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CASE STUDY

THE POST-COLONIAL DUTCH ROLE IN INDONESIA

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SUMMARY

Among the former colonial powers which have been divested of their overseas possessions since 1945, the Netherlands has had remarkable success in forging a new relationship of trust and good will with its former colony. This study examines the evolution of Dutch relations with Indonesia since 1958, discusses the role Holland now plays in Indonesian life and attempts to analyze the motivation for the disproportionately high level of Dutch Assistance to Djakarta since 1963.

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THE POST-COLONIAL DUTCH ROLE IN INDONESIA

1958 - 200,000 Dutch nationals, their businesses and personal property confiscated, expelled by a hostile Indonesia.

1970 - HRH Prince Bernhard accorded highly emotional welcome by Indonesia's Government and people.

Introduction

The past decade has been a momentous one for Dutch-Indonesian relations. Between the highly charged 1958 expulsion of the Dutch (many of whom never had seen Holland) and the fervently received visit of the Dutch consort in March 1970, the last vestiges of colonialism were lifted from Indonesia and new bonds of friendship were forged between the Netherlands and its former colony. The evolution of a viable post-colonial relationship, the roles of the public and private sectors in achieving this new relationship and the remarkably enlightened and farsighted policies adopted by the Dutch Government in the face of extreme provocation are the topics of this case study. They could well be studied and emulated by officials of other nations seeking to adapt the policies of their governments to similar changes in national circumstance.

General Climate of Relations

Despite outward appearances, Dutch-Indonesian relations remained relatively cordial on a personal basis throughout the years (1957-1963) when official relations were badly strained and, ultimately, broken. Indeed, the deep-seated affection for the mother country felt by many Indonesians remained close below the surface: a Dutch official in Djakarta related to me a moving account of how the playing of the Dutch national anthem to salute the triumph of a Dutch athlete in a Djakarta international track meet in early 1963--soon after the West Irian confrontation and before diplomatic relations were restored--triggered emotional sobbing by a number of cabinet ministers and their wives in the reviewing stands. Similar scenes reportedly occurred during Prince Bernhard's visit in March 1970.

Official relations, however, were much stormier. After repeated rebuffs in their post-1949 efforts to bring the West Irian issue before the United Nations, Indonesia's President Soekarno adopted a program of "confrontation" with the Dutch to force a transfer of the last remaining portion of the Netherlands East Indies to Indonesia.

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During the five years between 1957 and Holland's 1962 agreement at New York to give administrative responsibility for West Irian to Indonesia, Soekarno broke diplomatic relations with the Dutch, repudiated the 1949 agreements governing Indonesia's debt to the Netherlands, expelled virtually all Dutch nationals and, finally, invaded West Irian by land and sea.^{1/}

The circumstances of Holland's virtual capitulation in the face of Indonesian pressure and adverse world opinion still rankles in The Hague. Nevertheless, successive Dutch Governments have maintained their perspective throughout the difficult post-1962 period; the policies they formulated and implemented are remarkable for their enlightenment, generosity and understanding. The extremely warm relationship which now exists between the two countries can, in my opinion, be attributed to Holland's willingness to write off the bulk of its expropriated properties and to provide technical assistance, economic aid and investment guarantees for private firms seeking to re-establish themselves in Indonesia. The Dutch also have provided inestimable support through sympathetic leadership of the Intergovernmental Group on Indonesia (IGGI), a nonconsortium consortium which pledged more than \$500 million in economic aid to Indonesia in 1969, and in the "Paris Club," the organization of creditor nations now discussing repayment of Djakarta's pre-1966 debts.^{2/}

^{1/} Benjamin Higgins, Indonesia: The Crisis of the Millstones. Princeton: Van Nostrand, 1963. p. 100

^{2/} According to Panglaykim and Arndt (The Indonesian Economy: Facing a New Era, Rotterdam, 1966), Indonesia's external debt totaled \$2.4 billion when the Soeharto Government came to power in 1966. The international spread of this indebtedness is roughly as follows:

Communist nations	-	\$1,404,000,000
Western nations	-	587,000,000
Asian nations	-	261,000,000
African nations	-	4,000,000
IMF	-	102,000,000

The "Paris Club," composed of Indonesia's non-Communist creditors, is now grappling with the problem of the debts owed its member countries. If the club can agree to a long-term, low-interest repayment schedule (such as that proposed by Dr. Abs), Indonesia probably can repay its obligations without jeopardizing its development plan; if no agreement can be reached on these obligations and the country's heavy debt to the Communist nations, knowledgeable observers believe repudiation could follow. Such an action would jeopardize the continuation of vitally needed support now being provided Djakarta by the IGGI (see below).



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The Bilateral Political Situation

With the apparent final settlement of the West Irian issue by last fall's "act of free choice"--the result of which was supported by both countries before the United Nations--no major political issues are outstanding; officials of both governments expressed to me their confidence that, with the colonial issue now a thing of the past, no impediment to continued cordial relations will arise. My soundings lend credence to this forecast. Nevertheless, several minor problems should be mentioned.

Two small but highly vocal Dutch groups have received considerable publicity and apparently are of concern to Djakarta: a conservative group which centers about a number of septuagenarian colonial "bitter enders," whose Calvinist consciences prevent acceptance of the abandonment of the innocent and primitive Papuans of West Irian to the Indonesians; and a left-wing, intellectual faction led by Professor Wertheim which was outraged by the anti-Communist coup of 1965 and opposes Dutch support of what it considers to be a rightest dictatorship of General Soeharto and his military supporters.

Indonesian officials with whom I talked seemed relatively unconcerned by the former group, which is aging and has little influence. They are more apprehensive over the potential impact of Wertheim and his associates, however, feeling that his message may evoke some response, particularly among students and other idealists. That this fear may have some substance was suggested by the response of a Dutch parliamentarian to my inquiry as to whether the idealism of Dutch youth might be harnessed in a Peace Corps-like effort in Indonesia; he was highly doubtful that any enthusiasm could be generated, attributing this unfortunate situation largely to the success of the Wertheim faction.^{3/}

One other potential problem should be noted: Holland's growing Ambonese minority. When the Dutch granted Indonesia its independence in 1949-50, a large number of Ambonese islanders (who had fought in the Dutch colonial army) were transported to the Netherlands with their families on the understanding--agreed by both parties--that they eventually would be repatriated by the new nation. In twenty years these Ambonese have grown from some 10,000 to more than 30,000 and Indonesia has shown great reluctance to repatriate and integrate them into the

^{3/} The same parliamentarian also questions Holland's long-range commitment to massive foreign aid because of the attitude of the same younger generation, which he feels lacks any "guilt feeling" toward the Indies and seriously doubts the legitimacy of the Soeharto Government.

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country's already underemployed work force. As of January 1970 only 800 Ambonese had been permitted to return, and the vast majority remain in the Netherlands, an unassimilated and near-stateless group without a future in either country. Time and education may erode the separateness of the Dutch Ambonese--most of whom are unlikely to return to Indonesia--but the issue could cloud bilateral relations at some point in the future.

The Psychology of Dutch Assistance

The assistance Holland has provided Indonesia since 1963 has been prodigious. Indeed, the billion guilders (\$280 million) appropriated by the Netherlands for its economic aid program in 1969 dwarfs the relative efforts of the United States and its other allies. All the major Dutch parties support foreign aid, and the annual debate in the Tweede Kamer is focused not on the extent of Holland's economic aid to other countries but on why the Government is not allocating more of its resources to the program. What accounts for Holland's great generosity in this field?

Central to Dutch enthusiasm for foreign aid, I believe, is Holland's own experience as a recipient of large-scale assistance from the United States after the second World War. Gratitude for US aid under the Marshall Plan is a theme known to all Americans who have worked with the Dutch. I would submit that this central experience in modern Dutch life is reflected directly in Holland's sincere desire to help other nations in similar need. This impulse gains much support from the deeply religious nature of the Dutch people--sectarian and nonsectarian alike--and is further buttressed by the historic internationalism of the Netherlands, a recognition of the need for a small nation to find strength in common ventures which has been reflected in endeavors as disparate as William of Orange's multistate alliances to nullify the military power of Louis XIV, the Hague court, the United Nations, Benelux, NATO and the Common Market.^{4/} Regardless of its motivation, however, the commitment of most Dutchmen to foreign aid is both remarkable and highly gratifying.

^{4/} That a guilty national conscience may also play a role was implicit in the comment of a Dutch parliamentarian to me that the younger generation in Holland may be less devoted to the cause of foreign aid than their parents "since they have no feeling of guilt for what has gone before."

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Government Cooperation: Technical and Military Assistance

Beginning in 1963 the Netherlands has provided technical aid to Indonesia (\$4.4 million in 1969) on a nonreimbursable basis. Nearly 700 Indonesians have been trained under this program, chiefly in the Netherlands.

The Dutch possess a unique body of knowledge on Indonesia and the tropics. Dutch universities and technical schools^{5/} have unexcelled experience in tropical agriculture and medicine. Notwithstanding this "special competence," the Dutch have been careful not to press aid on their former colony but only to respond to specific Indonesian requests for assistance (Indonesia apparently recognizes its inability to know precisely what it needs, however, and has on a number of occasions asked Dutch advice both as to types of technical aid required and on priorities.). A US official in Djakarta told me most observers agree that Holland's technical aid to Indonesia surpasses in quality that of all other donor nations.

The Netherlands gives technical aid to Indonesia in several ways. Government-to-Government grants are the major vehicle and account for some 15-20 per cent of Dutch technical assistance world-wide. Recently approved projects include visits to Holland by Indonesian journalists and labor leaders, management assistance for Indonesia's dislocated interisland shipping, and re-evaluation and translation of Indonesia's legal code and the body of judicial decisions which, of course, are recorded in Dutch. Foreign Ministry officials expect the requirement for such assistance to grow somewhat as foreign investment expands but foresee only modest increases in the scope of their Indonesian program, which should decline steadily as a percentage of Holland's total technical assistance to developing nations.

In addition to direct aid, the Dutch Government supports two major educational programs: a matching (75 per cent public, 25 per cent private) capital investment program--\$3.2 million in 1969--with one independent and three sectarian foundations which support sixteen Indonesian schools and colleges; and a recently approved program (\$500,000 for 1969) to underwrite educational exchanges between Holland's public and private universities and their Indonesian counterparts.

In the military sphere, Holland's influence is small and increasingly less significant. The Indonesian armed forces are largely Soviet equipped, and their training has been Russian or, more recently, US. Although quotas traditionally have been offered to Indonesian personnel

^{5/} Particularly Leiden University, the agricultural university at Wageningen and the technical school at Nijmegen.

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at the Dutch staff college in Breda, future advancement clearly lies with those officers who attend the US Army's Command and General Staff College at Leavenworth and other advanced US schools. As a consequence, the Dutch staff college usually fails to attract the cream of Indonesia's middle level officers, and the influence generated by Holland's small military training program remains limited.

Government Cooperation: Economic Aid

Holland's economic assistance also has been important, with about 15 per cent of its world-wide aid since 1966 earmarked for Indonesia. A significant portion of this assistance has been grant aid (\$17 million of a \$25 million allocation in 1968), and loans have been untied and on easy terms.^{6/}

More important has been Dutch leadership in the Intergovernmental Group on Indonesia (IGGI), the "nonconsortium" consortium set up in 1966-67 to help the Soeharto Government meet its operational and development needs. Composed of the Common Market nations, Australia, the US and Japan, IGGI made available more than \$500 million in loans and grants in 1969 and is now addressing an Indonesian request for \$600 million in 1970.^{7/} Holland's firm support of IGGI sets the tone for the other European members, and skillful Dutch conference diplomacy has helped compose potential differences within the Group and has brought great benefits to Indonesia.

The Dutch provide additional assistance through the Fund for West Irian (FUNDWI), a \$30 million program instituted as part of the 1962 settlement. Under FUNDWI, the Dutch are underwriting a number of projects--principally roads, telecommunications, timber exploitation and off-shore fisheries--for the Papuans. Holland has expressed a willingness to extend its assistance beyond the \$30 million already committed, with follow-on programs to be funded through the Asian Development Bank (under which multilateral support hopefully will develop).

^{6/} An Indonesian Foreign Ministry official told me that, of all donor countries, only the Netherlands was interested solely in helping his country; the rest are believed to support projects only when they serve their own interests.

^{7/} By informal agreement, IGGI funding has been about one-third US, one-third Japanese and the remaining third European/Australian.

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Cultural Cooperation

Implementation of the 1967 Cultural Cooperation Agreement evokes strong emotion in Holland but little reaction in Djakarta. The key program--on which the Netherlands spends some \$800,000 annually--is Dutch language training, and officials in The Hague are divided as to the wisdom of encouraging Indonesia's elite to study Dutch.^{8/} Several dissenting officials in the Foreign Ministry (whose statements were later reiterated to me by others in Holland) told me that Indonesians must be encouraged to learn English, not Dutch, for their time would be poorly invested learning a language spoken by only 30 million Dutchmen and Flemings.^{9/} Nevertheless, the Director of Cultural Affairs in The Hague is pursuing a vigorous, if modest, language program; the Dutch Government collects and sends to Indonesia all unsold copies of the leading Dutch magazines and journals, and the Netherlands is sponsoring several professors of Dutch language and literature in Indonesia, as well as a number of idealistic young Dutchmen now teaching the language there. Radio and television are largely unexploited; Dutch cultural affairs officials told me they are convinced that exposure in these media would not reach their target group.

Private Investment and Trade

Dutch firms have been slow to reinvest in Indonesia in the years following Soekarno's overthrow. Although the 1967 Foreign Capital Investment Law offers tax and other benefits to the foreign investor and the Netherlands Government has offered investment guarantees since 1968, only about \$21 million had been committed by end-1969. Neither Dutch nor Indonesian leaders foresee more than a modest increase in this level in the near future. Most of the post-1966 private investment has involved the large Dutch corporations (e.g., Phillips and Unilever), although specialized projects have been undertaken by middle-sized firms such as a printing machinery manufacturer and a Zeeland Dairy cooperative which has set up a milk reconstitution facility.

Royal Dutch Shell recently "loaned" some \$60 million to Pertamina, Indonesia's Government owned and operated oil company, taking "payment" in high grade petroleum and lubricants which are marketed very profitably in Japan. Loans of this sort are expected to continue, probably

^{8/} Most Indonesian leaders in the forty and over age group now speak Dutch in their homes, and much official business still is conducted in Dutch.

^{9/} Although Indonesia's legal code and the decisions of its courts are in Dutch, The Hague is underwriting a program designed to assist a group of Indonesian lawyers to review the colonial legal code and to translate applicable portions into Indonesian.

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with increased frequency, but they can hardly be termed foreign investment in the conventional sense. Shell has been granted coveted on-shore prospecting and drilling rights and may well be planning expanded, independent marketing of the petro-chemicals it now distributes through Pertamina.

Most of the post-1966 Dutch investment in Indonesia has been through joint ventures in which the Hollanders have retained management control. Both parties seem satisfied with this arrangement, recognizing Indonesia's shortage of managerial talent. Indeed, officials in Djakarta appear more interested in Dutch expertise and experience than in Holland's investment potential. The Chairman of Indonesia's Foreign Investment Board told me that he hopes to lure back a number of the Dutchmen expelled in 1957-58 as managers of their former plantations.^{10/} That others also appreciate Holland's managerial skills and experience is demonstrated by the fact that Dutchmen have been engaged to head the two leading US banks in Djakarta, as well as several Japanese-owned firms doing business there.

Dutch-Indonesian trade is important to both countries but is expected to decline in importance with time.^{11/} Although the Netherlands remains the traditional market for Indonesian tea, tobacco and copra, the closure of the Suez Canal and the impact of Common Market restrictions have hurt the competitive position of Indonesian products, slowing trade expansion. A Governmental official in Djakarta told me that if the canal remains closed another two years, the focus of Indonesian trade will shift irretrievably to the Pacific basin.

Outlook

The Dutch image has undergone a remarkable transformation in the past twenty years, shifting from that of exploitive colonialist to revered benefactor of the Indonesian nation. A major factor in this metamorphosis has been the highly enlightened policies followed by The Hague since 1963, fostering the transfer of funds, technical know-how and managerial skills from Holland to its former colony. Indonesia's

^{10/} The US Consul in Medan (Sumatra) told me that, although a Dutch firm recently had agreed to manage its former plantations in Sumatra, he does not expect such arrangements to become common or widespread.

^{11/} In 1967 Indonesia's exports to the Netherlands exceeded \$97 million, while imports from Holland totaled only \$45 million.

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response has been one of warmth and gratitude, and a "special relationship" founded on trust and understanding has been established and can be expected to persist for one or two generations.^{12/}

Despite the likelihood that this "special relationship" will fade, however, the deep-seated good will generated by Dutch rationality and generosity, Holland's acceptance of Indonesia as a political equal and the amicable settlement of the difficult West Irian issue enhances prospects that Indonesia and the Netherlands can achieve and maintain an unprecedented measure of international cooperation and understanding in their still evolving post-colonial relationship. An optimistic observer of the Dutch-Indonesian scene in the early 1960's could hardly have foreseen such a prospect.

^{12/} Most observers consider the language tie an important factor in this special relationship. Despite Holland's efforts to stimulate Indonesians to learn Dutch, it appears unlikely that the language can have any lasting general appeal. As a result, this bond, and the relationship which it facilitates, is expected to disappear.

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