Sinclair Consolidated Oil Corporation. The talks to make a cooperation that would involve American and Dutch companies were conducted in London by Mr. Sinclair of Sinclair

---


\(^3\) See: *Indische Mijnwet*Article 28-2a, Dienst van den Mijnbouw, *Tekst van de Indische Mijnwet* (Staatsblad 1899 No. 214 gewijzigd en aangevuld bij de Staatsbladen 1910 No. 588 en 1919 No. 4) en van de Mijnordonnantie (Staatsblad 1906 No. 434 gewijzigd en aangevuld bij de opblz. 21 vermelde Staatsbladen), Weltevreden, Landsdrukkerij, 1924, p. 11.
Consolidated Oil Corporation and Mr. Colijn of BPM. Although those talks could not be considered unsuccessful, they did not generate what both parties expected.\textsuperscript{40}

Meanwhile Standard Oil New Jersey continued to press for the Jambi oil concession. The president of Standard Oil New Jersey, Walter C. Teagle, informed the Secretary of State that the company had made a proposal to make a deal with the Dutch government similar to the one BPM had done with the Dutch Government.\textsuperscript{41} He requested the State Department to facilitate these efforts. Standard Oil New Jersey assumed that their effort this time was very important so that they sent the company vice president, F. D. Asche, and coordinated with the State Department and U.S. diplomats in The Hague. The Secretary of State asked William Phillips to facilitate Standard Oil in making a representation to the Dutch Government. The State Department also coordinated with other government agencies related to Standard Oil efforts to negotiate with the Dutch government including the Department of Commerce.

The Vice President of Standard Oil New Jersey arrived at The Hague on April 22, 1921, and submitted his company’s proposal to the Dutch government. The proposal was then discussed in the Lower House.\textsuperscript{42} Standard Oil demanded that the Jambi oil concession would be granted fairly to BPM and Standard Oil through NKPM. However, just like Sinclair Company’s efforts, Standard Oil’s request to get a portion in Jambi oil concessions by negotiating directly with the Dutch government, as well as BPM, was not approved by the Dutch Parliament. The Lower House that conducted a voting on April 29, 1921, did not approve an amendment of the bill to divide the Jambi oil concession between BPM and Standard Oil Company by 49 – 30. The failure of Standard Oil obviously would affect the U.S. and The Netherlands relationship. But according to Jonkheer Treud of the Liberale Staatspartij, The Netherlands was not afraid of the "threats" expressed by the U.S. Government.\textsuperscript{43} On the other hand, according to Phillips, the Vice


\textsuperscript{42} “Standard Oil Seeks Opening in Sumatra”, \textit{The New York Times}, April 28, 1921.

President of Standard Oil, F. D. Asche, also contributed to the failure. Asche should have remained at The Hague, rather than having left the country somewhat prematurely.44

American public and the U.S. Government responded the failure of the Standard Oil to obtain oil concessions in Jambi by a voting in the Lower House. The vote ratio in The Lower House actually showed a strong support from members of the Dutch Parliament to the American policy of reciprocity so that retaliation from the United States government possibly would get support from Dutch public. However to implement the policy, the U.S. Government could not take back the concessions which had already been granted to foreign capitalists especially in California and other Western States. In one of Congress sessions, there was opinion to give the president an authority to apply embargo to bring to the terms Governments refusing reciprocity.45 However when the oil production outside the United States increased, the embargo policy would only encourage other countries, especially the British, were increasingly independent from American oil. At that time, the most reasonable policy was to encourage the U.S. Government to support American oil companies to acquire oil potential concession in other countries.

In the Dutch Indies a greater role of the Dutch government that reflected on the bill of Jambi oil concession and other efforts to nationalize oil companies would provide benefits for workers.46 The colonial government believed that big plantations and mining industry would be the foundation for the prosperity of indigenous people.47 The government hoped that their participation in Jambi oil concession could improve the welfare of workers who would be involved in the exploitation of oil in Jambi through policies that could be negotiated with BPM including the wages of workers and other facilities. The government itself had strong reason to choose BPM to become their partner to exploit oil fields in Jambi because Royal Dutch/Shell, as BPM holding company, had bigger network and market control than NKPM did in the Dutch Indies.48 In this way the government could contribute to set the price of oil products that BPM sold in the Dutch Indies.

The bill, which was approved by the Lower House, subsequently would be discussed by the Upper House. The U.S. Government still hoped that the bill which passed by the Lower House

would be revised in such a manner that American capital could participate in the development of the Jambi oil fields. Through William Phillips, the U.S. Government sent a note to the Dutch government. The note was in the nature of a protest against the granting of Jambi oil concession to BPM. According to the U.S. Government it was a form of monopoly of oil industry in the Dutch Indies.

To obtain some inputs before deciding the bill, the Upper House appointed a commission to investigate the bill. According to the commission report, opposition to final adoption was weak. This was a strong indication that the Upper House would pass the bill to become a law. Although in general the commission supported to continue further communication with the American Minister, some members urged that the Dutch national honor would not let the U.S. objection that tried to intervene the Dutch legislation. They even wanted the Dutch government close the possibility of the influx of American capital.

When the Upper House finally decided on the bill about the Jambi oil concession, opinion was divided. The Dutch government considered that the U.S. Government's efforts in requesting equality of opportunity in Jambi oil concession were too late. The opposition groups criticized the policy of the Minister of Colonial Affairs, who supported capitalists group while the former Dutch Minister in Washington, J. T. Cremer, made a speech defending the bill. And during the annual meeting of the Royal Dutch Company, the chief executive, Sir Henri Deterding, declared that Royal Dutch was not opposed to the U.S. Government but to Standard Oil policy. Indirectly, he criticized that the company tried to obtain its aims by recourse to the U.S. Government. In the United States, criticism against the Dutch government and parliament increased. Senator Embden attacked the Dutch government and stated that the bill was not an application of the open door policy but a sudden protectionism.

The riddle whether the Upper House would pass the bill was finally answered on June 30, 1921. The Voting that was conducted by the Upper House showed 27-8 to approve the bill that

---

previously had been passed by the Lower House.\textsuperscript{52} The bill of Jambi oil concession officially became a law and at once gave BPM the most valuable oil concession in the Dutch Indies. The decision of the Upper House was followed by the issuance of the new regulations for the prospecting for, and mining of, minerals under the Dutch Indies Mining Law, effective July 1, 1921.\textsuperscript{53}

The Upper House decision indicated that until 1921 The Netherlands did not have political and economic dependence on the United States. The firmness of the Dutch government attitude which was shown through the \textit{Indische Mijnwet} showed that the Dutch government fully controlled the Dutch Indies including determining the ownership of natural resources that existed in indirect controlled areas. The firmness of the Dutch government policy related to the application of the \textit{Indische Mijnwet} was possible to be taken because regional security issue that could threaten the Dutch Indies security had not been the government concern.

On the other hand the U.S. Government's commitment to support NKPM to obtain oil concessions in the Dutch Indies showed one of U.S. Government policy applications to secure American oil needs by obtaining oil concessions overseas after World War I. The U.S. Government turned their attention to Jambi oil concession because in addition to oil sources in the Middle East, Jambi was the most potential area after Standard Oil failed to obtain oil concessions in Iraq. The failure to obtain oil concessions in Jambi showed that American oil diplomacy in the Dutch Indies had not been effective because the U.S. Government had not involved other factors to make the Dutch government consider the U.S. Government's desire to acquire oil concessions in the region.

\textit{5. Oil and Political Rivalry Between The United States and The British}

In addition to economic factors from the perspective of oil company competition, the U.S. Government considered that the difficulties of American oil companies to invest in the Dutch Indies had correlation with political issues. According to the Secretary of Interior, Albert Fall,


\textsuperscript{53} Regeling, ingaande 1 Juli 1921, metbetrekking tot de opsporing en ontginning van de in artikel 1 der Indische Mijnwet (Nederlandsch Staatsblad 1899 no. 124, j. 1910, no. 293 en 1918, no. 466) vermelde delfstoffen, ’s Gravenhage, Algemeene Landsdrukkerij, 1921.
another economic and political power that also interested in the Dutch Indies oil was British capital. According to him, after World War I, the British government had deliberately pursued a policy of obtaining governmental control of all the great oil companies in which British subjects had been interested.\textsuperscript{54} Fall opinion referred to the experience of some American oil companies that found difficulties to obtain oil concessions especially in the British mandate areas while at the same time, the British oil companies tried to monopolize the oil trade in Asia.

The proximity of the British and the Dutch government indicated that British interest had been represented through British capital in Royal Dutch/Shell. In other words, the competition between the British and the United States indirectly reflected on the rivalry between the Royal Dutch/Shell and Standard Oil. After World War I the British government sought to prevent the expansion of American oil companies in the Middle East, especially in Mesopotamia which became a mandates. The British authority in mandate area simplified the British oil companies to invest their capital especially The Shell Transport and Trading Company.\textsuperscript{55}

Similar to what happened in the Dutch Indies, political control over an oil-rich regional so provided economic benefits to the British because all companies that wanted to operate in mandate area would have to pay taxes or other duties for the concessions that they obtained. In addition, the control over mandate area also authorized the British to choose which companies to exploit oil fields or to reject the presence of other economic power in the area. Politically, Britain prevented the presence of foreign investment by arguing that the local administration had not been formed in Mesopotamia.\textsuperscript{56} Related to difficulties of American oil companies to participate in Jambi oil concession, the U.S. Government opined that British influence was behind the Dutch government attitude. According to William Phillips, it was very possible that BPM was controlled by the Royal Dutch from London.\textsuperscript{57}

\textsuperscript{54} “Dutch Bar U.S. From Indies Oil; May Retaliate”, \textit{Chicago Daily Tribune}, April 30, 1921.
\textsuperscript{56} According to the British ambassador in Washington, Sir Aukland Geddes, oil production in all regions of the British Empire did not reach 5\% of world oil production so the British oil needs had to be obtained from other countries. For that reason, the British government supported any British oil company's efforts to expand their business to other areas, especially in the Middle East after World War I. See: "Giant Struggle for Control of the World's Oil Supply", \textit{The New York Times}, June27, 1920.
The connection between BPM and the British government lies on Henri Deterding figure. Deterding efforts in providing oil especially in producing benzol during World War I for the British was one indication of the proximity of Deterding with the British government. On the other hand BPM high rank officers had a very close relationship with the Dutch government. Two of these connections are an important factor that directs the Dutch government policy to prevent the entry of U.S. capital in the Dutch Indies oil industry. Through BPM that included Marcus Samuel, the British government affected BPM various policies including taking advantage from the proximity of the company officers with the Dutch government to generate policies as set out in the *Indische Mijnwet*.

With the exception of Mexico and a small area in South America around the foot of the Andes Mountains, the entire region of the world contained oil had been blocked by the British to prevent the entry of U.S. interests. According to a study conducted by the U.S. Geological Survey, the United States had oil stock as much as 7 billion barrels while oil reserves that existed outside the United States were 53 billion barrels. If it was calculated, the average of U.S. oil needs and oil demand outside the United States at that time, the U.S. oil stocks would run out within 15 years while oil stocks outside the United States would run out in 250 years. It meant the United States would be heavily dependent on overseas oil stocks in the near future and on the countries that controlled oil outside the United States, especially Great Britain. According to the U.S. Secretary of State, Frank A. Folk, the general policy of the British government was to try to exclude foreigners from the control over the oil wells of the British Empire and at the same time trying to gain control over oil wells in other countries. In addition to preventing the entry of foreign powers into their colonies and protectorate areas, the British policy also led to direct state participation in capital procurement and management of oil industry. This policy was similar to what the Dutch government applied through the *Indische Mijnwet* in the Dutch Indies.

Following the failure of Standard Oil to obtain oil concessions in Jambi, the U.S. Government also included the British political influence as one of the factors which caused the failure. In a report of the U.S. Department of State to Senate, the British was mentioned as a power that applied rigid restrictions against all foreign capital that wanted to obtain oil concessions in the British colonies or mandate areas. The relationship between the British and The Netherlands through the Royal Dutch/Shell as Standard Oil competitor was relations

---

58 “Shows Oil Fields Shut To Americans”, *The New York Times*, May 18, 1921.
between the UK and The Netherlands through the Royal Dutch/Shell as Standard Oil rival was the reason why the British factor was mentioned in the report.

6. Conclusion

U.S. oil industry may regret when they remember the early development of the Royal Dutch Company. The regret is related to the difficulties they faced to get oil concessions in the Dutch Indies given that the Royal Dutch Company developed rapidly due to science and technology that they learned from U.S. oil companies. Royal Dutch that successfully passed the critical period under the leadership of Jean Baptiste August Keller later developed to become one of strong challengers for the Standard Oil Company and had a business network and strong relationship with the Dutch colonial government high rank officers.

Regardless of management improvement and expansion undertaken by the Royal Dutch, Standard Oil fallacy which assumed that the United States will be the only oil producer for many years after the discovery of oil in Titusville and which was followed by the oil discoveries in other regions, is one of the causes that delayed Standard Oil overseas expansion. This delay was used by Royal Dutch and other oil companies to take over potential oil fields in the Dutch Indies, Romania, Russia and Middle East. With the number of production that kept increasing from those regions, Standard Oil could not monopoly oil price any longer due to too much oil in the world market. This situation forced Standard Oil to increase their efforts to get oil abroad in the midst of American fear of oil production decrease in United States. However, Standard Oil efforts to obtain oil abroad were too late so to speak along with the development of world politics after World War I. Both strong and weak countries politically and military tried to secure their oil rich territories and colonies. Industrialization in developed countries that needed oil as a primary energy source increasingly brought to the parties who control the oil rich regions to improve their bargaining position in the world economic and political competition. At this point the Standard Oil was no longer able to “walk alone” namely when the oil issue has reached the level of national interest.

It can be said that the powerlessness of Standard Oil to invest much more their capital in the Dutch Indies was at the same time with the rise of the U.S. Government's concerns about the lack of oil reserves. However the economic and political situation of the world had changed. The
U.S. Government that wanted equality for all companies that wanted to operate in the Dutch Indies not only faced Dutch government as a political opponent. Essentially the U.S. Government also faced economic power namely the Royal Dutch/Shell as an economic opponent.

On the other hand the Dutch government realized that the oil reserves were very large in the Dutch Indies. The Dutch government measures that delayed granting oil concessions in Jambi to the private sector was the first in the world where a country wanted to maintain its vast oil reserves for the benefit of its people, though it was only an official statement of the government. At this point the political and economic interests met. The Dutch government attempts to hinder foreign investment to exploit the oil can be seen from both sides.

Economically, the oil would bring much revenue for the state, however on the other hand the entry of foreign capital invited concerns about foreign political powers to the Dutch Indies. The case of Mexican oil fields where the United States military intervention went to protect American oil company assets was almost impossible to take place in the Dutch Indies. However as long as the desire for the United States had not been accommodated, the relationship between The Netherlands and the United States might not work as previously. After all the Dutch efforts to keep control over the Dutch Indies oil sources through the application of the Indische Mijnwet were the right policy to prevent foreign economic or political intervention. At this point the Dutch government's desire to play a greater role in the management of the oil industry in the Dutch Indies is very relevant to the restrictions on private roles, especially foreign companies.

The Dutch government's efforts to amend some articles in the Indische Mijnwet indicate a strong political interest to protect the oil-rich areas of their colony. The reduction of the concession duration from seventy five years to forty years is a good example. It kept companies out of the market and ensured political control. Sure, this ran counter to the professed policy of liberal trade and commercial interaction. Jambi oil concession case shows that oil became an exception of the Dutch open door policy. The Netherlands welcomed U.S. capital, especially in the plantation sector. However the ease to invest their capitals was not obtained by American companies when they tried to get potential oil concessions in the Dutch Indies. In addition to the interests of Dutch investors and the Dutch British oil lobby, the British government's global strategy to prevent the entry of American capital in the Dutch oil industry was one of the
important factors that were not anticipated by the U.S. Government until they really realized it at the beginning of the 1920 decade.
### Table 2: Application for Concession of the NKPM

<table>
<thead>
<tr>
<th>Residency Palembang</th>
<th>Concession Granted</th>
<th>Oil H.A.</th>
<th>Oil &amp; Gases H.A.</th>
<th>Gases H.A.</th>
<th>Coal H.A.</th>
<th>Coal &amp; Oil H.A.</th>
<th>Total H.A.</th>
</tr>
</thead>
<tbody>
<tr>
<td>M.C. Soengei Bakoel</td>
<td>3975 9822</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3975 9822</td>
</tr>
<tr>
<td>M.C. Redan</td>
<td>3300 8064</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3300 8154</td>
</tr>
<tr>
<td>M.C. Kloeempang</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>M.C. Talang Akar (G#49)</td>
<td>2461 6081</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2461 6081</td>
</tr>
<tr>
<td>M.C. Mambang</td>
<td>703 1737</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>703 1737</td>
</tr>
<tr>
<td>M.C. KajoeAro (not yet applied for)</td>
<td>3709 9065</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3709 9165</td>
</tr>
</tbody>
</table>

**Remarks:**

1) These concession lap the Koetei IV concession
2) This concession lap the Koetei VII concession
3) This concession lap the Koetei VIII concession

M.C. means Mining Concession

**Source:** The Roosevelt Center, *Records of the Department of State Relating to International Affairs of the Netherlands 1910-1929*. Roll 38, M.682. Netherlands (East) Indies (Netherlands India).856, d.63-856.d.6363/869
CHAPTER FIVE

AMERICAN POLITICAL EFFORTS FOR OIL POLICY RECIPROCITY WITH THE DUTCH GOVERNMENT
1922 - 1928

Introduction

This chapter describes the efforts of the U.S. Government to retaliate against the attitude of the Dutch government that considered excluding American capital, in particular American capital relating to the case of Jambi oil concession. The U.S. Government undertook practical policies that were expected to immediately negatively impact the Dutch companies that wanted to invest their capital in the United States. The policies were also expected to change the policy of the Dutch government that was deemed to deliberately discriminate against American oil companies and their interests in the Dutch Indies. However, until 1926 both American oil companies and the U.S. Government had not managed to change the Dutch government’s attitude towards the implementation of the Dutch Indies Mining Act that compounded foreign oil companies to obtain potential oil concessions in the Dutch Indies.

1. The International Oil Trade After World War I

The role and strategic position of oil as the most important energy source in the world both before and during World War I continued after the end of the war. As the most important energy source in the world the race for new sources of oil, and control over those oil sources, was increasingly contested by the industrialized countries. Even before the end of the war, major industrial countries had made several agreements to divide the world's oil sources, especially in the areas that previously were part of the Ottoman Empire, in particular the area of Mesopotamia and Syria. These two areas were the areas that were included in the Sykes-Picot Agreement.¹ In

¹ The Sykes-Picot Agreement was a secret agreement between the British and the French governments. The British government was represented by Sir Mark Sykes and the French government was represented by Georges Picot. The agreement was ratified in 1916 and it was to define both government spheres of influence in Western Asia after the expected down fall of the Ottoman Empire during World War I with the assent of Russian Empire. The agreement
addition the British government also made an agreement with local leaders in the Arabian Peninsula and encouraged them to get their independence from the Ottoman Empire. Later, some Arab territories that declared themselves independent at the instigation of the British became the largest oil-producing countries in the Middle East including Saudi Arabia and Kuwait as well as smaller countries around the Persian Gulf.

Map 2: The Collapse of the Ottoman Empire 1912-1923

Along with the geopolitical changes, another consequence of World War I was the leadership changes in oil-producing regions of the world. In addition to the areas previously controlled by the Ottoman Empire, other areas that were important to note were oil-producing ones in Russia which were situated along the northern and northeastern coast of the Black Sea and the Caspian Sea. Before World War I, those areas produced 15 percent of the world's total production of petroleum. As one of the effects of World War I and the Bolshevik Revolution oil

was designed to divide the large territory which at that time was still controlled by the Ottoman Empire. The territory covered Syria, Iraq, Lebanon, and Palestine. James Stuart Olson (Ed), *Historical Dictionary of the British Empires Volume 2*, Westport, Greenwood Publishing Group, 1996, p.1077.
production in the regions decreased by as much as 50 percent between 1916 and 1921. However, the oil-producing sources in the areas remained of great interest to the big oil companies after a relatively stable political situation at the end of the war. Before the Bolshevik Revolution in 1917, the British and the Dutch through the Royal Dutch/Shell and their subsidiary, Bibi-Eibat Oil Company, controlled 40 percent of oil production in the areas.\footnote{Apart from the British and Dutch oil companies, other foreign oil companies that also operated in the area came from France, Italy and Belgium. Before World War I the German company also operated in the area while the Swedish capital was represented by the Nobel brothers that had operated in the Baku district since 1879. Robert W. Tolf, \textit{The Russian Rockefellers: The Saga of the Nobel Family and the Russian Oil Industry}, Stanford, Hoover Press, 1976, p. 74.} At the end of World War I, those oil-rich areas were controlled by the communist Soviet Government so that some major oil companies that previously operated in the areas had to renegotiate with the communist government to continue their business or at least to try to save their assets.

On the other hand, the oil needs of the United States increased and encouraged the U.S. Government and American oil companies to acquire oil concessions abroad. When World War I ended, industrialized countries and global oil companies competed for oil concessions and tried to secure their overseas production territories. On the other hand, American oil companies could be said to have been too late to compete for oil concessions outside the United States. It was due to at least two factors. First, until the first decade of the 20\textsuperscript{th} century, American oil companies assumed that the United States would become the world's oil producer for the long term due to the large discoveries of oil resources in the United States in the mid-19\textsuperscript{th} until the early 20\textsuperscript{th} century. It made American oil companies rely on American oil to trade overseas.\footnote{At the end of World War I Royal Dutch/Shell sought to regain their assets in the oil fields in southern Russia especially in Baku. On the other hand, the Standard Oil Company New Jersey, which previously did not prioritize control of new oil sources, began to realize the importance of it. Although Standard Oil was a marketing company, they feared that oil shortages would get worse and finally would influence their business. Moreover, later they knew that the Royal Dutch/Shell had planned a strategy to build up a global diversified source of crude around the world. This situation made Standard Oil change their policies and they became determined to be in every producing area no matter in what country they were situated. Daniel Yergin, \textit{The Prize: The Epic Quest for Oil, Money, and Power}, New York, Touchstone, 1992, p. 199.} Conversely, other oil companies had started to find oil sources and had tried to obtain oil concessions overseas with or without their government’s support. The lack of oil in their countries meant that their efforts to get oil concessions overseas were conducted earlier than the American oil companies did. The British and French oil companies obtained their new oil areas with their governments’ support that had obtained some mandate territories in Mesopotamia and Syria after World War I. When American oil companies began their efforts to obtain oil concessions in
regions that contained large oil deposits especially in the Dutch Indies, Middle East, and South Russia, most of those regions had been protected by local governments or mandate administrations that gave priority to their national oil companies when it came to granting oil concessions. In addition oil companies that became American oil company rivals also approached local rulers to prevent American capital influx. In Russian oil areas, American oil companies only first showed their interest in investing capital in 1919 when Standard Oil New Jersey conducted negotiations to buy shares of the Nobel’s.\(^4\)

The second factor is the attitude of the U.S. Government that was too late to support American oil companies’ attempts to obtain oil concessions abroad. The tardiness of the U.S. Government to support American oil companies abroad was also caused by domestic situation that was not conducive to business sector during the progressive era such as the lack of the federal government's role to run regulation of the economy. In addition there was also disinterest on the part of business leaders and distrust of the federal government. The real support was only given by the U.S. Government to maintain the business continuance of American oil companies in Mexico. The support was also due to how close the Mexican oil fields were geographically to the United States so that the U.S. Government could provide both political and military support. Practically until 1921, American oil sources abroad were only in Mexico and Romania. American oil companies had not got involved in the fierce competition in both Asia and Europe for oil concessions. Instead the American oil companies mainly dealt with other major oil companies and some governments that were able to make the final decisions regarding the oil concessions in their territories.

Competition to acquire oil concessions outside the United States was getting more intense with the outbreak of World War I and the Bolshevik Revolution in Russia. The lessening of world oil supply due to the war and the takeover of the oil rich areas in Southern Russia by the Soviet government made some countries bring their national oil policies to the forefront of international affairs. At this point Congress became more and more skeptical of the executive, whose internationalism did not go down well with the majority of the American public.\(^5\) While


\(^5\) President Woodrow Wilson believed in the existence of an organization that could resolve issues around the table, rather than through warfare, as described in Wilson's 14 Peace Points. The British and French, as the victorious side in World War I, did not agree with Wilson's points mainly because the points encouraged all nations in the world to strive for self-determination. It contradicted with the desire of the two countries after World War I as both of them had the opportunity to expand their hegemony and control over the former colonies of Germany and the former
other countries attempted to meet their oil needs through international lobbies, the U.S. Government faced criticism against Wilson’s international agenda. At the same time President Woodrow Wilson opposed the plans to divide the former Ottoman territories and the former German colonies between the victorious allies of World War I, the British and the French. When Royal Dutch/Shell sought to regain their assets in Russia and had the chance to obtain oil concessions from the Soviet government with British support, the attempts of Standard Oil to get access to the oil-rich region in the Middle East, especially in the area of the British mandate of Palestine, failed. Thus the efforts of the major oil companies to restore the oil markets and oil production to the levels they had achieved before World War I depended on political changes and developments in each of the oil source regions.

2. The American-Dutch Relationship: Strain and Retaliation

In general the relationship between The Netherlands and the United States throughout the decade of 1920 was very good. However there were two matters that were strained the relationship between the two countries during the decade, namely the ill feeling which was engendered by what The Netherlands considered to have been an arbitrary action by the Americans who seized certain Dutch ships during the war period, and the Jambi oil concession. The latter problem not only influenced the two countries relationship but also could be associated with the general


6 In general, the Arabs who were previously governed by the Ottoman Turks wanted to liberate themselves, especially after the defeat of the Central Powers in World War I. However the British and French did not believe that they should be independent, while in the United States Wilson’s 14 Points encouraged every nation to determine their own destiny. The ideas of freedom could not be separated from the efforts of the United States that wanted free trade in the world. In spite of returning to a neutral stance after World War I, the United States kept trying to safeguard their interests abroad including their oil interests. This was reflected in Wilson’s 14 Points that called for freedom on the sea. It meant that Wilson encouraged the existence of free trade or capitalism due to his concern that a change in the political situation might affect free trade as in the case of the Bolshevik Revolution. Keene, Jennifer D., World War I, Westport, Greenwood Press, 2006, p. 26.

7 The regions of Baku and Batum were oil rich regions and had been producing oil in large numbers since the mid-19th century. Before the outbreak of World War I, several foreign companies including Royal Dutch/Shell had oil concessions in those regions. When the regions were under the control of the Soviets after the war, several major oil companies met in Paris and decided upon a common policy toward the Soviets. The oil companies representatives fixed three principles as follows: ‘First, neither to accept nor demand any concessions on land belonging to other proprietors; second, to exact equal treatment of Russians and foreigners; third, former reserve of oil-bearing lands of Russian crown not to be made the subject of separate demands and not to be exploited except after concerted program has been decided upon in advance’ See: “Oil Companies Agree on Russian Policy”, Wall Street Journal, October 5, 1922.
situation in the Dutch Indies with regards to the possibility of a Japanese attack. The Jambi oil concession increasingly indicated the abundance of oil in the Dutch Indies, something that the two biggest oil companies in the world were desperate to exploit.

The situation after Bataafsche Petroleum Maatschappij (BPM) was decided as the company that gained the Jambi oil concession was very different to what previously The Netherlands had expected from the U.S. presence in the Philippines. The U.S. military presence in the Philippines in 1898 decreased the threat of Japanese aggression. However when the Jambi oil concession disrupted the relationship between The Netherlands and the United States, the fear of Japanese aggression reemerged. In addition to external threats, internal matters, in particular the financial situation of the Dutch colonial government also faced some difficulties. In 1921 the Dutch colonial government’s debt reached almost 700 million guilders while expected financial income was less than the government's budget. The financial difficulties had an impact on the ability of the government to increase government employees’ salaries. At the same time the government was also facing a shortage of employees or Ambtenaar, both European and native. The government budget in 1922 reached 924 million guilders, while the revenue for 1922 was only estimated to reach 734 million guilders. This situation forced the Dutch colonial government to find a way to increase the state's revenue. The mining sector, especially oil mining, could be relied on to increase income. It might also be one of the factors why the Dutch and the Dutch colonial government sacrificed somewhat their good relations with the United States over the Jambi oil concession despite the reemerging threat of Japanese aggression.

---

8 The Netherlands realized that Japan desperately needed oil to run their industries and Navy. Just like American oil companies, Japanese oil companies were also very active in their attempts to gain oil concessions in the Dutch Indies. Between 1920 and 1921 the Japanese oil tankers increased their capacities from twenty thousand to thirty thousand tons. With the increase of capacity, the tankers could transport much more crude oil from ports in eastern Borneo. In addition to oil concessions, Japan also sought to acquire iron ore and coal concessions in the Dutch Indies, although by 1921 they had not yet been successful. See: Report of American Consul, Henry P. Starret, about the general political situation in Netherlands India, Batavia, November 18, 1921. The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929. M.682. Roll 28. 856d.00/2-57.

9 Voorlopig Verslag Over Wetsontwerp, Handelingen der StatenGeneraal, VoorlopigVerslag de Commissie van Rapporteursover de ontwerpen van wet tot vaststelling der begrooting van Nederlandsch Indie voorhetdienstjaar 1921 en overhetontwerp van wet tot wijziging en verhooging der begrooting van uitgaven van Nederlandsch Indie voorhetdienstjaar 1921 ten behoeve van aanleg en uitbreiding van spoor en tramwegen in de Preanger-Regentschappen, ARA, Handelingen van der StatenGeneraal 1814-1940, Inv. 2.02.21.01, Inv.nr. 518. Februari 2, 1921, p. 241.

On the other hand, the United States’ self-esteem that emerged as one of world’s powers outside of Europe was at stake in Jambi oil concession case. The political and economic rivalry with the British, which was reflected in the rivalry between the Royal Dutch/Shell and Standard Oil Company of New Jersey, had to be won in order to maintain the authority of the country. It was undertaken strictly through the application of the Public Land Lease Act. The U.S. political retaliation, which began in 1922, related to restrictions on Dutch companies operating in the United States, which coincided with the commencement of oil exploitation in Jambi by NIAM (Nederlandsche Indische Aardolie Maatschappij). The Secretary of the Interior, Albert Fall, rejected the application by Shell to obtain a lease on public lands at Woodside Dome in Utah by reason that American companies did not have the same opportunity as Dutch companies in the Dutch colonies. However he allowed a reprieve of sixty days for the filing of definite and positive evidence that the British and Dutch governments had extended equal privileges to the Americans. Eventually Shell withdrew its application. Fall’s assertiveness was even evident on his last day in office when he refused three leases on Creek and Cherokee Indian Lands in Oklahoma to the second Shell subsidiary in the United States, the Roxana Petroleum. His successor, Hubert Work, did not take such a hard line and ruled that the provisions of the Public Leasing Act did not apply to Indian territories.11

For Royal Dutch/Shell the difficulties that they faced in the United States did not stop them expanding their business in other countries. The merger of the two companies in 1907 not only provided a strong capital but also allowed them to strategically develop their business and the joint company in order to overcome issues as one united company, issues that had previously been very difficult to overcome by the two separate companies. The key was that each company continued to focus on their respective fields. Both Royal Dutch and Shell even published their own annual reports. Two separate reports showed the ability of two different companies. Related to their competition with American oil companies in the United States, Shell concentrated their report on marketing in the United States, while Royal Dutch’s annual report focused on their efforts to obtain new sources of oil production.12 The solid cooperation between the two companies that both had a different expertise and experience provided a lot of success for

Business and production expansion, especially in the largest oil producing countries in the world; this was in conjunction with their political lobbying successes. In the oil-producing countries, with the United States, Russia, Mexico and the Dutch Indies being the major countries for oil production, Royal Dutch/Shell dominated production sources and was able to compete with other major oil companies, especially Standard Oil.

<table>
<thead>
<tr>
<th>Countries</th>
<th>1924</th>
<th>1925</th>
<th>1926</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>713,940,000</td>
<td>763,743,000</td>
<td>775,000,000</td>
</tr>
<tr>
<td>Mexico</td>
<td>139,497,000</td>
<td>115,515,000</td>
<td>90,551,000</td>
</tr>
<tr>
<td>Russia</td>
<td>45,312,000</td>
<td>52,448,000</td>
<td>62,000,000</td>
</tr>
<tr>
<td>Persia</td>
<td>32,373,000</td>
<td>35,038,000</td>
<td>35,400,000</td>
</tr>
<tr>
<td>Dutch Indies</td>
<td>20,473,000</td>
<td>21,422,000</td>
<td>21,700,000</td>
</tr>
<tr>
<td>Venezuela</td>
<td>9,006,525</td>
<td>20,912,600</td>
<td>37,226,019</td>
</tr>
<tr>
<td>India</td>
<td>8,150,000</td>
<td>8,000,000</td>
<td>8,000,000</td>
</tr>
<tr>
<td>Peru</td>
<td>7,924,700</td>
<td>9,138,042</td>
<td>10,750,676</td>
</tr>
<tr>
<td>Argentina</td>
<td>5,669,900</td>
<td>5,949,000</td>
<td>6,200,000</td>
</tr>
<tr>
<td>Poland</td>
<td>5,657,000</td>
<td>5,960,000</td>
<td>5,600,000</td>
</tr>
<tr>
<td>Sarawak</td>
<td>4,163,000</td>
<td>4,257,000</td>
<td>4,500,000</td>
</tr>
<tr>
<td>Trinidad</td>
<td>4,050,612</td>
<td>4,386,507</td>
<td>4,971,000</td>
</tr>
<tr>
<td>Japan</td>
<td>1,959,000</td>
<td>2,000,000</td>
<td>1,850,000</td>
</tr>
<tr>
<td>Egypt</td>
<td>1,122,000</td>
<td>1,226,000</td>
<td>1,250,000</td>
</tr>
<tr>
<td>Colombia</td>
<td>444,7444</td>
<td>1,006,708</td>
<td>6,443,540</td>
</tr>
<tr>
<td>Ecuador</td>
<td>70,000</td>
<td>143,000</td>
<td>350,000</td>
</tr>
<tr>
<td>Other Countries</td>
<td>1,241,000</td>
<td>1,403,000</td>
<td>1,720,000</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>1,024,356,481</strong></td>
<td><strong>1,069,193,857</strong></td>
<td><strong>1,097,012,235</strong></td>
</tr>
</tbody>
</table>

Table 3: World Oil Production (Barrels)

In Mexico, where American oil companies also had been operating, including the Gulf and Texas Oil Companies, Royal Dutch/Shell was able to increase their oil production. Since 1912 Shell Oil Company organized Corona Oil Company to work several oil properties surrounding the town of Panuco. In 1920 the company produced 4,266 million barrels and managed to increase oil production to 12,863 million barrels in 1921. In the Dutch Indies itself, the oil production of Royal Dutch/Shell increased to 2,295,538 barrels in 1921 compared with the

13 Brokaw, Albert D., “Oil”, Foreign Affairs, Vol. 6, No. 1 (Oct, 1927), pp. 89-105. The table shows that in general the oil-producing regions of the world in the mid-1920s were in non-industrial countries except in the United States, Russia and Japan. Conversely, industrialized countries needed oil as the energy to power their industrial machines. However they did not produce large amounts of oil. Japan itself still needed oil from other regions because their domestic oil production was not sufficient for industrial and military purposes. Ironically, the industrialized countries had strong military forces instead. This situation encouraged competition for oil for their industrial and military purposes and it could trigger another world war.

total production in 1920 of 2,284,136 barrels. The increase was due in part to the improvement in the methods of oil drilling and installation equipment used by the company, and the extension of pipelines and tank installation.

To be able to expand their business in the United States Royal Dutch/Shell had to apply different strategies following the issuance of the Land Lease Act in 1920 by the U.S. Government.\(^{15}\) With the increasing domestic oil demand and limited American oil production, Royal Dutch/Shell, which had been selling oil to the American domestic market since 1914, tried to expand their business by buying local oil companies. These purchases had a strategic value.\(^{16}\) The U.S. Government had listed The Netherlands as one of the non-reciprocating countries based on the Land Leasing Act of 1920. This meant that Royal Dutch/Shell had difficulties in obtaining oil concessions from the local county/state governments. However, indirectly the purchase of local oil companies’ shares was the Royal Dutch/Shell’s attempt to take the American oil market from American oil companies without having to obtain oil concessions from the U.S. Government.

The development of the Royal Dutch/Shell business in other countries did not change their strategic business position in the Dutch Indies. The company kept relying on Dutch Indies’ oil to sell in foreign markets. However in March 1923, BPM faced difficulties in the Dutch Indies as a result of the new tax policy of the colonial government.\(^{17}\) The company also had to solve problems related to the decrease in oil production. They sent a memorandum to the Minister of Colonial Affairs that they had to discontinue drilling activities in ten oil fields in the Dutch

\(^{15}\) BPM provided training for their engineers in the Dutch Indies before they were sent to other countries to work and start their careers. However after World War I, the United States became the final destination of their training before serving in other countries. Thus the United States became an important country not only to increase the company’s oil production but also to increase the quality of the company’s human resources. Jonker, Joost and Jan Luiten van Zanden, *From Challenger to Joint Industry Leader 1890-1939 A History of Royal Dutch*, Oxford, Oxford University Press, 2007, p.316.

\(^{16}\) One of Royal Dutch/Shell purchases was the Union Oil Corporation of Delaware. Shell established Shell Union Oil Corporation to take over the Union Oil Corporation of Delaware without much effort to get oil concessions. The company was capable of producing approximately 80,000 barrels of crude oil per day. See: “Shell-Union Oil Election: Sir Henri Deterding President and Royal Dutch Directors Named”, *New York Times*, November 10, 1922.

\(^{17}\) In addition to the new tax policy of the Dutch colonial government, in January 1923 Royal Dutch also had to return their two oil concessions located in the Residency of Rembang. The company returned those concessions, which had anyways not produced much oil. See: Report of American Consul in Batavia, Chas L. Hoover, about Petroleum Concession Production to the Secretary of State, Batavia, January 23, 1923. The Roosevelt Center, *Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929*. M.682. Roll 49. 856e.602-856e.6583.
Indies. This resulted in the reduction of European employees from 1,284 to 1,030. The company also stated that the company's candle plant was to be moved from Balikpapan to Shanghai. In addition to the colonial government tax policy issues, the removal was also due to production and transportation efficiencies. BPM found it difficult to get workers in the Dutch Indies. Conversely, in China, BPM could easily get workers and their oil products could be sold quickly as China was a promising market. In general, oil production in the Dutch Indies itself in 1923 experienced a slight decrease. If in 1922 the oil production in the Dutch Indies reached 2,382,398 tons, in 1923 it only reached 2,833,047 tons. The oil was obtained from oil fields that were located in Java, Madura, Sumatra, Borneo, and Ceram.

The existence of BPM itself began to be scrutinized by the Dutch Indies public. The public assumed that BPM always got what they wanted in the Dutch Indies. This opinion guided how big the BPM officials’ influence on colonial government policies with regards to the oil industry in the Dutch Indies was, and it indirectly indicated the existence of a special relationship between BPM and Dutch colonial government officers. There was a belief that if the public opinion kept developing in this direction, it would raise antipathy to the existence of BPM. To counteract this kind of public opinion, BPM tried to create the impression that they were over-burdened by taxation. It was hoped that this would discourage foreign investment in the petroleum resources of the Dutch Indies.

For the United States, the existence of a considerable public opposition in the Dutch Indies was something new considering the attitude of the majority of Volksraad members that strongly supported the Dutch and Dutch colonial government policy, especially in the case of Jambi oil concession.

In the midst of the public opposition in the Dutch Indies, BPM kept following up their geologists report about the existence of oil in the Dutch Indies. After successfully finding and obtaining oil concessions in various regions in the western part of the Dutch Indies, especially on the islands of Sumatra, Java and Borneo, Royal Dutch began to expand their exploration to the

---

eastern part of the Dutch Indies. In the eastern Dutch Indies, the discovery of oil in Sulawesi or Celebes Island was one of the most important discoveries. In Boengku and Mori, the Royal Dutch geologist found an area of 7500 hectares that was considered a promising area for oil deposits. Regional and soil characteristics that were expected to contain large oil reserves were similar to those in Borneo. No wonder that this similarity also produced other minerals such as coal. The natural resource in this region was mainly oil, something that the Royal Dutch geologist had predicted. The geologists of the Dutch government had conducted surveys in Boengku and Mori near Kilo Kola in September 1922. In addition to the discovery of oil, the BPM geologists and the government’s agents also conducted research in Dutch New Guinea. However, New Guinea did not contain any oil.

Another region in the eastern part of the Dutch Indies, which was known to contain oil reserves, was the Moluccas Islands. The efforts to exploit oil in this region actually began in 1897 in the Bula area by the Bula Oil Company. The company successfully drilled four oil wells in Bula. Between 1902-1905 the Royal Dutch Company also obtained a concession in Bula and managed to drill six oil wells, however despite the initial investment by Royal Dutch the company’s activities in Bula ceased in 1912. The Ceram Oil Syndicate continued Royal Dutch’s activities in Bula between 1912-1918, and from 1918 to 1942 BPM managed oil mining activities in the area. Under the management of BPM Bula became one of the oil mining centers in the eastern part of the Dutch Indies. BPM managed 102 oil wells, 62 of which produced enough oil for commercial purposes.

---

21 Report of American Consul in Batavia, Chas L. Hoover, about investigation of new field for petroleum to the Secretary of State, Batavia, February 19, 1924. The Roosevelt Center, Records of the Department of State Relating to International Affairs of the Netherlands 1910-1929, M.682. Roll 49, 856e.602-856e.6583.

22 Report of American Consul in Surabaya, Parker W. Buhrman, about petroleum concessions in the Island of Celebes to the Secretary of State, Surabaya, March 3, 1923. The Roosevelt Center, Records of the Department of State Relating to International Affairs of the Netherlands 1910-1929, M.682. Roll 54. 856h.6113/1-856i.796.

23 Both BPM and the Dutch colonial government previously had sent their investigators to Papua New Guinea in 1917. The Dutch colonial government sent again their engineer to the island and he returned to Batavia in January 1922. They concluded that Papua New Guinea did not contain oil. Based on this conclusion there was an indication that the colonial government would open some areas in Papua New Guinea as an open territory. Report of American Consul in Surabaya, Parker W. Buhrman, about Petroleum in New Guinea to the Secretary of State, Surabaya, March 21, 1923. The Roosevelt Center, Records of the Department of State Relating to International Affairs of the Netherlands 1910-1929, M.682. Roll 54. 856h.6113/1-856i.796.

24 Sampurnaatmadja, Jasjfi, et al, Bunga Rampai 100 Tahun Perminyakan Indonesia, Jakarta, Lemigas, 1985, p. 49. Another region of the Moluccas Islands, which was known to contain large oil reserves, was the eastern part of Ceram (Seram) Island. BPM obtained oil concessions in this area in 1922. However, the activities of BPM increased drastically in 1924. The company had 23 pumping wells with a total daily production of between 260 and 300 tons.
The increase of Dutch Indies oil production along with more oil sources discoveries in the eastern part of the Dutch Indies increased the rivalry between BPM and NKPM in the Dutch Indies. However, on the other hand, some commentators on Dutch newspapers thought that the Dutch colonial government's inability to maintain their territorial integrity was the reason to improve their relationship with the United States, which had a strong Navy. The press in the Dutch Indies highlighted this concern that to maintain neutrality, the colonial government needed a strong Navy.\textsuperscript{25} If the government could not improve their Navy to the level that they expected, they had to fight with the side of the stronger party. One of the efforts to improve the colonial government’s relationship with the United States was to provide opportunities for American companies to invest more of their capital, including improving their participation in the mining investment sector, especially following the disappointment of the United States over the Jambi oil concession. The large amount of American assets in the Dutch Indies would encourage the U.S. Navy’s arrival in the region to protect American interests in the Dutch Indies, and at the same time would keep the Dutch Indies from foreign aggression. This issue may have encouraged American companies that wanted to invest their capital in the Dutch Indies. They could benefit through public opinion and press support for oil concessions in the Dutch Indies.\textsuperscript{26}

Aside from trying to follow the latest developments of oil discovery in the Dutch Indies, the U.S. Government also sought to obtain detailed information about the fueling facilities at foreign ports. The Petroleum Division of the U.S. Department of Commerce had been working on

\textsuperscript{25} Until early 1922 the Dutch Indies Navy had 108 airplanes of all types while the Dutch Indies army only had 36 planes. The government planned to increase the number by buying more airplanes from Britain and other European countries. When the Japanese military spy activities increased, the Dutch colonial government moved their general headquarters from Batavia to the interior city of Bandung. The relocation was aimed at achieving a better defense position if suddenly the central government’s position was attacked by foreign powers. If the center of government was attacked by foreign powers, the city of Bandung was surrounded by natural defenses, which consisted of forests and mountains. Conversely, with an insufficient naval force and the opening of the Batavia area geographically from foreign attack, the Dutch colonial government would have difficulty to maintain the center of government. Report of American Consul in Batavia, Henry P. Starrett, about political situation in Netherlands India to the Secretary of State, Batavia, November 18, 1921. The Roosevelt Center, \textit{Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929}. M.682. Roll 28. 856d.00/2-57.

\textsuperscript{26} Report of American Consul in Surabaya, Parker W. Buhrman, about Petroleum in New Guinea to the Secretary of State, Surabaya, March 26, 1923. The Roosevelt Center, \textit{Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929}. M.682. Roll 54. 856h.6113/1-856i.796.
obtaining this information since 1920; however it was only reactivated in April 1923.27 Through the Petroleum Division, the U.S. Department of Commerce requested information from the United States Consuls who were in charge in Batavia, Surabaya, and Medan about whole sale and retail prices of fuel oil, gasoline and kerosene. Such information could support the U.S. Government by providing additional information regarding the oil trade and oil products in the entire world, something that the U.S. Government needed to support both American oil companies and American diplomatic efforts for their national oil interests.

3. American Challenges in Obtaining Oil Concessions in The Dutch Indies

Until mid-1923 it could be said that the U.S. Government's efforts to obtain oil concessions in the Dutch Indies did not produce any real progress. Information about the existence of new oil sources in the Dutch Indies was also relatively difficult to obtain from Dutch colonial government sources and BPM.28 In general the oil industry in the Dutch Indies was under Royal Dutch control and the officers of the company were prohibited from giving any information, even regarding the market price of their products. Thus until the middle of 1923 the U.S. Government could only observe and follow the development of the Dutch Indies oil industry without being able to make or undertake any political lobbying for the advancement of their interests in the region.29

28 One important piece of information that Hoover successfully obtained was the discovery of new oil fields in Palembang, South Sumatra. According to the report it was possible that the production would be about three-fourths as great as that of Jambi. Hoover got the information from an engineer who had conducted an investigation into the potential probability of oil in the Palembang field. The engineer also estimated the possible Sumatra oil production outside of the Aceh oil field as follows: Palembang; 695,431,585 barrels; Jambi; 841,000,000 barrels; other Sumatra (except Aceh); 364,921,000. Report of American Consul in Batavia, Chas L. Hoover to the Secretary of State about fueling facilities at Batavia, Batavia, August 17, 1923. The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929. M.682. Roll 45. 856d.801/1-856d.9251/2.
29 To understand the development of the oil industry in the Dutch Indies, the U.S. Consuls in the Dutch Indies, especially the new consuls, studied various publications and information furnished by NKPM that were compiled by the American Consul in Batavia, Henry P. Starret, about the past history of Royal Dutch and the Dutch government’s attitude toward the American government and oil companies efforts to participate in the Dutch Indies oil industry. See: Report of American Consul in Batavia, Chas L. Hoover, about Petroleum Industry in The Netherlands East Indies, to the Secretary of State, Batavia, July 12, 1923. The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929. M.682. Roll 49. 856e.602-856e.6583.
In addition to facing difficulties to obtain oil concessions, the efforts of American oil companies and the U.S. diplomats also faced challenges from the local press in the Dutch Indies. The press played an important role in discrediting American oil companies who were in competition with Dutch oil companies.\(^{30}\) The newspaper, namely *Soerabaya Handelsblad*, managed to produce negative sentiments and connotations about the American oil companies amongst the Dutch Indies population. In addition to newspapers, the existence of Standard Oil was also highlighted by several scientific publications such as *De Mijningenieur*.\(^{31}\) In edition seven in 1924, *De Mijningenieur* published an article entitled "*De Wereld-Petroleumtrusts*." It described the history of the oil discovery and the Standard Oil monopoly that was applied in the United States.

The existence of BPM in the Dutch Indies was a reminder to The American Vice Consul in Surabaya, Rollin R. Winslow, of the power of the American oil trusts, which were owned by the Standard Oil Company, before they were eventually prohibited along with the Sherman Anti-Trust application. The fundamental difference between BPM’s and Standard Oil’s position in each country was the attitude of the Dutch and the United States governments in understanding the monopoly which was imposed by Royal Dutch/Shell and Standard Oil. The U.S. Government dissolved the Standard Oil Trust because it used its monopoly to unfairly disadvantage the American oil industry by forcing smaller companies into bankruptcy while in the Dutch Indies the BPM monopoly was supported by the Dutch and the Dutch Indies governments as it was in line with the governments’ political aims. Due to the political benefits that BPM brought to the Dutch and Dutch Indies administrations legislation like the Sherman Anti-Trust Act was simply incomprehensible and unimaginable in the Dutch Indies.\(^{32}\)

---

\(^{30}\) The American Vice Consul in Surabaya, Rollin R. Winslow, informed the State Department that there was a rumor that one of the newspapers published in Surabaya, *Soerabaya Handelsblad*, was being used by BPM to regularly publish articles about oil scandals the American oil companies had been embroiled in. Report of American Vice Consul in Charge, Rollin R. Winslow, about “Freezing Out” American oil companies to the U.S. Secretary of State, Surabaya, March 10, 1924, The Roosevelt Center, *Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929*. M.682. Roll 49. 856e.602-856e.6583.


\(^{32}\) According to Mr. Ples, a Dutch businessman who had oil concessions in the Kutai area, Borneo, the Netherlands was a small country that allowed companies such as *Bataafsche Petroleum Maatschappij* (BPM), *Koninklijke Paketvaart Maatschappij* (KPM), *Nederlandsch Handel Maatschappij* (NHM, Netherlands Trading Association) and *Handelsvereeniging Amsterdam* to use their contacts and friends or relatives who worked for the government. Ples statement showed a connection and special lobby between these companies and the Dutch and Dutch colonial governments, especially when it came to receiving special treatment for their business interests in the Dutch Indies. See: Report of American Vice Consul in Charge, Rollin R. Winslow, about oil news and gossip to the U.S.
In addition to restrictions imposed on NKPM by the Dutch government, and the attention given to Standard Oil’s monopoly in the United States by the Dutch Indies pro-government newspapers, Royal Dutch as the oil company that competed directly with Standard Oil also kept monitoring the activities of NKPM. Concerns about the growing business of Standard Oil in the Dutch Indies even forced the senior Royal Dutch/Shell officer, Jean Baptiste August Kessler, to intervene directly. By reason of making a trip to conduct an inspection, Kessler visited the Dutch Indies in August 1924.\(^3\) Investigations, which were carried out by Kessler, were interested in seeing what new activities the Standard Oil Company of California was undertaking. The company had been sending researchers into various areas of the Dutch Indies to conduct research about the general conditions in each of the oil fields in the Dutch Indies.

During 1924-5 the Standard Oil Company of California conducted extensive geological surveys in various regions of the Dutch Indies namely Java, Madura and Borneo. Furthermore, the company’s geologist team conducted research in Northern Sumatra. Among all the areas that had been investigated, the geologist team was very interested in the Aceh region, with their most extensive surveys conducted in Sumatra. The company did not seek concessions and its work was merely confined to geological investigations. Thus the company had data related to which areas in the Dutch Indies actually had commercial oil deposits if at any time the Dutch colonial government opened up oil concessions.

Kessler’s concerns over the activities of the Standard Oil Company of California’s geologist team disappeared after all members of the team returned to the United States. It was possible that the company, perceiving little prospect of securing any concessions owing to the policy of the government, came to the conclusion that further surveys in the colony would be a wasted effort, and therefore decided to abandon the entire project. Moreover, the Dutch colonial government was known to have much more reliable information regarding the natural resources and potential exploitation opportunities in Aceh. Just like what Standard Oil of New Jersey experienced through NKPM, the Dutch colonial government would not have given the areas that had been known to contain oil deposits to companies other than BPM. NKPM bureaucratic

---

\(^3\) The U.S Consul in Batavia, Chas L. Hoover, accused that the real purpose of Kessler’s visit was to see first-hand what the representatives of the Standard Oil Company were doing in the Dutch Indies. Report of American Consul in Batavia, Chas L. Hoover, about visit to Netherlands India of an official of the Royal Dutch-Shell group to the U.S. Secretary of State, Batavia, August 19, 1924, The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929.M.682. Roll 49. 856.e.602-856e.6583.
efforts at central government level were also always fruitless because the final decision was in the hands of the governor general who had close ties with high-ranking officers of the Dutch oil companies.

In 1924 a slight change of sentiment on the part of the Dutch government appeared at the midst of the U.S. Government's efforts to gain a level playing field for American companies in the application process for concessions. NKPM managed to negotiate with the Dutch government and apply for a concession. This agreement had been referred to the Governor General. NKPM submitted a proposal to acquire oil concessions in some areas located in Palembang, Java (including Rembang) and Madura, an area as wide as 250,000 hectares or 617,720 acres. NKPM's application would then be discussed in the Volksraad for approval. However by mid-1926, the NKPM application had still not been discussed in the Volksraad.

4. The Dutch Indies Political Situation and Foreign Investment

In addition to the economic and trade issues related to oil discoveries and the development of the oil industry in the Dutch Indies, another issue that the U.S. Consul in the Dutch Indies was concerned about was the development of the political situation. The emergence of a native mass-movement that had a strong ideological base and which was represented by large organizations made Dutch businessmen concerned about possible threats to their companies. The emergence of Sarikat Dagang Islam (SDI) or the Islamic Trade Union in 1911 which later turned into a more populist mass organization, Sarikat Islam (SI) or Islamic Union, in 1912 began to enliven the presence of an organized mass movement organization at the grass root level in the Dutch Indies.34

The Dutch colonial government was very cautious of SI especially because membership of the organization grew rapidly. In 1919 the organization claimed that their membership had

34 SDI was founded by Haji Samanhudi in Solo, Central Java, in 1911. SDI was originally intended to improve the competitiveness of Islamic indigenous batik traders in order to compete with Chinese batik traders in Solo. In 1912 SDI turned into SI based on the advice of Haji Oemar Said Tjokroaminoto that the membership were more widespread among middle and lower class native Muslims and not only indigenous Muslim traders. The Dutch colonial government refused the existence of the central SI organization; however they recognized the SI branches organization as a legal entity. The use of the word "Islam" at that time was identical to the word "Indonesia" or "National" so that the change of the name of SDI into SI meant that the new organization also aimed to recruit many members among the indigenous people, most of whom were Muslim. See: Mulyana, Slamet, Kesadaran Nasional: Dari Kolonialisme Sampai Kemerdekaan, Yogyakarta, LKis, 2008, p. 121.
reached 2 million.\textsuperscript{35} Actually the number was not as remarkable as it seems when one considers that the majority of the indigenous people in the Dutch Indies, especially on Java Island, were Muslim. Something that the Dutch colonial government was concerned about was that Islam had ever become an antithesis of colonialism. Islam had become the strongest ideology against Dutch colonialism since the VOC period. This was the reason why the Dutch colonial government’s policy was to avoid conflicts with the indigenous Muslim community, and why they refused to give permission to Christian missionaries to spread their beliefs among the indigenous Muslim communities.\textsuperscript{36}

In addition to Islam, another ideology which also got sympathy from the indigenous communities in the Dutch Indies was communism. After the abolition of \textit{Cultuur Stelsel} or the cultivation system, a common sight that appeared in rural areas was the formation of groups consisting of factory laborers and farm workers. Both of these two groups, especially the farm workers, depended on the private sector because foreign capitals that were invested in the Dutch Indies, especially during the application of \textit{Cultuur Stelsel}, focused on commercial plantation and not on the plantation of staple foods. The fluctuation of crop productions and commercial plantations as well as the sale fluctuation of plantation products meant that workers and laborers were susceptible to a life of poverty due to the extremely poor wages and lack of job security, with private companies able to fire them at will when business was not good. This situation made communism attractive to laborers and manual workers who wanted revolutionary change and to be liberated from capitalist exploitation.

ISDV, an organization with communist ideology, appeared for the first time in Semarang, Central Java, in 1914. ISDV (\textit{Indische Sociaal Democratische Vereeniging}) was founded by Henk Sneevliet, a Dutch communist leader, and targeted its membership among railroad workers in Semarang. ISDV was the forerunner to the establishment of the Communist Party of Indonesia


\textsuperscript{36} The Islamic social organization that could be associated with this case was Muhammadiyah. The organization was established by K.H. Ahmad Dahlan on November 18, 1912. It was originally a native modern Islamic movement that suggested indigenous Muslims return to the Islamic laws to be applied in modern life. The Dutch colonial government policy that prevented the activity of Christian missionaries in indigenous Muslim communities to avoid conflict meant that the Christian missionary activities were then conducted through social and educational sectors. Indigenous Islamic leaders under the umbrella of Muhammadiyah then undertook counter-activities by establishing hospitals, orphanages and later schools. Thus, although there was no horizontal conflict of religion and politics, each religion and ideology, including communism, which evolved in the Dutch Indies competed with each the other to expand their influence and maintain their existence and significance. Schmutzer, Eduard J., \textit{Dutch Colonial Policy and the Search for Identity in Indonesia: 1920-1931}, Leiden, Brill, 1977, p. 28.
PKI (PKI). PKI developed rapidly and managed to recruit some important SI members who had great influence and many followers such as Mas Marco and Haji Misbach before they rebelled against the Dutch colonial government in 1926.

The rise of two mass organizations based on religion and on an ideology, respectively, made Dutch businessmen fear the security of their companies’ assets. Since the emergence of SI, Dutch entrepreneurs began to hire security personnel to protect their companies’ assets and plantations. U.S. Consul in Surabaya, Rollin R. Winslow, sent a lengthy report to the U.S. State Department about the political situation in the Dutch Indies that dealt with the emergence of mass organizations that were based on Islamic and communist ideology, which later was followed by the development of nationalism. He worried about the inability of the Dutch colonial government to control 35 million natives in Java if a riot occurred because of their dissatisfaction with the social and economic situation in the Dutch Indies. The number of white people in Java itself at that time was less than one-hundred thousand people.

Winslow’s concern was very reasonable. The increase of political tension in the Dutch Indies would affect many sectors, including trade and foreign investment from the United States. The growth of communism, which transformed into a political party, was the concern of capitalist states. Moreover, later it was known that the communist leaders in the Dutch Indies had connections with international communist leaders. Considering what had happened in Russia, Winslow’s concern was also the Dutch colonial government’s concern. If communism spread and managed to conduct a revolution throughout the Dutch Indies, the worst possible result would have been a communist takeover in the Dutch Indies and the nationalization of foreign companies, as had happened during the Bolshevik Revolution in Russia. Foreign companies, including American companies would have faced difficulties in investing their capital in the Dutch Indies. The action of the communist group in Surabaya district even had troubled NKPM.

According to an American who was in charge of the NKPM petroleum refinery in Cepu, Henry A. Snow, there had been growing signs of unrest around Cepu. Snow was concerned about the communist propaganda that had been distributed by unknown persons to some of the natives in

---

37 Report of American Vice Consul in Charge, Rollin R. Winslow, about communism in the Soerabaya Consular District to the U.S. Secretary of State, Surabaya, November 1, 1924, The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929.M.682. Roll 46. 856e.00-856e.0442/5.

38 Report of American Vice Consul in Charge, Rollin R. Winslow, about communism in East and Central Java to the U.S. Secretary of State, Surabaya, February 19, 1925, The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929.M.682. Roll 46. 856e.00-856e.0443/5.
his employ. According to him some of the previous riots around Cepu including in Ngawi and Madiun, East Java, contributed to the high level of tension that was felt around Cepu.39

The Dutch colonial government took a hard line against the Communist party and the propaganda that they were spreading by arresting the local communist leaders or shooting them down, especially those who refused to be arrested. The policies were the government’s efforts to prevent fresh riots occurring and to stop communist action and potential unrest spreading to other areas, especially into areas where government and private companies’ assets such as plantations and mining were situated, including in Cepu where both BPM and NKPM had oil fields.

The Dutch colonial government itself made various efforts to counter the spread of communism. One of them was to expel a Chinese Bolshevist from the Dutch Indies. Based on a report from the Dutch Minister in Beijing, it was known that a propagandist was sent to Java. The Minister immediately wired the local authorities to prevent the propagandist mission. Most of the Bolshevik emissaries were sent as inspectors of the Chinese schools in Java.40 Moreover the Dutch colonial government implemented a policy which Winslow labeled as the "watchful waiting" policy. Public meetings of all sorts were allowed but police officers and plain-clothes officers attended these meetings to ensure that the speakers did not become too outspoken against the government. From several cities in Java, which had shown a significant increase in communist activities, Semarang was the city that could be considered as the center of the communist movement in the Dutch Indies, especially in 1923 and 1924.

On August 5, 1925, the Governor-General of the Dutch Indies issued a decree that prohibited any public meetings in Semarang unless permission had been obtained from the authorities at least five days in advance. Apart from Semarang, Bandung was also seen as one of the centers of communist activity, although the Dutch police later claimed that Surabaya was the second city after Semarang that became the center of communist group activities in the Dutch Indies. Identification of communist activities in each city was one of the Dutch colonial government’s aims in order to anticipate any threats to the assets of government and private companies.

40 Report of American Consul in Surabaya, Rollin R. Winslow, about political news and views in the Netherlands India to the Secretary of State, Surabaya, January 17, 1924. The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929. M.682. Roll 46. 856e.00-856e.0443/5.
Some of the restrictions which were applied by the Dutch colonial government against the communist movement in the Dutch Indies extended not only to more extensive areas but also other regulations including prohibiting meeting participants from carrying weapons. Based on the government decree dated November 28, 1925, the restrictions on public gatherings were extended to all of Java and Madura. Beginning in mid-1925 there were a large number of strikes that took place in Surabaya, Semarang, Yogyakarta and other smaller towns and cities. Workers in printing establishments, dockyards, ice plants, electrical and technical plants, sugar plantation, and hospitals had gone on strike for higher wages and shorter working hours. The Dutch police managed to implicate PKI leaders from documents that they had found in Surabaya and thus succeeded in collecting sufficient evidence to arrest three important PKI leaders based on section 1612 of the Criminal Code, which was aimed against strike instigators. The arrested three were Raden Darsono, Ali Archam and Mardjohan and were banished from the Dutch Indies on December 24, 1925.

Under the new regulations, the Indonesian Communist Party (PKI) and its branch organization, the Sarikat Rakyat or People’s Union, were prohibited from holding both public and closed meetings for members unless they had obtained permission from the Assistant Resident at least five days in advance. The government would also send policemen to attend PKI and Sarikat Rakyat meetings. The Dutch colonial government’s circumspection in dealing with the communist movement could be understood considering that previously there had been no mass strikes in the Dutch Indies organized by mass organizations, including Islamic or national mass organizations. Although the communism threat had not reached a level where there was a realistic chance that they could overthrow the existing government and that there had been no direct assistance from the international communist center in Moscow, the rate of strikes in almost all industries and plantations in Java and the increase of the PKI’s leaders activities at times could evolve toward a more radical resistance.

---

41 "Wat te Semarang gebeurt", *Indische Courant*, August 12, 1925.
42 Report of American Consul in Surabaya, Rollin R. Winslow, about Communism Netherlands India to the Secretary of State, Surabaya, January 6, 1926. *The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929*. M.682. Roll 46. 856e.00-856e.0443/5.
5. *The American Applications for Oil Concessions and Volksraad*

Although there was a change in the indigenous population’s political attitude, which was more critical of the Dutch colonial government and less tolerant of the presence of Dutch and foreign companies, the discovery of more oil and the potential return on invested capital meant that foreign companies continued to invest their capital in the colony, despite the potential for unrest. In addition to the American and Japanese companies, other foreign companies that were also interested in investing in the Dutch Indies included an Australian syndicate with a paid up capital of 120,000 florins to exploit three large petroleum concessions northwest of Samarinda, Borneo.\(^{43}\) The interest of the Australian syndicate in investing their capital in the Dutch Indies meant that the all the powers geographically surrounding the Dutch colony expressed a desire to invest in and take advantage of the colony’s natural resources. Previously Japanese, British and American companies had sought to expand their businesses in the Dutch Indies, although up until 1924 it was only BPM that received the most profitable oil concessions. The company itself was considered to represent the British interests in the Dutch Indies.

The growing interest expressed by foreign companies who were willing to invest their capital in the Dutch Indies, in particular companies from neighboring countries, shows how important the natural resources of the Dutch Indies were for the industrialized nations. Minerals, which were needed by industrialized countries, and tropical plantation products, which were desired by international markets, attracted countries that wanted to control the natural resources of the Dutch Indies. On the other hand the Dutch colonial government’s concern increased along with the increase of foreign companies that wanted to invest their capital in the Dutch Indies. This concern, coupled with the existence of competition in the Pacific region, had the potential to suddenly turn into an open war. The threat of war became one of the Dutch motivations to actively participate in the League of Nations, which sought to encourage warring nations to solve their problems through negotiations. It was one of the Dutch efforts to avoid a military conflict that could have destabilized the Dutch occupation over the Dutch Indies.

Until early 1926 the U.S. Government had not managed to support American oil companies in their attempts to obtain potential oil concessions, although they maintained their

presence following the economic and political developments in the Dutch Indies. However the Dutch government’s persistent attitude over the U.S. Government’s protests related to difficulties faced by American oil companies in obtaining oil concessions in the Dutch Indies slowly changed. This change could not be separated from the two factors that were discussed earlier, namely the Dutch Indies security issues in the larger Pacific region and the lack of Dutch Indies government capital to build mining infrastructure and to exploit minerals, primarily oil. In addition the implementation of the Land Leasing Act by the U.S. Government after all compounded the expansion of Royal Dutch/Shell’s business in the United States because The Netherlands was classified as one of the non-reciprocating countries.

It was the Dutch Minister of Foreign Affairs, Herman van Karnebeek, who began the effort to discuss the question of reciprocity between the United States and The Netherlands in 1926. General Andrews, the American representative of Royal Dutch/Shell, said that he had received a letter from the office of the Royal Dutch Company in The Hague, stating that the Dutch Foreign Minister had suggested that the American representative of the company approach the Government of the United States on the subject. General Andrews, however, desired to make it clear that he was not speaking for the Dutch Government on the matter. It was very possible that the suggestion of the Dutch Foreign Minister referred to the application of NKPM oil concessions that were waiting for ratification by the Dutch States General. General Andrews followed up the suggestion by calling on the American Economic Adviser to discuss the issue of reciprocity between the two countries. It appeared that if the Dutch Parliament approved the NKPM applications, Royal Dutch hoped that it would be able to request for the removal of the ban against the company in the United States.

General Andrews explained that the Dutch Indies Mining Act actually did not apply any discrimination against American companies, as the U.S. Government had believed, something that was proven by the fact that NKPM obtained potential oil concessions. Andrews’ statement was addressed by the American office of the economic adviser who explained that those concessions in fact had not been given because they still had to be discussed in the Dutch States General. Andrews argued that although the NKPM application had not been granted yet, all the

44 Letter of the Assistant of Secretary of State, Leland Harrison, about memorandum of conversation between a representative of the Royal Dutch Company the economic adviser of the State Department to the Secretary of Interior, Washington, April 28, 1926. The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929.M.682. Roll 46. 856e.00-856e.0443/5.
preliminary steps had been taken and that they were only awaiting ratification by the Dutch States General. He believed that the Dutch States General would ratify them. He also claimed that the Dutch government did not want to raise the question of reciprocity with the U.S. Government until all the formalities of granting these concessions had been completed. Andrews’ statement was delivered very diplomatically because before NKPM sent their last applications and the increase of domestic political tension as well as competition in the Pacific, there was not one single political maneuver or gesture by the Dutch government to encourage talks about reciprocity with the U.S. Government.

At this point it looks like there was a significant difference of opinion between General Andrews, who represented the interests of Royal Dutch/Shell, even if he stressed that he did not represent the interests of the Dutch government, and the U.S. Government. Andrews thought that the treatment of the NKPM concession applications, which despite being based on the official procedures and following all guidelines, were eventually rejected by the Dutch government, had not been rejected due to discriminatory measures, and therefore the U.S. Government should not classify The Netherlands as one of the non-reciprocating countries. On the other hand, the U.S. Government considered that reciprocity meant that American oil companies should have obtained potential oil concessions just like Dutch oil companies had obtained concessions from the U.S. Government before the application of Land Lease Act 1920. In other words, the final result that provided equal opportunities for American and Dutch oil companies to obtain profits through potential oil concessions was the most important measure for the U.S. Government in any reciprocation application. According to the U.S. Government the object of the reciprocal provision of the U.S. Land Leasing Law was to promote the practical application of the principle of equality of opportunity.

In addition to the misunderstandings over the reciprocity application, each government also argued that they had implemented their policies correctly. The Dutch government thought that the U.S. Government could not complain by reason of the fact that no concessions had been granted to American companies in the past six years because there were no petroleum concessions granted to anybody during that period. However, the U.S. Government debated this because the Dutch government had appointed BPM as the government partner in exploiting

oil in Jambi. The appointment of BPM as the government partner to exploit oil in Jambi, according to the U.S. Government, had been a form of discrimination although the exploitation of oil in Jambi was a joint operation between the Dutch colonial government and a private national company. BPM itself was the subsidiary of the Royal Dutch and Shell so that, according to the U.S. Government, actually the company was not solely a Dutch company, it was regarded as an accomplice of British interests in the Dutch Indies.

Just like when the Standard Oil Company of New Jersey waited for the final decision of the Jambi oil concession six years previously, the company tried to coordinate with the U.S. Government to get a better result. Related to the reciprocity matter, the Standard Oil Company of New Jersey had the same attitude as the U.S. Government. The attitude of the U.S. Government that focused more on the final result as to whether or not an American oil company received an oil concession was political support for Standard Oil of New Jersey in their efforts to obtain oil concessions in the Dutch Indies.\(^46\) The U.S. Government itself was very careful to wait for the Volksraad decision, considering the Dutch colonial government had repeatedly delayed the decision about a contract for a concession of 625,000 hectares to NKPM.\(^47\) They had to wait two years for their applications to be processed and discussed in the Volksraad.

Whether or not the Volksraad would approve the NKPM proposal was not the final decision that determined whether NKPM would obtain oil concessions or not. The Volksraad only provided suggestions or recommendations that would then be sent to The Hague for additional consideration and discussion in the Dutch States-General. Although technically only a recommendation, the decision of the Volksraad held weight and had influence over the direction of the debates in the Dutch Second and First Chambers that could affect the final decision. In some cases, the Volksraad’s majority votes were also the reflection of the Governor-General’s attitude because the Governor had a good relationship with most of the Volksraad’s members.

\(^{46}\) The Standard Oil Company of New Jersey’s Attorney, Thomas W. Palmer, asked for advice from the American Office of the Economic Adviser related to a memorandum that he had sent to the company representative in the The Hague. Later it would also be shown to the Dutch officials. According to Palmer, although the decision about the application had not been decided, he was sure that the Dutch government would not provide the concessions to NKPM. Letter of The Standard Oil Company New Jersey Attorney, Thomas W. Palmer, to American Office of the Economic Adviser about Proposed Concession in Dutch East Indies, Washington, June 24, 1926. The Roosevelt Center, Records of the Department of State Relating to International Affairs of the Netherlands 1910-1929. M.682. Roll 42. 856d.6363/441-856d.6375.

On the other hand, the Governor-General was the officer who had the authority to grant concessions.

The Volksraad discussed the oil concession applications in Batavia on July 27 and 28, 1926. In particular, they discussed two oil concession applications, the first one was the application from the Nederlandsch Indische Aardolie Maatschappij (NIAM) and the second was the application from Nederlandsche Koloniale Petroleum Maatschappij (NKPM). The NKPM application raised hard debate session during the sitting of Volksraad although when the time for the vote came, the votes for the NKPM application were less. The reason why some of the Volksraad members who supported the NKPM applications, like the reasons that were proposed by Mr. s'Jacob, generally were associated with the international situation in the Pacific region and the limited ability of the Dutch Indies government to manage the oil industry. According to s'Jacob, the granting of concessions to NKPM was one implementation of the open door policy intended to increase the amount of foreign capital and oil production. On the other hand, he underlined the limited skill of government personnel in developing the oil industry in the Dutch Indies.

s'Jacob’s opinion actually corresponded to what the Dutch government had experienced since the case of the Jambi oil concession in 1921. Oil exploitation was a high-risk business so it needed expertise to minimize the risk. It was a high-risk business because it needed huge amounts of capital to conduct oil investigations and exploitations. The huge amounts of capital that had been spent were not always returned because of low yields that were sometimes obtained due to inaccurate forecasts of oil deposits. This also became the reason why the government considered granting NKPM oil concessions because the company had spent vast sums of money investigating the presence of oil in various regions of the Dutch Indies. It did not rule out the possibility that the results of NKPM’s oil research in some areas of the Dutch Indies were later used by the Dutch government to conduct oil exploitation. This was because NKPM only received concessions to undertake oil investigations and areal development, but not any concessions for oil exploitation. If in fact NKPM successfully exploited and managed to produce oil in significant quantities, it was because NKPM bought oil concessions from third parties or from people who had previously obtained those concessions directly from the government.

From a financial perspective the government had enough funds to provide sufficient personnel to manage the entire oil industry, something that required a substantial sum of money
due to the very vast nature of the Dutch Indies. The budget deficit that disrupted the colonial government’s activities forced the government to focus more on how to increase government revenue rather than on how to reduce government expenditure. With more concessions being given to private companies, the government at the same time reduced the costs associated with a failure to find oil, as they had to cover any company that became a government partner. Related to the Jambi oil concession, another Volksraad member, Mr. Schneider, even asserted that a mixed or joint operation agreement with BPM to establish NIAM proved less profitable because of the unexpected exploitation development costs which more than the government planned.\footnote{Translation of the debates on concessions proposed to be granted to NIAM (Royal Dutch) and the NKPM (Standard Oil Company). Sitting of the Volksraad at Batavia, Java, on Tuesday, July 27 and Wednesday, July 28, 1926. The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929. M.682. Roll 46. 856e.00-856e.0443/5.} Schneider’s statement likely referred to the discrepancy between revenue expectations and the revenue that the government actually received after financing half of the oil exploitation project costs in Jambi. In other words, if the government granted oil concessions to foreign companies within a joint operation model, they would only get a percentage of the exploitation proceeds without having to finance the projects. It meant that the government would get the benefits without having to spend the money.

In addition to the financial problems Schneider highlighted, the lack of data on the mineral sources owned by the Dutch government also caused problems. In fact it was directly related to the skill of the government officers who were considered not sufficiently skilled to adequately carry out their duties. Until 1926 the European personnel of the Dutch Indies Mining Department consisted of 4 geologists, 5 geologist assistants, 1 administrative employee, 17 technicians, 1 site manager, 9 drillers, 4 driller assistants, 1 site engineer, 1 superintendent, 1 apprentice trainer and 803 workmen. Those numbers were not adequate to manage the entire Dutch Indies mining industry.\footnote{Jaarboek van het Mijnwezen in Nederlandsch Indie Vijfenvijftigste Jaarang 1926, Weltevreden, Landsdrukkerij, 1927, p. 282.} It was possible that private companies had more precise data related to the oil content in some areas. If the government had granted more oil exploitation concessions to private companies it would have been possible to get much better results or at least the results would have corresponded with the expectations of their expert research. In response to Schneider’s opinion, the other Volksraad members, Mr. B. Roep whom was known as an anti-American figure, argued that the entire concession should be used as a mixed
agreement or joint operation between the government with BPM to set up NIAM. Roep’s opinion referred to a desire that the government still had to play a major role in the development of the oil industry in the Dutch Indies. He did not deny that the government would continue to face risks if the exploitation project in an area did not produce the amount of oil production that was expected. However, the risk that the government had to cover was also in line with the benefits that they could obtain. If the government only got the benefits from the exploitation without sharing the capital or joint operation model, the profits of the private companies would be too high and the government could have been considered to be at a disadvantage because it would only have received a small proportion of the profits.

After conducting a two-day discussion, the Volksraad voted to determine their attitudes towards two oil concession applications that were proposed by NIAM and NKPM. The Volksraad accepted by 22 votes against 12 a bill to give NIAM the island of Boenjoe (Bunyu) and a field in Aroebay. At the same time, the Volksraad rejected by 19 votes against 15, a government proposal to close exploration contracts with NKPM for fields in Palembang, Java and Madura. The result of the vote actually did not surprise the U.S. Government and Standard Oil of New Jersey because based on NKPM’s experiences they always had faced difficulties in obtaining potential oil concessions from the Dutch colonial government.

Considering the voting result, which was quite close, it appeared that those who had asked the Dutch government to provide NKPM with the opportunity to develop the oil industry in the Dutch Indies were taken seriously and their opinions were considered important. Most believed that NKPM had a lot of experience and access to the huge capital resources that were needed to undertake large-scale exploration. Chas L. Hoover considered that the defeat of NKPM in the voting was partly due to the role of former spokesman for the government in the Volksraad, Mr. W. Muurling, whom was considered to have a strong influence on the Volksraad members. In an interview with Algemeen Indisch Dagblad which was published in Bandung on

50 Some Volksraad native members such as Soeroso, Soetadi, Dwidjosewojo and Hadiwidjojo who rejected the NKPM proposal were considered as the accomplices of the Soesoeheenan Soerakarta who usually followed the Dutch colonial government policy. Letter of American Consul in Batavia, Chas L. Hoover, to the Secretary of State about attitude of the Government of Netherlands India regarding the vote of the Volksraad on the proposed concessions to NKPM, Batavia, August 21, 1926. The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929.M.682. Roll 42. 856d.6363/441-856d.6375.

51 Letter of American Consul in Batavia, Chas L. Hoover, to the Secretary of State about concessions to petroleum lands, Batavia, November 8, 1926. The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929.M.682. Roll 42. 856d.6363/441-856d.6375.
November 8, 1926, Muurling rejected firmly the idea of NKPM contracts. Muurling’s opinion was understandable considering that he owned fifty percent of NIAM’s shares. According to him, the Volksraad decision, which approved NIAM’s proposal and rejected the NKPM one was the right decision. This opinion was strengthened by various newspapers that were published in the Dutch Indies.

The Volksraad decision that rejected the NKPM proposal did not surprise the Standard Oil Company of New Jersey. However for Chas L. Hoover, the decision was quite surprising because they were out of line with the open door policy values that previously the Dutch government propagated. The subjectivity of Volksraad members to the two proposals was contradicted by what happened in United States related to reciprocity between the two countries. Indeed, Muurling’s statement did not relate to what had been obtained by Royal Dutch/Shell in the United States, especially before the case of the Jambi oil concession. Muurling only emphasized that the Dutch colonial government and BPM through NIAM had spent a lot of money on the exploitation and so the company deserved to obtain new concessions in Boenjoe and Aroebay. On the other hand NKPM did not deserve to get oil concessions in Palembang, Java, and Madoera because the company would make more profit than BPM would get from oil exploitation in Boenjoe and Aroebay. He ought to have considered that NKPM also had spent a lot of money conducting oil investigations to be sure of the existence of oil in the areas that they had proposed.

Muurling’s persistence in attempting to have NKPM’s contracts rejected may very well have been due to the change of the Governor-General in Batavia. Muurling had close relations with government officials and Volksraad members, however he might have foresaw the different attitude of the new governor general compared with his predecessor. Muurling’s heavy lobbying of Volksraad members to encourage them to reject NKPM’s application may have been due to his belief that the new Governor-General was prepared to grant NKPM’s potential oil concessions in the Dutch Indies.

For the U.S. Government, the attitude of the Volksraad was important because it frequently influenced the attitude of the Dutch colonial government although the final decision was in the hands of the Dutch States General. Moreover the application was a breakthrough because it was the first time since the Jambi oil concession case that NKPM’s oil concession application was scheduled to be discussed in the Volksraad. In contrast to Hoover’s opinion that
he had been pessimistic with the *Volksraad* decision, the American Minister in The Hague, Richard M. Tobin, predicted that the NKPM application, although it would be rejected by the *Volksraad*, would be passed by the Dutch legislative because he believed that the Dutch Government purposely incorporated the proposed concessions to Royal Dutch and NKPM into one bill with the object of obtaining a simultaneous and favorable vote on both concessions.\(^{52}\)

6. *The Change of Governor-General and The Turning Point in The Dutch Government’s Attitude to the Granting of Potential Oil Concessions to American Oil Companies*

The change in the Dutch Indies Governor-General from the previous governor, Dirk Fock, to the new governor, Andries Cornelis Dirk de Graeff, was the turning point in the Dutch government’s position towards the U.S. Government’s demands that U.S. oil companies received equal consideration for potential oil concessions in the Dutch Indies. The Standard Oil Company responded positively to the succession. The company considered that the new Governor-General would accept the presence of American capital in the Dutch Indies oil industry. According to the American Minister in The Hague, Richard M. Tobin, he had it on high authority that the new Governor-General had recommended that the action of the *Volksraad* that did not recommend the NKPM bill be ignored and the bill be presented to the States-General in The Hague.\(^{53}\) The new Governor-General was known to have said during his visit to The Hague that he thought it important for the colonies to encourage an influx of American capital. The Governor-General believed that large British and American interests would be a form of insurance for the continuance of Dutch control.\(^{54}\) If American and British interests were largely represented in the Dutch Indies, their respective governments, in the view of the Governor-General, would be


\(^{54}\) The Governor had previously been the Dutch ambassador in Tokyo from 1919 until 1922. Later he became the Dutch ambassador in Washington from 1922 until 1926. His experiences as the Dutch ambassador in those two countries, both of which were competing to obtain oil concessions in the Dutch Indies, were important. It was possible that he knew the political strategies and the military power of the two countries and their abilities to compete in the Pacific region. It was also possible that his idea to provide potential oil concessions to NKPM came up when he was the Dutch ambassador in Tokyo and Washington. According to the British Consul General in Batavia, De Graeff was the *original author* of the NKPM concession. Anne L. Foster, *Projections of Power: The United States and Europe in Colonial Southeast Asia 1919-1941*, Durham, Duke University Press, 2010, p. 65
anxious to protect them and would be correspondingly concerned in the maintenance of the status quo.

Apart from the vast sums of capital that had been spent to finance the investigations into the possible presence of oil in the Dutch Indies, NKPM began to invest heavily in the development of their operational systems in both their oil-producing fields and their refineries. The company planned to build a pipeline at Soengei Gerong, near Palembang, which was to be 130 kilometers long and extend from their oil producing fields to their refinery sites. The cost to build the refinery at Soengei Gerong was $5,000,000 and it was designed with a capacity of 4,000 barrels a day. The development of the facilities was in line with the company’s geologist’s prediction that the Talang Akar area would produce oil for many years.

Various objections to the proposal of NKPM oil concessions eventually led to the attitude of the new Governor-General who agreed that the NKPM proposal should be discussed in the States General. For the U.S. Government, some objections to the proposal were anticipated when it was discussed in the States General. According to NKPM’s local manager, Mr. F. Hortsmann, the U.S. Government could count on international aspects to win sufficient support for the bill.\footnote{Letter of American Minister in The Hague, Richard M. Tobin, to the Secretary of State, The Hague, July 5, 1927. The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929. M.682. Roll 42. 856d.6363/441-856d.6375.} Hortsmann’s opinion might refer to the Dutch Indies domestic attitude represented by the Volksraad that did not recommend the NKPM application. The domestic issues such as the government’s financial difficulties and lack of capital to participate in oil exploitation did not affect their attitude regarding the NKPM proposal, which they wanted rejected.

Various objections to the granting of oil concessions to NKPM appeared on the preliminary report of the Parliamentary Committee that usually discussed about specific issues. Even the submission of the proposal itself by the government to the parliament was objected by Volksraad because previously the Volksraad had decided not to recommend the application. Referring to the Volksraad discussion, some members of the committee agreed with the majority view of the Volksraad that the principle of a mixed company was the most suitable method of developing the oil reserves in the Dutch Indies. It meant that some members still wanted the colonial government to play a role in managing the oil industry in the Dutch Indies. The government’s role, according to some members, was in accordance with the idea that the wealth in the soil of the Indies ought to belong to the community. However, if the community in this
case means the natives, the opinion actually was too idealistic and actually not realistic at all, considering that the natives became the most disadvantaged party. As the owner of the soil, in some cases they later even became the mining labor on their own soil.

The profit-share agreement between the Dutch government and NKPM, relating to the NKPM proposal, became important in some of the members’ considerations because the oil deposits in the areas that NKPM proposed were estimated to have been more than in Jambi. Regarding the NKPM application in Palembang, which also seemed very promising in terms of oil deposits, some members considered that the share in the profits agreed upon for The Netherlands as insufficient. The share varied between 10% and 20% of the net yield. Based on the Explanatory Memorandum, the calculation of the share in the profits was being made upon the same basis as that with NIAM, apart from the fact that The Netherlands received half of the capital of NIAM. To obtain a correct comparison between the Dutch’s share in the profits of NIAM and that according to the draft agreements with NKPM, the Dutch’s share as a stockholder in NIAM must be left out of consideration and it must be ascertained what share of the proceeds, as far as this was not due to The Netherlands as a stakeholder, had been obtained as a share in the profits. If this was done, it proved that with the combined industry, The Netherlands’ share varied from 20% to a maximum of 40%. If The Netherlands’ share in the profits provided for in the agreements with NKPM are also calculated, upon the same basis as with NIAM, then the last mentioned figures would also have been correct for NKPM.

In addition to several objections, some committee members actually supported the NKPM proposal. In general, they preferred that the industry be developed by private businesses, with companies taking responsibility for the exploitation of oil, because they believed them to be more effective than the State exploitation, which had proved to be very costly, and in some respects, inferior to private companies. They referred to the handling of the oil exploitation project in Jambi that was considered to have taken too long to develop. The government was also considered to be less able to adapt and develop an oil business that was competing in a rapidly expanding and changing market place, and which required new marketing strategies amidst the increasingly fierce competition that had developed among the oil companies. The government was also seen as lacking in their efforts to maximize the possibilities to find new oil sources in the Dutch Indies. It encouraged private companies to take the initiative and conduct research in areas that the government had not been able to reach, which meant that the private companies
had more data about the oil presence than the colonial government did. In some cases the
government had to rely upon general indications and draw calculations from the general
geological condition of the soil without undertaking detailed investigations.

The composition of the Volksraad membership also became a consideration for the new
Governor General of the Dutch Indies. If a majority of Volksraad members were Dutch people,
or persons appointed by the Governor-General, then it could be said that the decisions of the
Volksraad would always be in line with government policy, and the wishes of the Colonial and
Dutch governments. In the previous year 1926, the Governor-General had made several
proposals aimed at remodeling the system of colonial administration.\(^{56}\) It seemed that the
governor wanted a greater role for the indigenous people. For Dutch businessmen, the view of
the Governor-General was too radical. If the indigenous people were given a greater role in the
governance of the colony then there was a risk, according to the businessmen, that the
indigenous population would realize that during the VOC and the colonial administration that
they and their natural resources were simply being exploited and seized by the colonial powers.\(^{57}\)
If someday most of the Volksraad members were natives, their recommendations might very
well have differed to that which the Dutch government wanted. Despite the opposition of Dutch
businessmen, the U.S. Government saw the arrival of de Graeff as a wind of change in the
colonial administration, even though the new governor’s view was not guaranteed to be
accepted.

For NKPM, although there was an expectation that their application would be successful,
there was also concern that it would be rejected, as had happened in the case of the Jambi oil
concession. They depended on the political pressure that the U.S. Government applied on the
Dutch, as it was the only external factor that could support their application. The U.S. diplomats

---

\(^{56}\) Letter of American Minister in The Hague, Richard M. Tobin, to the Secretary of State, The Hague, August 27,
1927. The Roosevelt Center. Records of the Department of State Relating to Internal Affairs of the Netherlands
1910-1929.M.682. Roll 42. 856d.6363/441-856d.6375.

\(^{57}\) Prior to 1927 there had been many mass organizations and political parties that had begun to express national
awareness. In 1926 some local youth organizations from various areas in the Dutch Indies managed to organize the
first youth congress in Batavia. The congress generated an agreement to organize social, economic, and cultural
activities. They also agreed to organize the second congress that would later be held in 1928. At the second congress
it was declared what has become known in Indonesian history as the Youth Pledge. The pledge encouraged the
Indonesian youth to unite and to realize that although they came from different regions in the archipelago, actually
they were one nation. At the second congress, “Indonesia Raya” which later became the Indonesian national anthem
was introduced for the first time. The composer, Wage Rudolf Supratman, using a violin, played it. In addition,
national figures such as Soekarno, Mohammad Hatta and other figures from the national and the Islamic political
parties began to form political movements towards Indonesian independence. See: Barendregt, Bart and Els
who were in charge in The Hague themselves continued to follow the progress of the NKPM application as it progressed through the Dutch Parliament. According to the American Chargé d’Affaires in The Hague, R. Henry Norweb, who communicated with the Secretary General of the Dutch Foreign Office, there was the possibility of a long interval between the granting of the concession by Parliament and the signing of the papers putting them into force. Although the Secretary General believed that the NKPM application would be approved, Norweb held a different view and did not think that the approval would be so easy to obtain. According to him, Standard Oil of New Jersey would have to wait until the matter could be settled in a manner satisfactory to all concerned, especially to the Dutch Government.\(^{58}\)

Norweb’s opinion was understandable if the approval of the NKPM application was to be associated with the rejection of Royal Dutch/Shell’s application five years previously. The U.S. Minister of Interior rejected Royal Dutch/Shell’s application in 1922. If the Dutch Parliament ratified the NKPM application, the Dutch government would have definitely asked the U.S. Government to remove the legal obstacles for Dutch oil companies to obtain oil concessions in the United States. Although the status of Royal Dutch/Shell’s application, which had been rejected, would not automatically change, the company’s re-application was certainly expected to be a serious consideration for the U.S. Government. However the Dutch government’s expectation seemed to be useless because based on the memorandum which was issued by the U.S. Office of The Economic Adviser, the granting of a concession or concessions to one American company was not proof of reciprocal treatment.\(^{59}\)

The possibility of NKPM’s application being successful was also seen from the explanation of the American Chargé d’Affaires in The Hague who related to NKPM’s failure to obtain oil concessions in Aceh. The Dutch government initially promised an oil concession in Aceh to NKPM, however later the concession was revoked and instead granted to Royal Dutch. According to Norweb, the reason why the concession was given to Royal Dutch became clear once NKPM submitted their application for an oil concession in Palembang. He referred to details given by the Managing Director of NKPM, F. Horstmann, that after NKPM’s failure in

---


\(^{59}\)Memorandum of Office of The Economic Adviser, Department of State, Washington, October 21, 1927. The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929. M.682. Roll 42. 856d.6363/441-856d.6375.
the case of the Jambi oil concession in 1921, the American legation and the Department of State on behalf of American oil interests, made persistent representations to urge the Dutch Government to give other potential oil concessions. As a result of those efforts, the former Minister of Colonial Affairs, Simon de Graaf, in a secret cabinet letter, had given NKPM assurances that they would be granted the Aceh oil concession. Shortly thereafter Jacob Koningsberger replaced Charles Welter as Minister of Colonial Affairs. He questioned Hortsmann as to whether NKPM would relinquish their request for the Aceh oil concession.

Koningsberger asked Hortsmann for two reasons. The first reason was because Royal Dutch also wanted the same concession as was requested by NKPM. Royal Dutch was interested in the concession because the area was bordered by one of Royal Dutch’s oil concession areas in Aceh. The second reason was that if NKPM relinquished their request on the Aceh concession, it would strengthen the position of both Koningsberger and NKPM in getting more potential oil concessions in the Dutch Indies. Prior to 1926 NKPM had never got a potential oil concession from the Dutch government. If the company had previously received a potential oil concession such as in the Aceh area, it was possible that the government and the Dutch Parliament would be able to reject any new applications using the reasoning that the company had already received a concession. Koningsberger would have had no difficulties in answering Parliament and providing reasons as to why NKPM deserved to obtain oil concessions, especially as they had never received an oil concession directly from the Dutch government before. It was hoped that the Parliament would approve the company’s application in Palembang and also some areas in Java and Madura.

Koningsberger’s questions to Horstmann raised other issues because they implicitly indicated the existence of Royal Dutch pressure and suggested that it was not the Dutch government’s direct initiative. Norweb referred to Horstmann’s explanation that the Dutch government, through Koningsberger, had promised to furnish him with a statement committing the Government to grant NKPM “further valuable concessions in the Dutch Indies” in addition to the pending Palembang concessions and also some areas in Java and Madura. It seemed that

---


there were also other parties that wanted NKPM to relinquish their claim over Aceh and so the Dutch government needed to provide additional assurances to NKPM. In return, on behalf of NKPM, Horstmann was formally to relinquish the company’s claim to the Aceh concession. Thus NKPM relinquished their claim over Aceh to strengthen their more promising application in Palembang.

The Minister of Colonial Affairs, Jacob Koningsberger, denied Norweb’s claims about the Dutch government’s promise to NKPM. The government had not properly prospected the area that was requested by NKPM. He also stated that NKPM’s proposed concessions were not the result of any “implied promise or compensation for disappointment suffered” related to the refusal of NKPM’s application for a concession in the Jambi oil field six years earlier. Koningsberger’s statement was very political considering Horstmann’s claims, which he had delivered to Norweb, and which should have been considered as reliable and valid information because Norweb went on to report his discussion with Horstmann to the U.S. Secretary of State.

Based on discussions in the Dutch Parliament, the NKPM application seemed to be in a good position and likely to receive parliamentary approval. The American Minister in The Hague, Richard M. Tobin, believed that the bill to grant concessions to NKPM was almost certain to be approved by the Lower House. The company only needed to anticipate possible opposition from the socialist members of the chamber. Parliament’s decision to give the oil concession to NKPM also attracted Royal Dutch’s attention. Horstmann informed the American Legation in The Hague that Sir Henri Deterding had made several attempts to oppose the passage of the bill, but they were not believed to be serious threats.

The Dutch Lower House passed the bill that granted NKPM some oil concessions in Palembang, Semarang, Rembang, and Madoera on October 27, 1927 without the formality of a recorded vote. At the same time the Chamber also accepted the BPM concessions. Both the oil concessions in Boenjoe and Arubai, which were requested by BPM, were also oil potential areas. Geologically both of them were considered as the continuation of two previous BPM oil rich concessions, namely Tarakan and Pangkalan Soesoe. It showed that the Dutch government tried to be fair and that they would grant both BPM and NKPM potential oil concessions. Nieuwe Rotterdamsche Courant, October 19, 1927.

63 Both the oil concessions in Boenjoe and Arubai, which were requested by BPM, were also oil potential areas. Geologically both of them were considered as the continuation of two previous BPM oil rich concessions, namely Tarakan and Pangkalan Soesoe. It showed that the Dutch government tried to be fair and that they would grant both BPM and NKPM potential oil concessions. Nieuwe Rotterdamsche Courant, October 19, 1927.
over the concessions to exploit the territories that were to be given to NKPM. Conversely, other members and the Minister of Colonial Affairs supported the bill.

Based on economic considerations, the Minister of Colonial Affairs strongly supported the bill. He averred that the development of the mineral resources in the Dutch Indies ought to be hastened. The possibility of producing synthetic petroleum increased the risk that in some cases oil exploitation was not suitable for state exploitation because it had already been in the hands of two big trusts. He warned that the government stood to lose a lot of money if they carried out the development of the oil business because the oil business did not only focus on how to get oil, and the ways to exploit it, but also how to distribute it and that meant the development of a new distribution and sales network. Experience and a large capital, needed to cover oil exploitation failures or to cover costs when the amount of oil discovered was far below expectations, meant that only the big oil companies had the experience and funding available to carry out the oil exploration work. On the other hand the Dutch colonial government’s budget was very limited. Koningsberger remarked that 90% of the entire mining capital invested in the Dutch Indies was used only for exploration purposes. NKPM itself had spent more than 10 million dollars on their oil exploration work. The stakes were therefore high as the oil companies had to cover their large exploitation costs and the only way to do so was through the discovery of abundant oil deposits.

From the political side, what the Minister of Colonial Affairs did was an effort to implement the Dutch open door policy. The policy was the target of the U.S. Government’s protests after the case of the Jambi oil concession because according to the U.S. Government, the policy was not representative of what the Dutch government applied. In addition it seemed that the minister had frequently tried to deny the existence of a BPM monopoly in Dutch Indies oil industry, as was often claimed by the liberal group in the Dutch parliament.

For NKPM, the possibility of being granted four new oil concessions in Palembang was seen as a turning point in their involvement with the Dutch Indies, and in some ways as compensation for what they had previously been denied. The NKPM manager, F. Horstmann, seemed to share this view and valued the concessions as worth “many millions” to his company. It would more than repay what the company had so far invested in the Dutch Indies and it would especially cover the sums that NKPM spent on oil investigation work. He explained that the company was, in hindsight, delighted that it did not manage to obtain the Jambi oil concession in 1921 because that may have proved to be an unwelcome obstacle in their application for the oil
concession in Palembang. On the other side, the Royal Dutch/Shell bill proceeded smoothly through the Parliamentary system, and the Dutch Upper House ratified the bill on February 14, 1928 by a vote of 21 to 14.

7. The Reciprocal Policy Between The Netherlands and The United States of America

The approval of the four NKPM concessions by the Dutch Lower House was followed up by the Dutch government’s attempt to change the status of the country to that of a reciprocating country based on the Land Lease Act 1920. Through the Dutch Minister in Washington, Dr. Jan Herman van Royen, the Dutch government asked the U.S. to change the status based on the fact that the Dutch Lower House had approved the bill that granted NKPM four potential oil concessions in Sumatra, Java, and Madoera. The Dutch Minister of Foreign Affairs, Beelaerts van Blokland, delivered the same demand to the American Minister in The Hague, Richard M. Tobin. The U.S. State Department immediately responded to the Dutch government’s demand that the department that had the authority to answer the Dutch government was the Department of Interior. In fact, it was the Department of Interior that had issued the Land Lease Act 1920.

Discussions between the State Department and the Department of Interior generated the same view: that The Netherlands could not be considered as one of reciprocating countries if the country only granted oil concessions to a certain American oil company. The U.S. Government wanted that the provision to grant oil concessions be applied to all American oil companies that requested oil concessions in the Dutch Indies. This assertion was delivered by the State Department to all American representatives abroad in a letter from the American Consul-General in Batavia, Coert du Bois, to the U.S. Secretary of State. In his letter, du Bois wrote that:

---

“The action of States General is somewhat in the nature of a vindication of the stand taken by the Governor General of Netherlands India in consistently urging favorable action against the opposition of the Volksraad. It also furnishes a signal proof of reciprocity on the part of the Dutch Government in the event of application for concessions by a Dutch corporation under United States Law.”

Based on this reason, he and the NKPM manager, W.G. Corwin, called on the Governor-General to express gratification for the action taken by the Dutch Government and to express their appreciation to the Governor-General.

The Office of the Economic Adviser in Washington, through a memorandum that was issued on December 16, 1927, regretted du Bois’ statement because the authority to determine whether a country was classified as reciprocating or non-reciprocating was with the Department of Interior. It meant that although the States General eventually approved four oil concessions to NKPM, it did not automatically mean that the U.S. Government now considered The Netherlands to be a reciprocating country. Moreover, the concessions had not been ratified by the Upper House so all diplomatic statements relating to the change of status for The Netherlands had to be carefully considered before any statement or action was taken by American representatives abroad, especially those in The Netherlands, United Kingdom, and the Dutch Indies.

The insistence by the Department of Interior that The Netherlands grant concessions to all American oil companies, and not just NKPM, became an important issue for the Department of State. This was because the Dutch had communicated with the State Department about The Netherlands’ status while the authority to answer the question on reciprocity in fact belonged to the Department of Interior. So far, the Lower House recommendation to grant potential oil concessions to NKPM after a six-year battle became a turning point for NKPM to expand their business in the Dutch Indies. However, if the granting of concessions to NKPM was only an exception, other American oil companies and even NKPM itself would still face difficulties in obtaining further oil concessions in the Dutch Indies.

68 Letter of American Consul General in Batavia, Coert du Bois, to the Secretary of State about confirmation of Standard Oil Company’s concessions in Sumatra, Java and Madura, Batavia, November 2, 1927. The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929. M.682. Roll 42. 856d.6363/441-856d.6375.

At this point, the U.S. Government considered the Dutch Indies Mining Act as the main obstacle to full reciprocity for American companies who sought to operate in the Dutch Indies. Indeed the Dutch Indies Mining Act provided opportunities for foreigners to run mining companies in the Dutch Indies; however the existing conditions of the Act restricted the development of their businesses. In addition companies that applied for concessions had to be registered in The Netherlands or in the Dutch Indies and a majority of their board of directors had to be Dutch. NKPM itself was established in The Netherlands and the majority of its board of directors were Dutch, although the capital of the company belonged to the Standard Oil Company of New Jersey.

The state authority, which seemed too dominant, also exerted control over the drafting and implementation of the Dutch Indies Mining Act. The government had the right to manage or to grant mining concessions to other parties, and at the same time the government also had the right to classify an area as a reserved area. If the government recommended an application from a private company, it did not mean that the company would automatically obtain the concession because it had to first be confirmed by a bill that then had to be approved by the States General. Tobin took the NKPM application in the case of the Jambi oil concession, and the company application for the oil concession in Sumatra, Java and Madoera, as examples to support his opinion. Although the Dutch Lower House approved the bill that dealt with the last application, both of the applications followed a long and winding process until the final decision was made. The company still had to wait for the decision of the Dutch Upper House as to whether or not they had obtained the concession.

In general, the U.S. Government always referred to the Land Lease Act 1920 to show to the Dutch how the U.S. implemented reciprocity. The U.S. Government would have taken into account the Dutch government’s demand for reciprocity between the two countries if the Dutch government had accepted the provision of reciprocity based on the Land Lease Act 1920, which according to the U.S. Government differed with some provisions in the Dutch Mining Act. In other words, the Dutch government had to get rid of the articles in the Dutch Indies Mining Act that the U.S. Government considered as obstacles to reciprocity between the two countries.

---

71 Den Dienst van den Mijnbouw, Indische Mijnverordeningen: Tekst van de Indische Mijnwet en van de MijnordonnantieArticle 5A (4), Weltevreden, Landsdrukkerij, 1924, p.3.
However the Dutch government had a strong and firm bargaining position. It was important for
the Dutch government to know the U.S. Government’s response because the Dutch government,
especially the Minister of Colonial Affairs, still had to answer the Upper House members’
questions before they made their final decision on NKPM’s application. In addition, the
American Representative of the Royal Dutch Shell Petroleum Company, General Avery D.
Andrews, also asked the U.S. Government to respond immediately to the Dutch government’s
measure that had supported the bill. Andrews reminded the U.S. that NKPM would gain a
concession covering some 250,000 hectares, and that the only obstacle in the way was the
approval of the Upper House; he therefore advised the U.S. Government to consider changing
the status of The Netherlands to that of a reciprocating country.

At this point it was clear that both the Dutch and the U.S. Governments were not standing
down and were still both pushing for their demands to be met with regards to the NKPM bill.
The Dutch government believed that they had implemented their open door policy and had met
the U.S. Government’s request to support the granting of oil concessions to American oil
companies. It has to be underlined that in this case, the Dutch government meant that they had
supported the process of the NKPM bill, although it still needed the Upper House’s approval.
Conversely, according to the U.S. Government, if later on NKPM obtained further potential oil
concessions, it would be due to NKPM following the legal procedures as laid out in the Dutch
Indies Mining Act, mainly article 5A. For the U.S. it did not mean that the Dutch government
had implemented the open door policy, as the U.S. wanted, because there were still some articles
in the act that complicated foreign investment and that contradicted with the principles of an
open door policy.

The absence of any agreement related to reciprocity principles between the United States
and The Netherlands made the debate in the Upper House lively and led to some members
requesting that the ratification of the Bill be postponed. It was exacerbated with the emergence of

---

72 One day before the Upper House discussed the NKPM bill, the Dutch Foreign Office sent instructions to the
Dutch Minister in Washington, Dr. Jan Herman van Royen, to ask for an official statement from the U.S.
Government stating that The Netherlands was one of the reciprocating countries under the provisions of the General
Leasing Act 1920. The Dutch government hoped that the statement would be issued before the Upper House ratified
the NKPM bill. It was possible that the action of the Dutch Foreign Office was one of the Dutch Government’s
efforts to preempt the possibility of a critical attitude from some of the Upper House members who may have
wanted to postpone the ratification due to some issues which were seen as being disadvantageous to Royal Dutch.
See: Telegram of American Chargé d’Affaires in The Hague, R. Henry Norweb, to the Secretary of State, The
Hague, February 24, 1928. The Department of State, Papers Relating to the Foreign Relations of the United States
the Russian oil sale that involved Royal Dutch and the Standard Oil Company. In Russia, Royal Dutch had been illegally deprived of an interest, which it had obtained legally and for which it had legally brought, and Standard Oil had taken advantage of this to take possession of the oil for a very low price. Through taking possession of what was rightfully Royal Dutch’s, Standard Oil was now in a position to compete with Royal Dutch not only in Russia but also in the Dutch Indies.

The Upper House, which on February 8, 1928 discussed the NKPM bill and its relationship regarding reciprocity between the Dutch and the U.S. Governments, was previously expected to come to the same conclusion as the Lower House had. The Lower House passed the bill and stated that no vote was necessary. In fact the situation in the Upper House led the members to request a postponement of the ratification along with a discussion of actual issues which had later accumulated with previous open door policy cases.

It was the Social Democratic Labor Party that had asked their members in the Upper House to oppose the ratification of the bill. There were some issues that had led to the opposition of ratification, including political and economic reasons. Some members explained that there were too many complaints about how little a share the government would obtain in the NKPM bill. The rivalry between Royal Dutch and Standard Oil also reappeared along with the emergence of the Russian oil case. One of the members, Mr. van Wassenar van Catwijk, requested that the Minister of Colonial Affairs not sign the bill until Standard Oil had come to an agreement with Royal Dutch over the Russian oil case. The Minister replied that he could not consent to such a proposal until he had consulted with his colleagues at the Foreign Office. In reply to a question, the Minister of Colonial Affairs stated that the U.S. Government had promised Dutch companies reciprocal treatment in respect of oil matters and that there was no reason to doubt its sincerity. He referred to talks between the Dutch and U.S. Governments with regard to the mutually reciprocal treatment of their respective nationals in matters relating to petroleum concessions. The Dutch government stated that they would provide opportunities for

73 20ste Vergadering van Woensdag 8 Februari 1928, III. Machtiging tot het sluiten van overeenkomsten, alsbedoeld in artikel 5a der Indische Mijnwet, met de Nederlandsche Koloniale Petroleum Maatschappij, betreffende de opsporing en ontginning van aardolieenz. in twee terreinen in de Residentie Palembang, een terrein in de Residentiën Rembang en Semarang en een terrein in de Residentie Madoera, ARA, Handelingen van de Staten-Generaal 1814-1940, Inv. 2.02.21.01, Inv.nr. 608. Februari 8, 1928, p. 225.
American Political Efforts For Oil Policy Reciprocity With The Dutch Government 1922-1928

American oil companies to get contracts in potential oil regions. They hoped that the contracts would have influenced and encouraged the U.S. Government to apply the principles of reciprocity to the Dutch government.

Thus, considering what Koningsberger delivered, the concessions granted to NKPM were also one part of the Dutch government’s plans to change their status to become one of the reciprocating countries. He realized that several cases mentioned by Upper House members were not at all favorable towards The Netherlands and Royal Dutch, including problems with the open door policy. However, according to him, if the Upper House did not ratify the NKPM bill, then the Dutch government would not have been able to insist that the U.S. Government kept to their side of the promise. It was better that the Dutch government prioritized their efforts to eliminate all factors that did not correspond with the U.S. Government’s views regarding the open door policy before demanding reciprocity. Moreover, the U.S. Government would still be able to argue that NKPM had never actually obtained potential oil concessions directly from the Dutch government, as long as the NKPM bill had not been ratified.

In addition to the reciprocity issue, another Upper House member, Messrs de Muralt, complained about what had happened with the Honolulu Consolidated Oil Company.75 The company had purchased lands from the U.S. Navy reserve. These were oil lands that were kept in reserve for the U.S. Navy in the event that their other territories were unable to deliver petroleum in sufficient quantities. The U.S. Government had installed a commission that consisted of three Admirals, or men of similar standing, for the purpose of examining what stipulations should be made, as a result of which the aforementioned company struggled to operate with even barely a profit.76 According to Muralt, it was unfriendly to adopt such a policy towards the Netherlands in

---

75 20ste Vergadering van Woensdag 8 Februari 1928, III. Machtiging tot hetssluiten van overeenkomsten, alsbedoeld in artikel 5a der Indische Mijnwet, met de Nederlandsche Koloniale Petroleum Maatschappij, betreffende de opsporing en ontginning van aardolieenz, in tweeterreinen in de Residentie Palembang, eenterrein in de Residentien Rembang en Semarang en eenterrein in de Residentie Madoera, ARA, Handelingen van der Staten Generaal 1814-1940, Inv. 2.02.21.01, Inv.nr. 608. Februari 8, 1928, p. 226.

76 The Honolulu Company was owned by Americans and produced oil on the U.S. naval reserve. The company did not engage in refining and made a contract in 1927, running until 1937, for the sale of oil from the naval reserve to the Shell Company for refining. It was possible that later Shell sold the oil on to the Japanese Government. To anticipate possible complaints from some U.S. Congress members, the U.S. Government formed an investigation team. The team’s task was to investigate whether the U.S. Government policy in this case was contrary with the provisions of the Land Lease Act 1920 because the case was about the sale of oil to one of the companies (Shell) that came from a country which was classified as a non-reciprocating country, namely the United Kingdom. Moreover, later Shell sold the refined oil onto Japan, something that the U.S. Government considered as a security threat to their interests in the Pacific. The investigation report concluded that the oil sale to Shell was not a violation of the Land Lease Act because Japan could actually buy the oil directly from the United States. Some Dutch
view of the Dutch attitude towards NKPM. This case, according to him, was also contrary to the principle of the open door policy that had been propagated by the U.S. Government. He requested that the Minister of Colonial Affairs urge the United States to be more generous in their treatment of the Dutch. According to the Minister, the U.S. Government would still keep their word regarding reciprocity in the Honolulu oil case, which mainly dealt with the importation of goods and immigration issues. He himself had previously spoken to the NKPM manager, F. Horstmann, about the possibility of a delay in the ratification of the NKPM bill because of the Honolulu case. The Minister advised Horstmann that there was a possibility that the Upper House might request an investigation to clarify outstanding matters.77

De Muralt also criticized the attitude of Koningsberger, who seemed to support the policy of the Dutch Indies’ officers, who had sought to grant oil concessions to American oil companies. He quipped to Koningsberger with an insinuation that the Governor-General used to be a kind of proxy for the Minister of Colonial Affairs, however now it seemed that the Minister of Colonial Affairs had to act as proxy for the Governor-General.78 Koningsberger did not respond to de Muralt’s insinuation about the Minister being a proxy for the Governor-General. However, he did explain that the oil contracts could not only be considered as an internal issue for the Dutch Indies to deal with. The Dutch Indies concerns had also become his responsibility because as the Minister of Colonial Affairs, he was the officer who had to accept the report of the Governor-General. He added that several weeks earlier he had had frequent consultations with the Dutch Minister of Foreign Affairs. Both of them had agreed that the interests of the Dutch Indies’ oil industry was not only a matter of interest for the Dutch Indies but had instead become an “imperial” interest.

The attitude of Koningsberger, and his persistent attempts to open up opportunities for foreign capital to invest in the Dutch Indies, attracted the U.S. Government’s attention.

---

The Roosevelt Center, Records of the Department of State Relating to International Affairs of the Netherlands 1910-1929. M.682. Roll 42. 856d.6363/441-856d.6375.


Koningsberger twice openly declared his support, and the desirability, of attracting foreign capital into the Dutch Indies during the Upper House discussions. His attitude also referred to his desire to protect the Dutch sovereignty over the Dutch Indies. Thus, Koningsberger’s efforts to get the Upper House’s approval for the NKPM bill were not only to implement the open door policy through foreign investment, but also the foreign investment itself was one way to protect the Dutch sovereignty over the Dutch Indies and its natural resources, especially if at any time war broke out in the Pacific region.

Several of the complaints made by Upper House members were seriously considered by the Dutch Foreign Office, and certainly by the Minister of Colonial Affairs, and indeed influenced their decision to ask the U.S. Government to provide recognition to The Netherlands as one of the reciprocating countries. It was important for the Minister of Colonial Affairs to support his bargaining position in front of the Upper House. Through the Dutch Legation in Washington, the Dutch government officially raised the question of reciprocity related to oil exploitation. In response to the Dutch government’s demand, the Secretary of Interior suggested that Dutch companies ought to file applications if they wanted to ask for concessions based on the provisions on the Land Lease Act. The suggestion of the Secretary of Interior actually was very diplomatic because if the Dutch companies had followed the suggestion, they would have found that according to the Land Lease Act, their application would be refused because based on the act, The Netherlands was classified as a non-reciprocating country. The Dutch government was certainly not satisfied with the response of the U.S. Secretary of Interior and nor were members of the Upper House. The Upper House demanded direct recognition from the U.S. Government, and not through the administrational process as the Department of Interior had wanted.

The U.S. Government could not accept the Dutch government’s previous demand that The Netherlands be formally recognized as one of the reciprocating countries, which was also


made one of the conditions of the NKPM ratification. Moreover, the U.S. Government did not consider the ratification of the bill itself as enough for The Netherlands to be considered as a reciprocating nation. Rather, the United States instead presented data that showed how, thus far, Dutch companies had made tremendous profits from their investments in the United States. The U.S. Government stated that they had permitted foreign interests to freely acquire petroleum holdings on private land in the United States. In this connection, it is significant that in 1926 one group of Dutch companies obtained from the petroleum fields in the United States 5,793,267 metric tons of oil, amounting to over 37% of its total production in all countries, and about double their production in the Dutch Indies. To be able to accept the Dutch government’s demand that The Netherlands’ status be changed based on the Land Lease Act 1920, the U.S. Government had previously asked the Dutch government to take the following measures:\footnote{Ibid, p. 383.}

1. to confirm the understanding of the Government of the United States that the Laws of the Netherlands do not deny the right of Americans to own or hold stock in corporations organized there under to exploit petroleum resources of The Netherlands or of its possessions;
2. to definitely grant an important concession or concessions to American interests; and
3. to confirm the understanding of the Government of the United States that The Netherlands Government will take the same line in the future with regard to the granting of oil lands, and will treat responsible American interests on a footing equivalent to that accorded to Dutch interests.”

According to the Secretary General of the Dutch Foreign Office, Christiaan Snouck Hurgronje, the terms that were requested by the Secretary of State were not difficult to fulfill. Instead he questioned whether the Department of Interior could provide an assurance that The Netherlands would get their status if the Dutch government met the requirements, with the Minister of Colonial Affairs requesting that the Department of Interior issued a \textit{definite declaration}. The U.S. Secretary of State questioned the meaning of \textit{definite declaration}, which was requested by the Dutch Minister of Colonial Affairs, because it seemed to be unclear. According to the American Chargé d’Affaires in The Hague, R. Henry Norweb, it was possible that it meant a written declaration or a letter from the Department of Interior that recognized The Netherlands as a reciprocating country.\footnote{Letter of American Chargé d’Affaires in The Hague, R. Henry Norweb, to the Secretary of State, The Hague, March 14, 1928. The Department of State, \textit{Papers Relating to the Foreign Relations of the United States 1928 Volume III}, Washington, GPO, 1943, p. 385. In his previous letter to the Secretary of State, Norweb explained that the declaration, which the Dutch government demanded, was not only a demand to ask for assistance for Royal
make such a promise, Norweb was to request an approval from the Secretary of State to convey it informally to the Dutch Foreign Office to avoid further delay to the ratification of the NKPM bill.

Standard Oil of New Jersey followed the development of the NKPM bill and the U.S. Government’s support to get equality for all American oil companies in the Dutch Indies. The company’s concern for the NKPM bill referred to the report of the NKPM representative in The Hague who informed them that there was quite a lot of opposition in the Upper House to the NKPM bill. In addition, they also knew that any delay to the bill’s ratification was due to the Dutch government’s demand for a written guarantee for a change in The Netherlands’ status based on the Land Lease Act of 1920. According to the Department of State, the guarantee could only be issued by the Department of Interior, as that was the Department that published the act. Based on this reason, through the General Counsel of the Standard Oil Company of New Jersey, Mr. C.O. Swain, the company asked the Department of Interior to issue the guarantee just like the Dutch government had demanded. The company hoped that such a guarantee would help the Dutch government in their quest to convince the Upper House to ratify the bill. However, the Assistant Secretary of Interior, Mr. Finney, declined the company’s request. The assertiveness of the Secretary of Interior, Hubert Work, which was also seen in his letter to the Secretary of State, and which made clear that the Department of Interior did not object to issuing a written guarantee to change the status of The Netherlands as one of reciprocating countries as long as the laws, customs, and regulations of The Netherlands provided equal rights for American citizens, or companies, in The Netherlands and its colonies.

The State Department concluded that the Department of Interior’s attitude at this stage was that it was up to the Dutch government to continue with the reciprocity efforts, and that it

---

Dutch to obtain oil concessions, but also the U.S. Government’s recognition of The Netherlands as one of the reciprocating countries. See also: Letter of American Chargé d’Affaires in The Hague, R. Henry Norweb, to the Secretary of State, The Hague, February 28, 1928. The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929. M.682. Roll 42. 856d.6363/441-856d.6375.


86 Letter of the Secretary of Interior, Hubert Work, to the Secretary of State, Washington, March 24, 1928. The Roosevelt Center, Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929. M.682. Roll 42. 856d.6363/441-856d.6375.
was in their hands as to whether the reciprocity agreement would be signed. According to the U.S. Government, the memorandum of the Secretary of State dated March 5, 1928 was a clear statement of American policy that met the desire of the Dutch Government, which had asked for a written declaration from the U.S. Government, that it was to become one of the reciprocating countries. Therefore the U.S. Government, in this case the Department of Interior, did not consider it necessary to issue a written declaration. In this situation, both the Dutch and the U.S. Governments stood firm on their respective viewpoints. The two companies that competed, Royal Dutch/Shell and Standard Oil of New Jersey, also believed that their rivals had influenced their respective governments in order to defend their interests.

The lack of desire by the Dutch and the U.S. Governments to make a political breakthrough led Royal Dutch and NKPM to question their business interests in the Dutch Indies and in the United States. If the status quo were maintained, Royal Dutch/Shell would have been in a better position to develop their business in the Dutch Indies than NKPM was. Communications between the American Minister in The Hague, the American Consul in Batavia, and several Standard Oil officers showed that the U.S. Government and Standard Oil of New Jersey were worried that the Dutch Upper House may not approve the NKPM bill. At this point, The Netherlands had a better bargaining position than the United States did, and so American political pressure had limited influence when it came to the Dutch government’s decision to postpone the approval of the NKPM bill unless they received a written declaration that they were to become one of the reciprocating countries. Standard Oil officers also actively contacted the U.S. State Department, primarily through the Office of The Economic Adviser, to ask about the diplomatic developments and to pressure them to continue in their efforts to get the approval of the Upper House for the bill. It is worth noting that some of the State Department statements that claimed that the development of and any change to the status quo could only be solved if there was a political maneuver from the Dutch Legation in Washington, were in fact not entirely correct, as it was clear that it could also have been changed if there was a political initiative from Washington.87

The lack of a final decision about the bill, in particular the lack of approval for the oil concession in Palembang, attracted Royal Dutch/Shell’s interest because of their desire to obtain

---

the oil concession, which was considered as having more potential than the Jambi oil concession had. Royal Dutch/Shell’s interest in the Palembang oil concession may also have been because NKPM had also asked for an oil concession in Palembang. The timing of Royal Dutch/Shell’s proposal was also problematic and somewhat provocative, because it came at a time when both the Dutch and U.S. governments were determined not to succumb to the demands of the other. The American Minister in The Hague, Richard M. Tobin, reported to the Secretary of State that the Dutch government introduced a bill seeking parliamentary approval from BPM for exploration and exploitation in Palembang, South and East Borneo, and in Aceh.88 He stated that the contract proposal had actually been concluded the year before in 1926. It meant that a year before, BPM had already organized and applied for oil concessions in those areas, which included Palembang. It was possible that because BPM had obtained the Jambi oil concession and because the Dutch government had promised other areas to NKPM following pressure from the U.S. Government that BPM had to make such a proposal. Tobin also reported that the contract that BPM had asked for was as wide as the concession that NKPM had requested and that it had satisfied Sir Henri Deterding. It seemed that BPM and NKPM competed fiercely for every available hectare in the Dutch Indies.

The application of BPM made Standard Oil of New Jersey begin to consider the worst possibility if the NKPM bill was not approved by the Upper House. One of them was to negotiate directly with local rulers in the Dutch Indies. However NKPM also faced bureaucratic difficulties in obtaining oil concessions in indirectly ruled areas, namely the areas that were controlled by local rulers. In general local rulers still had to obtain approval from the Dutch colonial government to grant a concession.

The opportunity for American companies to obtain oil concessions from local rulers came at the end of April 1928. The American Consul in Medan, Walter A. Foote, who met with the envoy of the Sultan of Deli, Tengkoe Djaja Pahlawan, at the American Consulate in Medan, informed the Secretary of State that the Sultan of Deli did not want to grant oil concessions to BPM. He was interested instead in granting concessions to one of the American oil companies.89

---


89 The envoy of Sultan of Deli who met with the American Consul in Medan, Tengkoe Djaja Pahlawan, explained that oil sources were found in the village of Laland in Serdang and Poentoeng in Deli. Both of them were situated about 23 kilometers from Medan. Another oil source was also found at Kwalam in Deli that was situated 16
However in order to grant oil concessions to American oil companies, the Sultan had to get the Dutch colonial government’s approval first. In order to ensure that the colonial government did not know about the desire of the Sultan of Deli to grant oil concessions to American oil companies, Tengkoe Djaja Pahlawan asked the State Department, through the American consul in Medan, not to mention the Sultan of Deli or his name as the source if they wanted to circulate information about Sultan of Deli’s offer.

The offer of Sultan Deli indicated that there were still some oil sources in his sultanate. It was possible that Sultan Deli wanted to increase the revenue of his sultanate through oil exploitation. His desire to not grant oil concessions to BPM may well have been because he wanted to get higher concessions from other companies that wanted to pay more for oil concessions in his sultanate. It was also possible that the Deli Sultanate had been pressured by the colonial government and was forced to follow the government’s wishes via instructions from the Dutch resident in North Sumatra, including instructions regarding their oil businesses in their Sultanate. However to grant oil concessions to oil companies in addition to BPM, the sultan had to obtain permission from the government. Therefore he wanted that the offer to exploit oil in his sultanate appear as if it came from other parties, mainly from the company that actually wanted to obtain the concession.

The efforts to follow up on the offer from Sultan of Deli took four months, from April until August 1928. However, eventually Sultan of Deli informed the U.S. consul in Medan that it was impossible for him to obtain permission from the Dutch Government to grant oil concessions, especially to American companies. His statement that expressed his worry about offering oil concessions without approval from the colonial government demonstrated his own insecurity and concerns about the security of his own position as Sultan. There had been occasions when sultans were replaced by the colonial government due to their failure to follow the express wishes of the government, even if their policies did not appear to do any harm to the colonial government’s interests. The decision of Sultan of Deli to end talks with the U.S.


Government indicated the strong influence of the Dutch colonial government over the whole of the Dutch Indies, including areas that were not under the direct rule of the Dutch. The influence that the Dutch had was very powerful, and it ensured the territorial integrity of the Dutch Indies’ natural resources, and repelled foreign economic and political attempts to gain influence over local rulers in order to gain oil concession.

For the U.S. Government itself, the failure to obtain oil concessions from the local rulers made them realize that the Dutch had a very strong bargaining position. At this point they had to find the right opportunity, and the right issue, that the Dutch government was prepared to compromise over and then find a mutual solution to the NKPM bill, which had still not been approved by the Upper House.

8. Compromises and Normalization Efforts

Competition that originally stemmed from business interests, and the desire to obtain a share of the Dutch Indies’ oil business, quickly progressed into the political sphere with the competition becoming about national interests, and not just oil concessions. The efforts to break the deadlock related to reciprocity and to eliminate legal obstacles were now increasingly focused on the U.S. and Dutch governments diplomatic efforts. The U.S. Government was in the more difficult of positions. Based on NKPM research, the Dutch Indies still had large untapped oil deposits. They were likely to fall into BPM’s hands because the Dutch colonial government was at that time facing financial difficulties. NKPM believed that BPM could have asked for oil concessions without government participation and thus monopolized the oil industry in the Dutch Indies.

Until May 1928 it could be said that the U.S. Government was at a stalemate in their diplomatic efforts. The Netherlands had never needed to declare a country as non-reciprocating because even without this provision foreign companies still had great difficulties in obtaining oil concessions, based on article 5A of the Dutch Indies Mining Act. This led to the U.S. Government’s attitude that The Netherlands did not implement a policy that allowed for foreign companies to gain oil concessions in the Dutch Indies on an equal footing to Dutch companies. On the other hand, the Dutch government also complained about the difficulties that Dutch companies faced in gaining oil concessions in the United States. Even if The Netherlands was not listed as one of the non-reciprocating countries, the Dutch companies would still have faced
another legal obstacle, namely the possibility of conflict between Federal and State laws. Both the Federal and State governments had the authority over the public lands that were provided as concession areas in the United States. The Federal Government, especially the Department of Interior as the government institution that issued the Land Lease Act in 1920, held a lot of sway, but the State also had a voice when it came to the disposal of public lands. Thus, if the Federal Government recognized a company that came from one of the reciprocating countries, the company would not automatically get oil concessions because the State had the right to choose not to issue the concession.

The U.S. Government’s firmness against the companies that came from non-reciprocating nations, especially Royal Dutch, was also applied to Shell. Both Royal Dutch and Shell came from non-reciprocating countries. Royal Dutch/Shell’s difficulties in gaining oil concessions more or less could be solved by buying shares of American oil companies. Once they had shares in American companies, Royal Dutch/Shell could expand their business.

BPM, through the Shell Company of California and Roxana Petroleum, merged with the Union Oil Company of Delaware to establish the Shell Union Oil Corporation. Thus the capital of the company actually derived from three countries: the United States, The Netherlands, and the United Kingdom. The United States and The Netherlands were still working, at this stage, to achieve an agreement in defining reciprocity and its implementation. However the British status as a non reciprocating country had been fixed. The British efforts to prevent the entry of American capital into the British mandate territory in the Middle East forced the U.S. Government to classify the United Kingdom as one of the non-reciprocating countries.

At this point the U.S. Government faced the problem of how to classify the status of the Shell Union Oil Corporation. If the U.S. Government really wanted to apply reciprocity as based on the Land Lease Act 1920, the existence of the Shell Union Oil Corporation should have been denied because there was capital coming from the two countries that at that time were classified as non-reciprocating countries, regardless of the American capital involvement in the company. However the Dutch government's attention to the existence of the company's presence in the United States could become a reason to compromise for a greater framework of reciprocity between the two countries.

The Secretary General of the Foreign Office, Christiaan Snouck Hurgronje, expressed his government's desire that "the Dutch government would treat responsible American petroleum
interests on a footing equivalent to that accorded to Dutch interests." His expression showed that The Netherlands would continue to pursue the open door policy. However it did not mean that the reciprocity between the two countries would have been implemented in a rigid way and that any policies implemented by the Dutch government would have always been identical to that which the U.S Government implemented. It did not mean either that every time the Dutch government granted oil concessions to American companies that they had to be reciprocated by the U.S. Government granting a like-for-like oil concession to a Dutch company. Related to the case of the Shell Union Oil Corporation, Snouck wondered whether the U.S. Government would have calculated in detail the requirements of the same share percentage of each Dutch company or Dutch mixed company that wanted to operate in the United States, and American companies that wanted to operate in the Dutch Indies. In other words, if the share of a Dutch company that merged with another company and operated in the United States was 50 percent, would an American company that wanted to operate in the Dutch Indies also have to have had 50 percent share and merged with another company.

Besides the issue of the share percentage, Snouck also considered other foreign capital involved in a Dutch company if it operated in the United States. Referring to the case of the Shell Union Oil Corporation, he wondered whether foreign capital, which was involved in a Dutch company and which came from one of the non-reciprocating countries, would be a problem for the U.S. Government. Shell Union Oil Corporation was a subsidiary of BPM. BPM itself was a subsidiary of Royal Dutch and Shell. Shell was a British company, and Great Britain was classified as one of the non-reciprocating countries.

Thus there was British capital in the Shell Union Oil Corporation. If the U.S. Government later recognized The Netherlands as one of reciprocating countries, the Dutch government was concerned about the status of the Shell Union Oil Corporation. The company became the only Dutch company that was interested in obtaining oil concessions in the United States. If the U.S. Government changed the status of The Netherlands, but the Shell Union Oil Corporation could not expand their businesses because of the presence of British capital in the company, the Dutch would have been aggrieved.

---

The Shell Union Oil Corporation was founded in 1922. BPM controlled up to 66 percent of the company shares. BPM’s share itself was controlled by Royal Dutch, who had 60 percent, and by Shell, who controlled the remaining 40 percent. Thus the British share in the Shell Union Oil Corporation was about 26 percent.\(^\text{92}\) With such a composition of share ownership, Snouck questioned whether the U.S. Government would consider the Shell Union Oil Corporation as a Dutch or a British company. If the U.S. Government changed the status of The Netherlands and considered the company as a Dutch company, then the company would have been eligible to ask for oil concessions in the United States.

For the U.S. Government the determination of the Shell Union Oil Corporation’s status, as was asked by the Dutch government, became a path to continue their diplomatic efforts to gain equality for American oil companies that operated in the Dutch Indies. Considering that a Dutch company, Royal Dutch, controlled the majority of Shell Union Oil Corporation’s shares the U.S. Government responded to the Dutch government that they would assume that Shell Union Oil Corporation was a Dutch company, and thus had the right to submit proposals to obtain oil concessions in the United States.

The Dutch government through the Minister of Foreign Affairs, Beelaerts van Blokland, replied to the U.S. Government’s response and stated that the Dutch Indies Mining Act made no objections to the granting of rights to exploit oil to American citizens or companies with American capital based on Article 4 of the law. He also informed the American Legation in The Hague that the Dutch Minister of Colonial Affairs would sign the NKPM bill and that the Dutch were committed to continue the open door policy in the Dutch Indies.

The Dutch government's decision quickly changed the status quo of the diplomatic efforts between the United States and The Netherlands, and was an important political step to end the reciprocity issue. On the other hand it was a fair solution for both companies that were competing, namely Royal Dutch/Shell and the Standard Oil Company. Royal Dutch/Shell considered that the public lands in the United States had potential to expand their business, while the Standard Oil Company, through NKPM, had been waiting to obtain oil concessions in the Dutch Indies. Four contracts that they managed to acquire in Sumatra and Java were a step forward for NKPM to develop their business in the Dutch Indies. The Dutch Minister of Colonial

---

Affairs signed the contracts for NKPM on July 17, 1928, while the U.S. Government through the American Minister in The Hague, Richard M. Tobin, recognized The Netherlands as a reciprocating country within the meaning of the provisions of the Land Lease Act of February 25, 1920.93

9. Conclusion

For industrialized countries, competition for energy sources for their industrial interests was a matter of national security. In this context, the competition between Dutch and American oil companies for oil sources in the Dutch Indies could also be seen as competition between two countries, especially when their governments had intervened to support their oil companies in obtaining potential oil concessions.

The Dutch government was very responsive to developments in the oil industry and the competition that occurred among big oil companies around the world. Not only oil, but the Dutch government also anticipated the development of worldwide industrialization by maintaining control over the Dutch Indies’ mineral sources. One of their efforts was to issue the Dutch Indies Mining Act in 1899. The act was very effective in legally protecting the Dutch Indies’ mineral resources from foreign companies that sought to expand their business interests through operating in the Dutch Indies. Despite this, foreign companies managed to maintain a large presence in the Dutch Indies through investing their capital in companies such as Standard Oil, which operated via their subsidiary NKPM. Various attempts by the U.S. Government to exert political pressure were what ultimately led to the passing of the Act. Without the existence of the Act, the Dutch government would not have had a legal reason to contain the influx of foreign investment into the Dutch Indies’ oil industry. The robust and relentless political pressure from the U.S. Government over a period of five years (1922-1927) failed to influence or weaken the firm attitude of the Dutch government, and parliament, in their refusal to grant oil concessions to American companies who wanted to operate in the Dutch Indies. Another factor that supported the Dutch oil policy in the Dutch Indies was the existence of the British military in Southeast Asia.

The change in Dutch policy to take into account the granting of oil concessions to an American oil company was more due to the internal factors of the Dutch government, related to the security of the Dutch Indies and the insufficient capital to conduct mining exploitation. For the U.S. Government, the change in Dutch government policy came at the right time, namely after several failed diplomatic efforts which were followed by a change in the Governor-General. The failures were due to the reluctance of the Dutch government to change some important articles in the Dutch Indies Mining Act, which the U.S. Government considered not appropriate with the open door policy. The Dutch government’s efforts, based on suggestions of the Upper House members to not immediately approve the bill that granted NKPM potential oil concessions, showed the strong bargaining position held by the Dutch government.

On the other hand, the U.S. Government could understand the international situation in the Pacific region and knew some of the difficulties that the Dutch colonial government faced in the midst of foreign powers engaging in competition that could potentially threaten the Dutch’s control over the Dutch Indies. The war of interests between the Dutch and the U.S. Government until early 1928 had not come to a satisfactory solution for the two countries because both of them were still able to keep their position and not succumb to pressure in negotiations with their opponents.

The Dutch government was able to maintain their position because they were the party that had the authority and control over the oil rich areas in the Dutch Indies. Control over some areas in the archipelago had been maintained since the VOC period, and as they still maintained that control the Dutch government had a better bargaining position through their ability to choose which company would obtain the oil concessions. In addition, the Dutch government was not facing hardship or any emergency that required immediate capital from oil exploitation; this is especially true in the early years of the oil exploitation efforts in the Dutch Indies, between 1890-1920. In that period the Dutch government facilitated Royal Dutch/Shell in obtaining oil concessions, which then allowed the government to disregard foreign capital, primarily American capital. The Dutch Parliament’s opposition, which came mainly from socialist groups, also supported the Dutch government in their anti-foreign capital policies, and so allowed the government to take as much as possible from the Dutch Indies natural resources for national interests. For the Dutch government, the term ‘national interests’ began to be used in negotiations with the U.S. Government after the inclusion of article 5A in the revision of the
Dutch Indies Mining Act 1910. The article describes the government’s legal right to participate and manage the Dutch Indies oil industry, in addition to and in collaboration with private companies.

It can be said that the Dutch government’s policy, which seemed to restrict the entry of foreign capital, worked well although the U.S. Government heavily protested it. Domestic issues that required a reduction in the role played by foreign capital, and the concern over a monopoly system, which could be implemented by the Standard Oil Company through NKPM, became important issues that were debated by both the Dutch and Dutch Indies public. In general it gave a negative impression of NKPM. On the other side, the U.S. Government had tried to urge the Dutch government to follow the rules according to the Land Lease Act 1920 and implement a reciprocity agreement between the two countries. However the Dutch’s economic and political independence from the United States meant the country could stand firm against U.S. political pressure.

The only effective way to raise the U.S. bargaining position was through the international and regional security issues that could threaten Dutch control over the Dutch Indies. These issues were also able to attract the attention of the Dutch Parliament and became a consideration taken seriously by Governor General de Graeff when he sought to grant potential oil concessions to American oil companies. The U.S. Government realized the importance of these issues, however they were unsuccessful for two reasons. First, The Netherlands had a good relationship with the British and could rely on the existence of the British Navy to protect the oil interests of the two countries in Southeast Asia. Although the British would first prioritize their assets, the existence of Shell company capital in the Royal Dutch/Shell company was certainly an important consideration for the British. The second factor was the Dutch capital. The Dutch government could not provide a large capital to manage all of the mining activities in the Dutch Indies and so feared the possibility of open conflict in the Pacific. The capital factor was an important consideration because, as seen in the NKPM bill, the Dutch government did not participate or share the capital for exploitation in the concession that would be granted to NKPM, in the midst of their difficulties to meet the Dutch colonial government budget. It was possible if the Dutch government did not grant the oil concession in Palembang to NKPM and the concession was granted to BPM instead, that the government capital would still not have been able to be used to exploit the oil fields in Palembang simply because the government capital was so limited.
The agreement that solved the reciprocity issues between the Dutch and the U.S. Governments was achieved only after both sides made it a priority and gave it their full attention. Both governments gave as much as they could, especially when one considers the political and legal restraints that they had to work within. The U.S. Government had no other option but to continue their political efforts and hoped that the Dutch government would make a political breakthrough in order to continue the diplomatic efforts.

However on the other hand, the issue surrounding the status of the Shell Union Oil Corporation was inseparable from the interests of Royal Dutch/Shell, which wanted to quickly expand their business in the United States. Indeed the Dutch Indies continued to produce oil with a relatively stable production; however the oil and its products needs in the United States were much higher than in the Dutch Indies. If Royal Dutch/Shell managed to get oil concessions in the United States, then it would bring them close to the American oil market that was growing rapidly and at the same time would prevent Standard Oil from gaining a controlling stake in the American oil market.

At this point it can be seen that the status of the Shell Union Oil Corporation, which was taken up by the Dutch government, was the company's interests rather than the interests of the Dutch government. It could be said that the Dutch government was not in an emergency situation to grant oil concessions to NKPM. The Dutch government could stand firm on their position regarding the application of the Dutch Indies Mining Act, which the U.S. Government considered as unequal and unfair to American oil companies.

For NKPM, oil concessions in the Dutch Indies would provide them a path to expand their business not only in the Dutch Indies but also in Southeast Asia as well. The quality of the Dutch Indies oil especially from the Sumatra region also facilitated NKPM to refine oil into various products that it then exported to other regions, including to the United States when necessary. The NKPM efforts were also in line with the U.S. Government policy that wanted to secure domestic oil needs from abroad. The agreement between the U.S. and Dutch governments in 1928 can be said to be the beginning of cooperation between the two countries in the oil industry in the Dutch Indies and in the United States. The Dutch’s recognition as one of the reciprocating countries facilitated American oil companies to acquire oil concessions in the Dutch Indies and Dutch oil companies to acquire oil concessions in the United States.
CHAPTER SIX

CONCLUSION

For industrialized countries, access to adequate energy sources is of utmost importance, and crucial to their economic development and continued industrialization. The more a nation relies on a particular energy source, such as oil, the more importance that nation places on gaining access to abundant sources, so much so that in the early 20th century access to raw materials for industrialization became a key national interest.

There were only four industrialized countries at the end of World War I: the United States, Great Britain, France, and Russia, all victors of the war. Thus, the world’s oil sources were only contested by the oil companies from these countries, or from companies that at least had a connection to these countries. Government support for oil companies from their respective nations was one of the reasons why local business competition amongst oil companies eventually became an international competition also fought and negotiated by politicians in their nations’ capitals.

Competition between Royal Dutch/Shell and the Standard Oil Company was inevitable. Both companies sought to dominate the worldwide oil market, and both followed an aggressive strategy when there was opportunity for expansion. The motivation of Standard Oil to expand and to double their capital grew from one of the practices of the concept of liberalism that had emerged in the United States. Once Standard Oil had successfully dominated the American domestic market, the company began to expand overseas. At the same time, the dynamic of international politics heavily influenced oil companies’ efforts to expand their businesses in other regions of the world. World War I changed the geopolitical map, especially in Europe, and it also affected the change among the oil-rich regions’ rulers, particularly in Russia and within the colonies. At this point the political and economic interests met.

Worldwide demand for oil meant that any company that managed to gain access to, and control over, the worldwide oil sources was guaranteed huge profits. However, competition among oil companies was not only about controlling the oil sources. Being able to control and extract the oil was not enough, the oil companies also had to have the vast and expansive networks and means of transportation to transport the oil. The importance of transportation is
evident from the efforts of several oil companies to improve their transportation system and modernize, or acquire new, tankers in an attempt to expand their business. Shell was leading in terms of modernizing their tankers. In addition to enlarging their tanker capacity, Shell also improved the speed of their tankers and ships to enable them to transport their oil products to the new markets as quickly as possible. The speed of the tankers influenced market expansion. The faster the raw oil reached its intended market, the faster the customers were able to proceed with using the oil for other products. Thus the effort to control the oil market was not just about control over the sources, but also about ensuring the company had rapid and modern means of transportation.

These three factors mentioned above, namely the competition for control of the oil sources, the ability to provide a rapid means of transportation, and control of the markets, were the challenges faced by all oil companies including Royal Dutch/Shell and the Standard Oil Company when they began operating in the Dutch Indies. In general, competition between oil companies only covered these three issues. With regards to control over the oil sources, I have shown that to be able to compete with Royal Dutch/Shell in the Dutch Indies and Asia, the Standard Oil Company had to be able to gain oil concessions from the Dutch so that they could have total control over all the stages of oil production. Without oil concessions Standard Oil faced difficulties to compete with Royal Dutch in the Dutch Indies. Standard Oil’s oil sources that were in the United States were simply geographically too far away, which meant that transportation to Asia was both slow and expensive, and thus the oil was unable to compete with Royal Dutch’s oil, which was sourced in Asia from the Dutch Indies. Thus, obtaining oil concessions in the Dutch Indies was crucial if Standard Oil was to compete with Royal Dutch in the Asian markets. To Standard Oil’s benefit, after World War I, the United States’ foreign policy in terms of oil aligned with the interests of Standard Oil.

On the other hand, Royal Dutch/Shell, through their subsidiary BPM, also wanted to maintain their business dominance in the Dutch Indies. The Dutch government's desire to play more of a role in the Dutch Indies oil industry, and their cooperation with BPM, were clearly opposed to the expansion of Standard Oil. From a business and economic point of view, the conflict of interest of these two companies is a consequence of capitalism. However if it was seen from a political context, especially in regards to relations between the two countries and that both supported their national oil companies, it seems that there were different foreign policies.
The existence of the British who had good relations with The Netherlands through the collaboration of Royal Dutch and Shell was important and must be taken into account. The Dutch could depend on the British Navy for their security. Thus their security independence and lack of reliance on the U.S. military was one of the Dutch government's bargaining positions, in that they did not have to give American oil companies space to expand their business in the Dutch Indies in order to secure their rule over the colony. Both the United States and the British had strong Navies and military bases in Southeast Asia and could protect Dutch power in the Dutch Indies from foreign attacks; however these two countries also competed with each other to expand their influence in the region. The efforts to expand their respective influence were inseparable from the desire to increase their control over international trade including the route of raw materials and energy source areas that were required by an industrialized country.

Related to this, The Netherlands and the Dutch Indies faced a difficult situation with the increase of political tension in the Pacific region. The Netherlands considered that the British could be relied upon to maintain the security of the Dutch in the Dutch Indies; however the British actually could not be fully expected to protect their interests in the Dutch Indies and at the same time protect Dutch interests. Considering the British concern that led them to build a war port in Singapore, it indicated that the British themselves still had to prepare military measures to anticipate the fear of Japanese expansion. Thus there were at least two external factors that influenced the Dutch decision to start thinking about granting potential oil concessions to American companies. They were the shortage of Dutch government capital to finance all the mining activities in the Dutch Indies and the strength of the U.S. Navy that could be considered as an option to protect the Dutch interests in the Dutch Indies.

To restrict the entry of foreign capital, especially in the oil industry, the Dutch government looked to apply protectionism, while the U.S. Government’s support of their oil companies overseas seemed to be an application of liberalism. I argue that the Dutch government actually did not implement protectionism to restrict the entry of American capital because in the plantation sector, the Dutch government provided opportunities for American companies to invest their capital, however, at the same time American oil companies faced great difficulties in their attempts to obtain oil concessions. From the point of view of national interests, the Dutch government had the right to determine which company would be granted oil concessions because the Dutch Indies was their colony. The tendency to give oil concessions to BPM also showed
that the Dutch government did not require foreign capital in the Dutch Indies’ oil industry at least until 1926. In other words, they did not invite foreign capital as they did not want foreign companies to compete with the Dutch oil companies. This led to the U.S. Government taking an active role in their diplomatic efforts to convince the Dutch to allow American capital in.

The passive attitude of the Dutch government was also influenced by external factors including the lobbying by Royal Dutch officials. It was this factor which led to Standard Oil’s allegation that the policy of the Dutch government was in fact influenced by the lobbying activities, without taking into account the Dutch national interests, because as a private company Standard Oil saw their competition with Royal Dutch purely from a business perspective. This is evident from the correspondence between Standard Oil officials and the U.S. Government.

Meanwhile the policy of the United States, which seemed to implement economic liberalism at the international trade level, at least with regards to the competition between Standard Oil and Royal Dutch/Shell, was precisely more apparent as economic pragmatism. The competition between Standard Oil, Royal Dutch and Shell had been going on since the late 19th century, but it was in 1907 with the merger of Royal Dutch and Shell that the competition began to threaten Standard Oil’s oil dominance. The U.S. Government did not initially support Standard Oil in their attempts to acquire oil concessions in the Dutch Indies, and even failed to intervene when the Dutch Government indirectly thwarted Standard Oil’s merger attempts with the Moeara Enim Company. The U.S. Government only began to support their oil companies at the end of World War I. Apart from the domestic issues, the U.S. Government’s pragmatism was seen when their national interests were threatened. At this point, the U.S. Government eventually supported their oil companies’ attempts to acquire oil concessions abroad because Washington was concerned that the huge oil consumption during World War I had severely decreased American oil reserves.

The difference of viewpoint between the U.S. and the Dutch governments was due to differences about how to define the management of the land concession itself. This is due to a fundamental difference in the principle of the laws of the two countries. According to the Dutch Indies Mining Act, the landowner only had the right to everything on the surface and thus, the government had the right to what was contained in the soil. This understanding led to the existence of two types of concessions that were offered to oil companies that wanted to operate in the Dutch Indies, the one being the concession to investigate the existence of oil, and the
Conclusion

second concession to exploit the oil. The Dutch government itself considered that they had so far only granted investigation oil concessions in areas that potentially contained large oil deposits to NKPM, but importantly that they had not granted concessions for oil exploitation in those areas. Certainly this became one of the complaints by NKPM and the U.S. Government because the reciprocity that the U.S. Government wanted was to obtain potential oil concessions that were profitable for American oil companies just like what the Dutch oil company had obtained in the United States.

Unlike the Dutch Indies Mining Act, the American Mining Act contained a provision that the landowners also owned what was contained in their soil. This was the reason why there was only one kind of concession in the United States. Different mining laws that applied in The Netherlands or the Dutch Indies and in the United States was one reason which was used by the Dutch oil companies to obtain oil concessions in the United States before the implementation of the Land Lease Act 1920 which was related to reciprocity between the two countries.

For American oil companies that wanted to invest their capital in the Dutch Indies, the difference in the mining act legislation became complicated because to obtain potential oil concessions, first they had to be sure that they applied for concessions in areas that actually contained large oil deposits. The first logical step that they had to do was to submit an application for an oil investigation concession in the hope that that area contained large amounts of oil. However, if based on their investigations they later discovered that the area contained large oil deposits American oil companies still faced difficulties in obtaining oil concessions for exploitation because the Dutch colonial government in the meantime had usually claimed the area as a reserved area. The Dutch government themselves claimed that their policy had been legal under the Dutch Indies Mining Act which dealt with the right of the state to control various types of minerals. The provision eventually meant that American oil companies could only obtain potential oil concessions by buying them at a more expensive rate from third parties.

I also pointed out that the Dutch government's decision to grant oil concessions to NKPM, a subsidiary of the Standard Oil Company, was not the result of political pressure from the U.S. Government. When the U.S. Government’s diplomatic efforts were deadlocked, the status of the Shell Union Oil Company became a way to continue American diplomatic efforts. Indeed the Dutch government asked the United States to consider the Shell Union Oil Company a Dutch company, which Washington agreed to; agreeing to the request was one of
Washington’s efforts to support NKPM’s attempts to gain oil concessions in the Dutch Indies. The United States Government had also realized that it was no longer possible to demand that the Dutch Government followed all the previously laid down demands, including changing articles in the *Indische Mijnwet* to satisfy Washington, in order for The Netherlands’ status to be changed to that of a reciprocating country.

In some of the previous studies, the reasons for the Dutch government granting oil concessions to NKPM was not adequately discussed, rather the studies tended to focus on the success of U.S. diplomatic efforts in Washington and through their diplomats in Batavia and The Hague. The U.S. Government indeed conducted a campaign of exerting political pressure on the Dutch government including by issuing the Land Lease Act 1920. However, I conclude that the United States’ political pressure did not affect the attitude of the Dutch government, and it in particular did not succeed in pressuring the Dutch to change any articles in the Dutch Indies Mining Act in accordance with Washington’s desires. The security factor, and the possible vulnerability of the Dutch Indies in the event of any conflict between Japan and the British or Japan and the United States was certainly a consideration for the Dutch colonial government and an incentive for them to maintain good relations with Great Britain and the United States. However, American efforts did not make the Dutch government change their policies towards the oil industry in the Dutch Indies.

Another party that I studied in my research was the local authorities and the communities who lived around the oil mining fields. Indonesian people tend to generalize that colonialism brought a negative impact on all sectors of life. This opinion is not necessarily wrong, but it is not always true if we look at certain cases in detail. I have shown that economically, the oil mining activities in particular in the Sultanate of Langkat, provided benefits for both the local rulers and their people. Through field research in Medan and Langkat, I found local sources that explained the various benefits for the Sultanate of Langkat. Several buildings such as the former sultanate palaces, mosques, and a building that belonged to the sultanate that is now used as a museum, were actually built from the profits the Sultanate received from their share of the oil mining that the Dutch oil companies conducted in Langkat. Pertamina, the Indonesian national oil company, to this day still uses some of the infrastructure that was built by BPM in Pangkalan Brandan and Pangkalan Susu.
BIBLIOGRAPHY

1. Primary Sources

1.1. Unpublished Primary Sources

1.1.1. Nationaal Archief (NA), The Hague

a. Verslagen van den Handelingen der Staten General 1876, 1877, 1939, 1940.
   Nummer Toegang: 2.02.21.01
   Inventaris Nummer: 518, 533, 548, 549, 562, 574, 586, 596, 608, 746

b. Ministerie van Buitenlandse Zaken: Werkarchief Minister van Buitenlandse Zaken, H.A. van Karnebeek.
   Nummer Toegang: 2.05.25.
   Inventaris Nummer: 3, 8, 9, 43, 53, 54, 55, 58, 59, 124, 145, 138

c. Gezantschap Verenigde Staten/Legatie Washington
   Nummer Toegang: 2.05.13
   Inventaris Nummer: 229, 233

1.1.2. Arsip Nasional Republik Indonesia (ANRI), Jakarta.

a. Dienst van Mijnwezen 1828-1915

   Number: 315/64, 473/28, 477/74, 478/36, 826/5.

1.1.3. The Roosevelt Study Center (RSC), Middelburg

a. Microfilm

   Records of the Department of State Relating to Political Relations Between the United States and the Netherlands 1910-1929. Roll 1 M.683 List of Documents 711.56/0-711.56/1 and Documents 711.56/0-711.5612, Anti War/42


   Records of the Department of State Relating to Political Relations Between the United States and the Netherlands 1901-1929. M.683. Roll 1: List of Documents 711.56/0-711.56/1 and Documents 711.56/0-711.5612, Anti War/42

   Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929. M.682. Roll 28. Netherlands (East) Indies (Netherlands India) 856d.00/2-57.

Records of the Department of State Relating to Internal Affairs of the Netherlands, 1910-1929. Roll 45. M.682 Netherlands (East) Indies (Netherlands India). 856d. 801-856d.9251

Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929. Roll 46. M.682. Java and Madura (Netherlands East Indies). 856e.00-856e.0442/5

Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929. Roll 50. Java and Madura (Netherlands East Indies). 856e.70-856e. 927

Records of the Department of State Relating to Internal Affairs of the Netherlands 1910-1929. Roll 51. Sumatra. 856F.00-856F. 5611 b/1

Records of the Department of State Relating to International Affairs of the Netherlands 1910-1929. Roll 52. Sumatra. 856F.602. 856F. 9243

Records of the Department of State Relating to International Affairs of the Netherlands 1910-1929. Roll 53. Borneo (Netherlands East Indies) 856 g.00-8569.75

Records of the Department of State Relating to International Affairs of the Netherlands 1910-1929. Roll 54. Celebes (Netherlands East Indies) 856 h.6115/1-856i.796

1.2. Published Sources

Staatsblad van Nederlandsch-Indie 1851, Batavia, Ter Lands Drukkerij, 1852.
Staatsblad van Nederlandsch-Indie 1858, Batavia, Ter Lands Drukkerij, 1859.
Staatsblad van Nederlandsch-Indie 1873, Batavia, Ter Lands Drukkerij, 1874.
Staatsblad van Nederlandsch-Indie 1906, Batavia, Ter Lands Drukkerij, 1907.
Staatsblad van Nederlandsch-Indie 1910, Batavia, Ter Lands Drukkerij, 1911.
Staatsblad van Nederlandsch-Indie 1919, Batavia, Ter Lands Drukkerij, 1920.
Regerings-Almanak voor Nederlandsch-Indie 1907 Tweede Gedeelte: Kalender en Personalia, Batavia, Ter Lands Drukkerij, 1908.
Regerings-Almanak voor Nederlandsch-Indie 1909, Batavia, Ter Lands Drukkerij, 1910.
Regerings-Almanak voor Nederlandsch-Indie 1910, Batavia, Ter Lands Drukkerij, 1911.
Regerings-Almanak voor Nederlandsch-Indie 1911, Batavia, Ter Lands Drukkerij, 1912.
Regerings-Almanak voor Nederlandsch-Indie 1912, Batavia, Ter Lands Drukkerij, 1913.
Regerings-Almanak voor Nederlandsch-Indie 1914, Batavia, Ter Lands Drukkerij, 1915.
Regerings-Almanak voor Nederlandsch-Indie 1916, Batavia, Ter Lands Drukkerij, 1917.
Regerings-Almanak voor Nederlandsch-Indie 1917, Batavia, Ter Lands Drukkerij, 1918.
Regerings-Almanak voor Nederlandsch-Indie 1922, Batavia, Ter Lands Drukkerij, 1923.
Regerings-Almanak voor Nederlandsch-Indie 1923, Batavia, Ter Lands Drukkerij, 1924.
Regerings-Almanak voor Nederlandsch-Indie 1925, Batavia, Ter Lands Drukkerij, 1926.
Regerings-Almanak voor Nederlandsch-Indie 1926, Batavia, Ter Lands Drukkerij, 1927.
Regerings-Almanak voor Nederlandsch-Indie 1927, Batavia, Ter Lands Drukkerij, 1928.
Regerings-Almanak voor Nederlandsch-Indie 1928, Batavia, Ter Lands Drukkerij, 1929.

Koninklijke Nederlandsche Maatschappij Tot Exploitatie van Petroleumbronnen in Nederlandsch Indie, Verslag Over 1890-1930.
Jaarboek van het Mijnwezen in Nederlandsch Indie 1922-1928.


2. Secondary Sources


Dienst van den Mijnbouw. *Tekst van de Indische Mijnwet (Staatsblad 1899 No. 214 gewijzigd en aangevuld bij de Staatsbladen 1910 No. 588 en 1919 No. 4) en van de Mijnordonnantie (Staatsblad 1906 No. 434 gewijzigd en aangevuld bij de op blz. 21 vermelde Staatsbladen)*. Weltevreden: Landsdrukkerij, 1924.


Hubbard, Silas. *John D. Rockefeller and His Career*. New York: Published by the Author, 1904.


Lindblad, Thomas J. *Historical Foundations of a National Economy in Indonesia 1890s-1990s.* Amsterdam: North Holland, 1996.


Poesponegoro, Marwati Djoened and Nugroho Notosusanto. *Sejarah Nasional Indonesia IV:


Zulkarnain, Iskandar. *Konflik di Kawasan Pertambangan Timah Bangka Belitung: Persoalan*


“Standard Oil Has A $22,000,000 Waif”, *The New York Times*, December 4, 1908.

“Archbold Tells of Trust’s Foreign Foes”, *Los Angeles Times*, December 1, 1908.


“Royal Dutch Combine Sells 74,000 Shares”, *Wall Street Journal*, December 9, 1916.


“De waarschuwing van den Amerikaanschen gouverneur-generaal”, *Soerabaiasch Handelsblad*, December 22, 1923.

“Wat is er gedaan met India” *Soerabaiasch Handelsblad*, July 17, 1923.

“Protest Vergadering”, *Soerabaiasch Handelsblad*, October 14, 1924.


“Reciprocity In Oil Development”, *The New York Times*, May 2, 1921.


“Dutch Bar U.S. From Indies Oil; May Retaliate”, *Chicago Daily Tribune*, April 30, 1921.


“Shows Oil Fields Shut To Americans”, *The New York Times*, May 18, 1921.

“Oil Companies Agree on Russian Policy”, *Wall Street Journal*, October 5, 1922.


“De Relletjes Te Ngrambe”, *Soerabaiasch Handelsblad*, February 5, 1925.

“Wat te Semarang gebeurt”, *Indische Courant*, August 12, 1925.

4. Website

Majalah Tempo Interaktif, *Minyak dan Al Mujahid*,