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## Makassar Copra as a Trigger of Struggling for Power between Central and Local Government: A Historical Study of Regional Political Economy in Indonesia

**ABSTRACT:** Copra, as an economic commodity, was used as a political issue rather than overcoming economic problems. The concept of political self-reliance and anti-imperialism by means of nationalization on foreign companies in Indonesia, in 1950s, seem to be correlated directly with the discontinuity of Indonesian economy up to now. As an archipelago state, today Indonesia is threatened economic disintegration in the whole islands which gradually also threatens national disintegration. National integration can only be strengthened if it is followed by economic integration of all islands. National integration developed so far hasn't taken the maximum advantages of inter-island relation as an economic power, so that the economic policy of Indonesia seems to be partial. Consequently, the conflict between central and local government has always been highlighted by political aspects. The importance of economic power in supporting national integration was still kept freshly in mind of the whole community members of East Indonesia, since commodity of copra was placed as regional economic power in East Indonesia and being a national economy. However, when the politics dominantly controlled economic policy, the copra export trade system in the area collapsed. This situation was used by military in Sulawesi for controlling the copra export. They established new trade system namely barter system. As the result, economic integration was stagnant and monopolized by national political elite in Jakarta. Today, this regions (East Indonesia generally and South Sulawesi particularly) are only fragments of archipelago's economy for the sake of parties controlled by Jakarta.

**KEY WORDS:** Economic commodity, copra, economic policy, central and local government, Sulawesi and East Indonesia region, and national integration and disintegration.

### INTRODUCTION

Nationalization of foreign enterprises was one of the most crucial phenomena in Indonesia history during the East Indonesia

State, in the 1946-1950 period. Crucial phenomena the continuous political problem, until of idea of nationalization of foreign enterprises in Indonesia, has actually emerged

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during the revolution era (Kahin, 1995:172-178). This was related to the fact that most parts of Indonesian economic resources were still in hand of foreign enterprises.

It is said also that Indonesian independence at that time was solely a political achievement. Politically, Indonesia was free from colonization, but economically it still depended on its former mother country, the Netherlands. During the Indonesia revolution, about 25 per cent of the Indonesian GDP (Gross Domestic Product) and 10 per cent of the important positions in modern economic sectors were still controlled by the Dutch. Even in 1950, more than 6,000 Dutch personnel held senior positions in banks, agricultural and mining enterprises, trade companies, etc. (Kian Wie, 1994:2). This can be understood since during that time Indonesia faced the paucity of experienced technicians and managers (Creutzberg, 1979).

This research is an attempt to contribute to our new understanding and enriches the reading materials of historiography of maritime economic history and describes how the political aspects predominate the fluctuation of economic integration in modern Indonesia.

Makassar has been known long as a trading gate of Eastern part of Indonesia. The effort of Dutch government to take control over Makassar was not merely as a political interest, but rather as a global economic politics, mainly to balance the progress of British monopoly whose based in Singapore. At the first time, the two nations not only tried to take control every colonized harbours, but also cultivated commodities which had world marketing prospects. This effort was also extended to Makassar, where Makassar was made as coconut oil industrial city, for example, the founding of *Olie Fabrieken Insulindo Makassar*, which its aim was to control the world copra marketing price (Du Cloux, 1937; and Clemens & Lindblad, 1989).

That's why controlling Makassar was important, not only its harbour but also made it as world copra marketing network. The involvement of Makassar in world marketing resulted in the integration of regional economy of Eastern Indonesia. World economic depression in 1930s gave impacts on Makassar

copra exporting decreased (Lindblad, 1989; and Rasyid Asba, 2007a).

The role of Dutch government in controlling economy was more powerful until 1950s and changed to political affairs. For example, the nationalization of foreign business was sponsored by politicians. On the other hand, democratization of local economy was urgently demanded by local government upon central government of Jakarta. For example, there was a claim of RMS (*Republik Maluku Selatan* or South Moluccas Republic)'s movement and PERMESTA (*Perjuangan Semesta* or Universal Struggle) for economic equity (Harvey, 1989; and Leirissa, 1991).

The gain of copra trading, which divided into 70% for local and 30% for central government, became national political problem in maintaining the central and local government relationship. That's why the local conflict in Eastern Indonesia had been occurring until now and being a problem for developing a democratic modern of Indonesia.

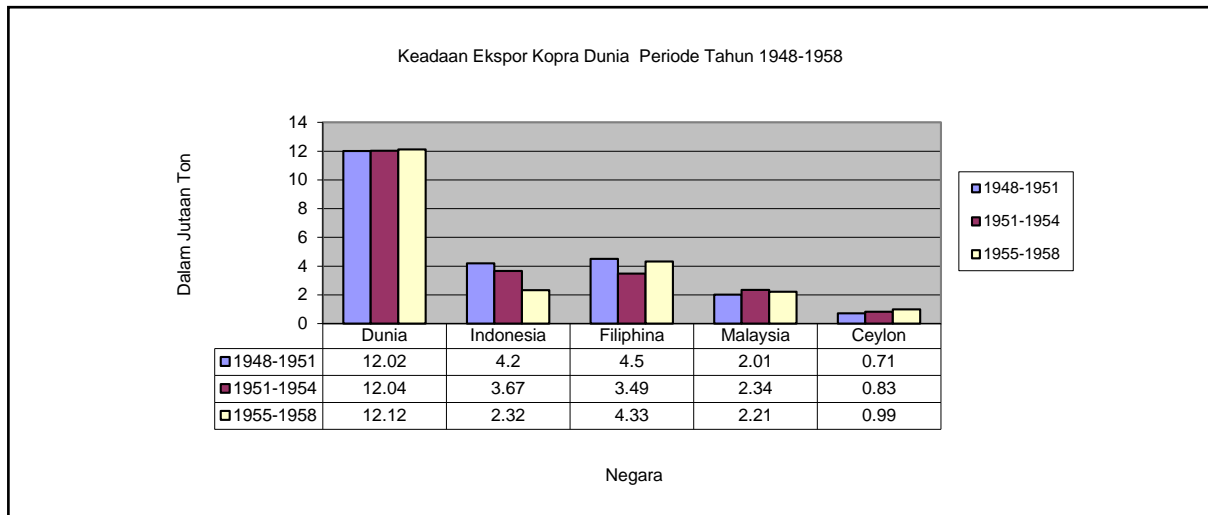
#### COPRA AS AN ECONOMIC POWER

During eight decades or so, Eastern Indonesia economy mainly depended on copra, or known as *emas hijau*.<sup>1</sup> The people of Eastern Indonesia, especially in South Sulawesi, however, made copra as an important trading commodity since 1880s, when the European countries used copra as raw material for soap and margarine.

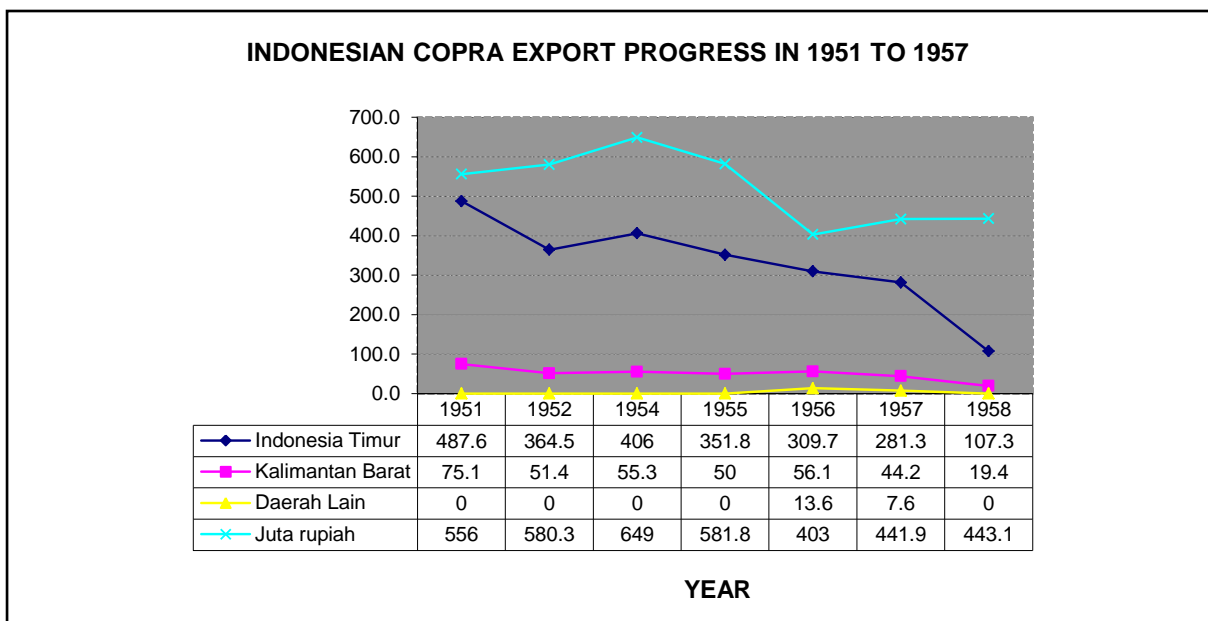
There were 60 percent of local income came from copra exporting of Eastern Indonesia,<sup>2</sup> and around 70 percent were exported via Makassar port (Bacon & Schloemer, 1940:295; Dol, 1949:85; and

<sup>1</sup>The term of *Emas Hijau* (Green Gold) is actually referred to copra. Copra is made from green coconut meat that has been dried. This dried coconut meat has a great value, so that it is always needed at the market. It is like the gold. In various writings, the dried coconut is very important trading activities. For further information, see newspaper of *Kompas*, Jakarta: February 3, 1991; and Christiaan G. Heersink (1995:108).

<sup>2</sup>There was about 70% of all copras from outside South Sulawesi exported through Makassar harbor in 1939. This amount was lower if it was compared to the amount in 1938, i.e. 91%. See, for further information, "Jaarverslag van de Handelsvereniging Makassar", *Archival Sources* in Makassar, Celebes, 1940, p.12; and "Copra en Coprafonds in Oost-Indonesie Domirende Positie van Copra in Oost-Indonesie: NHM Makassar, No. Code 2.20.01 and No. Inv. 5114". *Archival Sources* in NADH [National Archief of Den Haag], p.88.



**Chart 1:**  
World Copra Export during 1948-1958  
(Source: MEA, 1947:57-60; BI, 1956:143-146; and Suroso Wirodihardjo, 1974:288-294).



**Chart 2:**  
Copra Export  
(Sources: SBRI, 1954:xxiii-xxiv; BI, 1958:182; and Abdul Rasyid Asba, 2007b).

Heersink, 1994:47). Based on this fact, it is concluded that in the second decade of twentieth century, copra played role as a trade power in Asia-Pacific. Even, Makassar was then able to compete Singapore as a trading city, because of its copra production.

Makassar became very important based on Malino Conference in 1946, as capital city

of Eastern Indonesia State. The economic management was more and more improved. The rate of copra export was increased yearly and even had slightly difference when it was before war. However, it seems that there was a fluctuation on the export volumes caused by local competition among the copra producers. See chart 1.

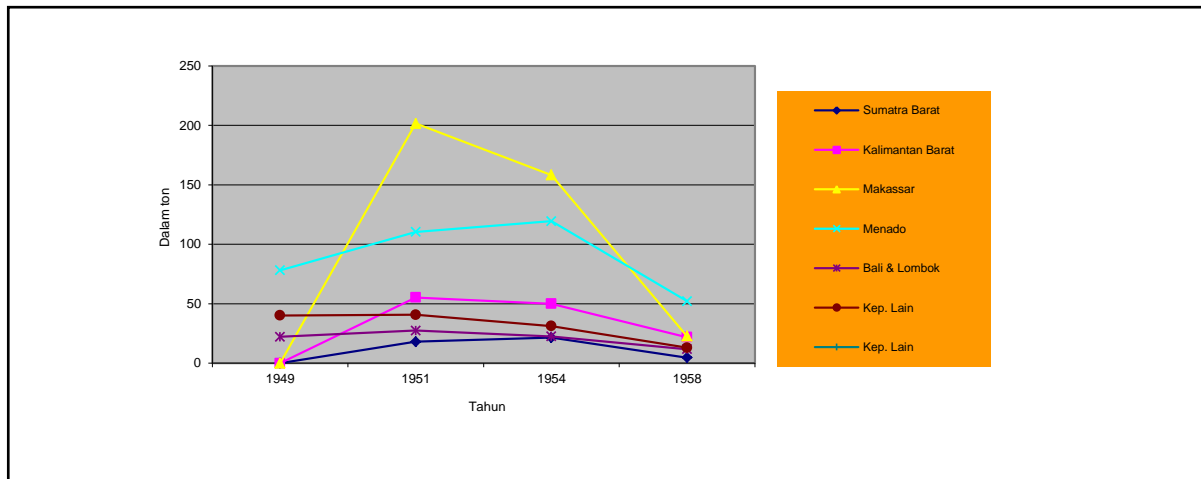


Chart 3:

The Comparison of Copra Export of Makassar with Some Copra Producers in Indonesia (Sources: MEA, 1950; SBRI, 1954:xxiii-xxiv; and Abdul Rasyid Asba, 2007b).

Chart 1 shows also the increase of world copra needs. On the other hand, the copra export volumes of Indonesia seems to be decreasing during ten years (1948-1958) compared to the Philippines, Malaysia, and Ceylon (Sri Langka). The decreasing of copra export of Indonesia was caused by political situation as a result of nationalization of copra firms, which affected copra trading system. In Indonesian scale, however, copra export was dominated by Eastern Part of Indonesia. See chart 2.

Copra export, in various area in Indonesia, showed a fluctuation in volumes. This situation indicated that copra trading system had been in disorder. In the period of 1954-1958, exporting copra from Makassar decreased drastically. On the other hand, Manado showed an increase in copra export significantly during the periode of 1949-1958. This indicated that during this period, copra from Manado was no longer exported through Makassar harbour. In addition, other areas such as West Sumatra, West Kalimantan, Moluccas, Bali, and Lombok Island also gave contribution, as shown in chart 3.

According to Suroso Wirodihardjo, the decreasing of copra export value of Indonesia in 1954 was caused at least four factors, namely: (1) Since 1953, the government rules on copra export had been always changing and confusing the consumers; (2) The trading system of copra collectors organization had changed and affected copra supply; (3) The

rule of copra shipment to Europe in 1954 didn't obviously satisfy the hope to increase the export; and (4) European companies tended to choose copra from the Phillipines instead of Indonesia, because the Phillipines copra had better quality (Wirodihardjo, 1974).

Actually, the decreasing of Makassar copra export became a main issue only, when there was a open debate on Copra Cooperative Law No.179 in 1949. In wider context, the debate was firstly caused by political constellation in North and South Sulawesi. The critics against military officers and central government were concerned about the less development of local copra producers. Such situation brought about to anticlimax and to the end caused rebellion (Qahhar Mudzakkar, 1960).

Finally, the decreasing of copra export from Eastern Indonesia needed the involment of central government in solving the problem. In fact, such problem resulted not only pro and contra to the trade policy, which was out of central government control, but also the less attention of central government on developing local producers. Most opinions insisted in how to make concrete actions so that instead of the gain/revenue from copra export was taken by central government, such income was given to local producers for its development.<sup>3</sup>

<sup>3</sup>See "Berita Jajasan Kopra dalam Konferensi Kopra di Tugu, Bogor, Djawa Barat: 25 Mei 1956", *Archival Sources in Province of Sulawesi*.

### **COPRAFONDS MOVED TO JAKARTA**

The copra issue in Indonesian politics, both in local and national scope, emerged after dissolution of RIS (*Republik Indonesia Serikat* or United States of the Republic of Indonesia) in 1950. Nationalization that changed the name of all Dutch companies into Indonesian corporations was essentially an effort to implement the slogan of Indonesian economic development, i.e. "political liberation with Indonesian independence was a process towards to an economic liberation". This slogan became the theme of the First Conference of Indonesian Economy, which was held on February 3, 1949 in Yogyakarta (Sutter, 1959, I:671). This seven days conference was principally aimed at reordering national economy by nationalizing foreign corporations.

In the Yogyakarta conference, it was stated that one of the objectives to develop national economy was the transformation of colonial economy into national economy. According to President Soekarno, national economy could be improved only if all Indonesian people got involved in developing national economy. Exporters, merchants, industrialists, farmers, and labors went hand in hand with government in developing "national economy". In such a way, Indonesia could catch up other nations. According to President Soekarno, "human prosperity is not only enjoyed by *white skin race* (Dutch), but also Indonesian who is awakening from oppression". Every entrepreneur responded the idea of national economy that they worked not only for benefit of their companies, but also find the way to develop their national economy (cited in *Pemberitaan Antara*, 5/12/1949).

*Coprafonds* as copra trading institute, which was established in the era of Dutch colonialization, had also been nationalized. This nationalization occurred in 1953, following the decision made by Inter-Ministry Meeting, which decided that *Coprafonds* would change its name into *Yayasan Kopra* (Copra Foundation). In 29 December 1954, *Coprafonds* was officially nationalized into *Yayasan Kopra*. This nationalization was indicated by the revision of *Coprafonds* statutes. Article 1 stated that *Coprafonds*

has changed its name into *Yayasan Kopra*. *Yayasan Kopra* is based in Jakarta and its daily management board is five persons consisting of two government representatives and three from local delegations (Harvey, 1989).

In addition to this five daily management board, the Ministry of Economics RI (Republic of Indonesia) had a privilege to fire the management board if they engage in improper activities and divests money. The main objective of *Yayasan Kopra* was to support citizenry cooperative movement.<sup>4</sup> Liberalism, as the ideological base of *Yayasan Kopra*, was changed into socialism in the form of cooperatives. It means that *Coprafonds*, that was established in the Dutch colonialization era and had of which orientation was free market capitalism, had to be soon dissolved. *Coprafonds*, then *Yayasan Kopra*, had to be controlled by the government (*ibidem* with footnote 4).

Nationalization of *Coprafonds* became a proof of political domination in ruling Indonesian economy in 1950s. In other word, it was a shortcut to develop national economy regardless its impacts. The nationalization of *Coprafonds* did not consider skills and the availability of fund to support the sustainability of firms. Many *Coprafonds* workers were fired as they were said to be unloyal to Republic of Indonesian government. In addition, they were suspected to support the form of RIS (*Republik Indonesia Serikat* or United States of the Republic of Indonesia)'s economy; and regarded as Dutch agents by extreme nationalists (*cf* Daeng Malewa, 1947; and Harvey, 1989).

The acceleration of nationalization politics, which began in 1951, gave an impact on decreasing copra export to the Netherlands. In 1948, for example, exporting copra from Makassar to the Netherlands were about 162,000 tons; and in 1952, it decreased to 95,703 tons. This lowering figure indicated that politics also affected the decrease of copra export to the Netherlands. In contrast to the Philippines, which was ever colonized by the USA (United States of America), exporting

<sup>4</sup>See, for example, "Saleh Lahade's Personal Archives, Reg.272" in Library and Archive Office, South Sulawesi Province, Indonesia.

copra to USA was continually increasing from 60.2 tons in 1947 to 160.43 tons in 1952 (Creutzberg & Van Laanen, 1987).<sup>5</sup>

Placing *Yayasan Kopra* in Jakarta caused copra producing areas having no rights to determine copra trading procedures. Some producing areas made a barter trade system for the sake of local development. The central government not only maintained *Yayasan Kopra*, but also gave chance to other companies to run copra trading business. On the other hand, the provincial local government exported copra with barter systems without *Yayasan Kopra's* knowledge.

In order to solve this problem, the Ministry of Economics RI (Republic of Indonesia), Mr. Iskak, made a decision that buying and selling copra were not only monopolized by the *Yayasan Kopra*, but also by national exporters. Mr. Iskak hoped that *Yayasan Kopra* could limit her monopoly in selling copra so that the national exporters could also buy and sell copra. Mr. Iskak suggested if national exporters could be given a special quota at the minimum of 15,000 tons per month. Of this selling, the government expected 2% for revenue (cited in Compton, 1993). This income could be allocated by the government to subsidize the coconut farmers at the minimum of Rp. 3,000,000 (three millions Rupiah Indonesia) per year.<sup>6</sup> Nevertheless, this policy failed to be implemented since *Yayasan Kopra* was still as economic institution which monopolized copra.

The failure of Mr. Kasimo (Catholic Party), in influencing *Coprafonds* by means of giving chance to national entrepreneurs, resulted in firing him as Chairman of *Yayasan Kopra* Management Board. He was succeeded by Mr. R. Pratikno Sastrohadikusumo from MASYUMI (*Majelis Syuro Muslimin Indonesia* or Indonesian Muslim League) Party. In his capacity as a Chairman of *Yayasan*

*Kopra* Management Board, Mr. R. Pratikno Sastrohadikusumo was also trying to minimize the role of *Yayasan Kopra* by giving more chances to private exporters. This effort, however, failed because the Unity of National Exporters faced the problems of marketing copra. This was due to the fact that the majority of copra marketing done by foreign companies, which had a very good trade network with *Yayasan Kopra* for a long time (Harvey, 1989).

The failure of *Yayasan Kopra* management happened not only in the central level, but also in local level. For example, Mr. Soumokil, as manager of *Yayasan Kopra* in South Molluccas region, didn't rely anymore on *Yayasan Kopra* to buy copra in Molluccas and Papua New Guinea. He, even, banned to sell copra to *Yayasan Kopra*. In 1952, Mr. Soumokil with his South Molluccas Republic movement held back the copra from the two countries in order to increase funds for the development of copra producer areas. Hundred tons of copra were piled in Sorong harbour by South Molluccas Republic organization; and on 7 March 1952, these copra were prosecuted in court. As the result, South Molluccas Republic won this copra case and was admitted as authorized owner of various copra parties in Sorong. Nevertheless, on the name of *Yayasan Kopra*, Indonesia government in Makassar rejected this decision since Mr. Soumokil was not admitted to be in managerial board of *Yayasan Kopra* in Mollucas region.<sup>7</sup>

In the conference of Sulawesi Kings on Februari 3-4, 1952, it was demanded to enforce Local Autonomy Act No.22 Year 1948 and Provisional Constitution No.44 Year 1950, in which strictly stated that all sites of East Indonesia State had the same origin just as it was before independence. They had their own wider autonomous governments just like the privilege that was given by central government to Yogyakarta Province (*ibidem* with footnote 6). According to the conference participants, if the demand of wider autonomy would not

<sup>5</sup>See also "Rapporten de Ambassadeur W.G.A. Loudon, 17 Maart 1947: Copra Uitvoer uit Nederlandsch Indie" in *Inventarisatie*, No.1992; and "Copra en Coprafonds in Oost-Indonesie Domirende Positie van Copra in Oost-Indonesie: NHM Makassar, No. Code 2.20.01 and No. Inv. 5114". *Archival Sources* in NADH [National Archief of Den Haag].

<sup>6</sup>As cited in "Laporan Triwulan Perkembangan Ekspor Kopra, Seksi 5, Territorium VII, Angkatan Darat, Tahun 1953, Reg. No.94, Dos 5". *Arsip Pribadi M. Saleh Lahade* in Library and Archive Office, South Sulawesi Province, Indonesia.

<sup>7</sup>See, for example, "Rapporten Dr. J. Cator, Copra Smokkel van Overste Warouw en Majoer Worang Inventarisatie, No.2024"; and "Rechtsgeding van de 'RMS' Betreffende Partij Copra te Sorong Inventarisatie, No.2015" in *Archive of Ministerie Buitenlanze Zaken*.

be fulfilled by central government, it would endanger the relationship between central government and local government in Eastern Indonesia (Harvey, 1989).

The demand of wider autonomy from year to year was so incessant that the Governor of South Sulawesi, Andi Pangerang Daeng Petta Rani, went to Jakarta on February 2, 1957, to deliver this demand to the Ministry of Domestic Affairs. Andi Pangerang Daeng Petta Rani proposed for 70% of local income was given to finance local development and 30% for central government. He also requested Rp 350 millions, as a capital to finance Sulawesi development. Andi Pangerang Daeng Petta Rani warned the central government that if his demand would not be fulfilled at the latest of one month, he would not take responsibility for whatever would happen in Sulawesi (*ibidem* with footnote 6).

Copra trade disorder was caused by two factors: (1) There was a conflict in copra trade in Eastern Indonesia, since the central government tried to take control on copra trade to Jakarta; and (2) During the period of 1946-1949, the East Indonesia State had practiced transparency and wider autonomy. Local figures had committed to dissolve federal state, but didn't agree to the centralization model, where all local development decisions were made by Jakarta (Compton, 1993).

The two factors mentioned above were principally strengthening the *trilogy* (three ideologies) of local struggling as it was stated in Mr. Mohamad Hatta's speech, as the first Vice President of Indonesia, on October 17, 1952. The *trilogy* of local struggling are: (1) developing "nation building"; (2) foundation of citizenship rights and equity; and (3) developing "national identity character".<sup>8</sup> This idea had to be properly understood by central government, so that its relationship with local government kept maintained in the frame of NKRI (*Negara Kesatuan Republik Indonesia* or Unitary State of the Republic of Indonesia).

Indonesia and India, both in post-independence, experienced economic

decline differently. It was because of Dutch government wanted to colonize the Netherlands East Indies, so that the spirit of anti-colonialization continuously flared up. On the other hand, the British government consciously released India as her colony and even made it as a member of Commonwealth States. It was the reason why India inherited from British government, such capital as transportation system and civil servants were still allowed to work, development project and foreign exchange still sustained (Furnivaal, 1939).

On the contrary, Indonesia inherited a destructed infrastructures in the field of transportation. The administration as well as trained management didn't work effectively (Djojhadikusumo, 1994). While in India, the foreign exchanges reserve and administrative facilities were still sustained. Poundsterling was still used to finance the development of India. In the end of 1949, Indonesia foreign exchange reserve was only about \$ 142 millions. This amount was lower compared to \$ 458 millions in 1945 (Charlesworth, 1959:5; and Compton, 1993:53).

In 1949, when the recognition of sovereignty, Indonesian government was inherited debt f (Dutch Gulden) 1.56 billions. Inflation that continuously rose in post-independence, forced the government to devaluate Rupiah in September 1949. Indonesian national income in 1950 was still far below compared to 1940 (Tambunan, 1991:18-22). In order to lower inflation in 1950, the Indonesian government had to make policy cutting the money into two parts. The first part held good, while the second part became debenture of the government. Nevertheless, this policy didn't give much benefit since the economic decline went on (Higgins, 1957; and Lindblad, 1993).

### COPRA UNDER MILITARY CONTROL

Since 1948, Polewali, Pare-pare, and Siwa in South Sulawesi were visited by many foreign ships to transport copra (Cornelius, 1966 and 1973). According to the report of *Coprafonds'* Director, the trading system that was implemented was a barter system with Chinese merchants in North Kalimantan and

<sup>8</sup>Oral Archive of M. Saleh Lahade, No.80-A, IV.03.04, Cassette 39-A". *Archival Sources*. Jakarta: ANRI [Arsip Nasional Republik Indonesia].

Singapore.<sup>9</sup> Smuggling occurred largely after 1950s. The military and DI/TII (*Darul Islam/Tentara Islam Indonesia* or Islamic State/ Indonesian Islamic Army) were suspected to make collusion and made the ships of copra and rice smuggling as a means of exchanging weapons and army tanks (Gonggong, 1992:406). Such ships had direct access to copra exporters in Singapore.

Andi Selle, the commander of Battalion 710 in South Sulawesi, with his firm sent merchants successfully until to the very remote spots of the villages to buy copra and rice. They controlled copra producer areas, including Mandar and Pare-pare (interview with Riri Amin Daud, 4/6/2001). These areas were considered strategic as they had long trading network with Singapore and Java.

Because of wider operational area of Battalion 710, under the commander of Andi Selle, made him difficult to run his duties. In order to maintain the security, Andi Selle recruited his personnels to twice as much the existing personnels. In such the case, Andi Selle had to increase his logistics. It was the reason why Andi Selle recruited the unemployees either from the cities or from the villages as TBO (*Tugas Bantu Operasi* or Assistant Operators) troops.<sup>10</sup>

In order to get logistic support, Andi Selle expanded his business through Battalion 710. This program was in line with the instruction of the Head of Army Staff, A.H. (Abdul Harris) Nasution to all Territorial Commander to look for fund for their own development. The right method, which Andi Selle used to raise funds in a short time, was by implementing monopoly system in trading and smuggling. The monopoly in purchasing copra, rice, and other commodities was done by way of preventing other merchants from buying products from the farmers, except the merchants who were appointed by Andi Selle as security officers. All farmers were forbidden to sell the products unless under permission of Battalion Commander 710, Andi Selle

(interview with Muh Ali A.T., 5/5/2002).

The two authorities held by the military became motivation to expand their business. Having political power was certainly a capital resources to control economic affairs. This was true when Andi Selle implemented monopoly arbitrarily in purchasing copra and rice in Mandar, South Sulawesi. The force monopoly became a trigger of conflict among community members, especially between farmers and Battalion 710 members that led to unsafe situation in the community. The products from farmers, such as copra, rice, coffee, etc., had to be sold to the merchants having label Battalion 710 with lower price. Of course, such price inflicted a financial loss upon the farmers.

Battalion 710 was not objected if the farmers didn't want to offer their coconut to be processed as copra. Even the farmers were allowed to pick their own coconut using TBO (*Tugas Bantu Operasi* or Assistant Operators) personnels. TBO had been long in charge of processing the coconut left by the owners as well coconut plantation (*klapper ondernemingen*) about 1,030 acres.<sup>11</sup> The coconut that had been processed into copra could be sold by TBO member to Battalion 710 members with a certain price. This was the way to support TBO members for their welfare, especially whom hadn't got permanent salaries from the government. The impact of Battalion 710 acting arbitrarily against the farmers was that many of them left their home villages and looked for safe living place, where were free from army.<sup>12</sup>

According to the rules, Battalion 710 only paid 50% of copra price in the market. Battalion 710 said that such lower price was given, because the farmers didn't need to pay transportation cost from the producers spots to the representative agent of TBO as it was provided by Battalion 710. In the hinterlands of Majene, the farmers were frequently

<sup>11</sup>Coconut planting area (*klapper ondernemingen*) in Mandar may be found in Madatte, Tibakka, Lemo, Neimo, and Lariang. According to F.W.T. Hunger's report, coconut planting areas had been continuously increased since 1920. For further information, see "Opgave van Klapper Ondernemingen, 1920, NHM Makassar, No.5112: The Collection of F.W.T. Hunger". *Archival Sources* in NADH [National Archive of Den Haag].

<sup>12</sup>See again "Personnel Archive of Rahman Tamma, Reg 116" in Library and Archive Office, South Sulawesi Province, Indonesia.

<sup>9</sup>See "Fungsi *Coprafonds* dalam Perdagangan, Tahun 1949: Reg.225, Box 53" in *Arsip Negara Indonesia Timur*. Makassar: Kantor Arsip dan Perpustakaan Daerah Sulawesi Selatan.

<sup>10</sup>See "Personnel Archive of Rahman Tamma, Reg 116" in Library and Archive Office, South Sulawesi Province, Indonesia.

compelled to deliver their coconuts directly to TBO members. If one coconut tree had 10 fruits, nine of them went to TBO members and one remaining for the owner (interview with Haji Rahim, 5/1/2002).

Smuggling of copra was not only done by Battalion 710 in hinterlands area, but DI/TII (*Darul Islam/Tentara Islam Indonesia* or Islamic State/Indonesian Islamic Army) as well. For example, in Palopo, Toli-toli, and Lasolo, they monopolized copra and rice trade. Since 1955, DI/TII had founded an organization that controlled barter trading system. This organization was known as CP (Contact Post). This organization was responsible for supplying weapons to DI/TII warriors. CP was divided into three areas, namely: (1) Mamuju; (2) Bulukumba; and (3) Lampesue at Towuti Lake. The three areas were very strategic for smuggling. One of barter areas which was controlled by DI/TII was Pesangkayu in Mamuju, South Sulawesi. This area exported about 1,200 tons of copra, 400 tons of resin, and 100 tons of coffee (Gonggong, 1990:407).

The involvement of DI/TII in controlling economic resources happened, because they managed to collude with military officers, such as the Head of Army Staff 23 in Pare-pare, Major Andi Sose. In 1959, Andi Sose founded Operation Commander "45". The establishment of this organization was in line with government instruction to re-effect 1945 Constitution (Gonggong, 1992:165). In his involvement in business, Andi Sose conspired in doing economic transaction, especially in monopolizing the smuggling of copra and rice to Towau. Andi Soses's business areas was so large compared to DI/TII business area. At the meantime, economic area of DI/TII included South Palopo, Donggala, Toli-toli, and Lasolo. These areas were rice barn and copra producers (interview with Muh Ali A.T., 20/9/2003).

Economic resources were available in hinterlands, where were controlled by DI/TII. It was the reason why copra and rice were under their control. The conspiracy between local military authority and DI/TII was essential to maintain their logistics respectively for the sake of their commanders' business, for example trade relationship on the

basis of mutual beneficiary. Andi Selle's firm was successfully sent their merchants to the village spots controlled by DI/TII to buy copra and rice (Gonggong, 1992).

The involvement of army commanders in promoting smuggling caused the decline of economic resources. Army commanders used this situation to enrich themselves by means of barter system (Gonggong, 1990:408). In barter system, the merchants contacted foreign agents, such as United Kingdom Consulate in Singapore and American Consulate in the Philippines. In addition, they also had a direct access to some merchants, such as Thoeng Liong Hoei, Tjan Yan & Co, and Kho Kin Lang, who were known as barter merchants in Singapore in 1950s (Heersink, 1995:129).

In order the barter system could persistently gain foreign exchange for the given areas, the trade law was again put in effect for copra export trading system. The rules contain as the following: (1) Everything related to copra was handled directly by the Department of Economic Affairs; (2) Appointing Makassar as a center for regional copra trading; (3) Keeping control on copra trading license in the sectors of self consuming, inter-island trade, and exporting business; (4) Collecting copra was fully controlled by every districts or *onderafdeling*; and (5) Deciding the ports of Makassar, Bitung, and Ambon as copra collectors or *accumulate haven* (Heersink, 1995).

In addition to controlling of copra export trade, the inter-island trade was controlled as well. The rules of copra shipments via inter-island trading were stipulated as the following: (1) The maximum load of the ships every month was determined by *Badan Usaha Kopra* or Copra Corporation; (2) Shipping transaction was made with contract agreement; (3) Carrying and sailing were regulated in contract; (4) The execution of important matters were decided in contract; and (5) Principally shipping and trading copra became the total responsibility of navigation.<sup>13</sup>

Despite of this matter, it should be realized that the emerging of barter system, because of

<sup>13</sup>See, for example, "M. Saleh Lahade's Personal Archives, Reg.208" in Library and Archive Office, South Sulawesi Province, Indonesia.

the economic system, was not yet established. The new independence state had not been able to overcome economic problems caused by war. On the other hand, the coastal topographical condition was promising in the sense of trading opportunity for better economic expectation.

The news about copra smuggling at port of Bitung, North Sulawesi had been published by mass media. It was said that many military officers in Sulawesi smuggled copra to North Kalimantan and Singapore.<sup>14</sup> In Kalimantan, every Chinese merchants and British ships supplied military equipments and agriculture tools, such as concrete steel, portland cement, hoelike tools, and spades. This smuggling was presumed the involvement of military officers in the local level as well as in Army Headquarters in Jakarta.

Barter trade was aimed at financing the projects which were not included in development plan, such as road rehabilitation and bridge construction. This barter trade was also used to import food, textile, and agricultural tools. Because of development reason, bartering commodities was much appreciated by the community. Barter trade in Sulawesi was so easier when Mr. Sumitro Djojohadikusumo and Mr. Pantouw moved to Singapore in 1957. They cooperated with the Head of Financial and Economic Section of PERMESTA (*Perjuangan Semesta* or Universal Struggle), A.C.J. Mantiri, who was included in military structure (Harvey, 1989:127).

Smuggling copra to abroad had never been completely exterminated because in the middle of 1954, barter trade was again practiced intensively, especially in Minahasa, where the existence of *Yayasan Kopra* (Copra Foundation) was resisted. Some civilian and army officers played an important role in barter trade. One of military figures in Manado, Lieutenant Colonel J.F. Warouw, Military Commander-in-Chief for Eastern Indonesia, even protected the merchants who smuggled copra.<sup>15</sup> For example, the smuggling

done by *Cheiplan Ship* and *Maung Bama Ship* in the end of August 1954.<sup>16</sup>

Based on the license issued by Lieutenant Colonel J.F. Warouw and Major Worang, the two ships carried copra to North Kalimantan although on their trip, they were caught by Indonesian Navy ship which based in Makassar. The news of their arrest resulted in strained situation between Indonesian Navy in Kema and Infantry Regiment 24 in Manado (*ibidem* with footnote 15). To avoid misinformation, the Chief Commander of Military Territory VII Wirabuana released statement in press conference concerning this smuggling.

According to Chief Commander of Military Territory VII Wirabuana, Lieutenant Colonel J.F. Warouw, that the smuggling had been reported to the Head of Army Staff and to the Minister of Defence on August 20, 1954. Some reasons for smuggling practice were as the following: (1) The Army Headquarters gave the deadline of military operation to Territorial VII Wirabuana at the latest of December 1954, so equipments and barracks were needed. All revenues from copra smuggling were reported in state budget; (2) Income from smuggling was also used to support social benefits, home industries, and civilian government. This policy was supposed to engage people's sympathy in General Election 1955; and (3) As a tactic to disclose the organization or personnel group involved in smuggling.<sup>17</sup>

The gain from smuggling was divided into 5% for smuggler, 45% for local development, and 50% for military operation fund. The smuggling income was responsibility and under control Teritorium VII Commander.<sup>18</sup> Not only did the military practice smuggling, but also the local figures who lived in Jakarta. For example, W.Ch. Wantania bought copra from his home town Sangihe-Talaud valued 1.7 millions Rupiah Indonesia. According to

<sup>14</sup>As cited in "Rapporten Mr. J.G. Kist: Zeeroverij in de Celebes Zee, Inventarisatie, No.6306" in *Ministerie Buitenlanse Zaken Archief*, Den Haag, Netherlands.

<sup>15</sup>See "Reisrapport Heer Crawford: Inventarisatie No.1992" in *Ministerie Buitenlanse Zaken Archief*, Den Haag, Netherlands.

<sup>16</sup>In that smuggling, there were about 2,100 ton copra exchanged with goods, such as military shoes, road roller (*stomwals*) trucks, mosquito net, cement, hoelike tools, and spades.

<sup>17</sup>See "M. Saleh Lahade's Personal Archives, Reg.208" in Library and Archive Office, South Sulawesi Province, Indonesia.

<sup>18</sup>See also "Saleh Lahade's Personal Archives, Reg.272" in Library and Archive Office, South Sulawesi Province, Indonesia.

*Yayasan Kopra's* report, W.Ch. Wantania had bought 600 tons of copra from Amurang, Kema, Bitung, and other areas at the price about Rp (*Rupiah*) 100 higher per ton than the price made by *Yayasan Kopra*.<sup>19</sup>

In the middle of June 1954, copra was carried by hired ship *Chaplain* flagged Birma (Myanmar) under the permission of Defence Minister. The price in Singapore had reached \$ 173 per ton. This copra export was done by PT (*Perseroan Terbatas* or Limited Liability Company) Kema in Kema, a small kampong near Bitung. The carbon copies of the license were sent to Minister of Agriculture, Fishery, and Food Supply and the Directorate-General of Foreign Economic Relation.<sup>20</sup> On the various copra smuggling events, it may be concluded that such smuggling was also involving national officers both in military and in political parties elites.

Because of military domination in economic affairs, it also affected in higher military budget. During the period of 1950-1958, the expense of military annual budget was around 25-35 percent at the average of national budget. The amount of military members in 1958 was about 320,000, consisting of 200,000 armies, 10,000 navies, 10,000 air forces, and 100,000 policemen (Sanusi, 1963:8).

Military domination in economy occurred, because of the mistakes made by political leaders who issued on War Emergency Law in 1957. By this law, the military was given special authority to eradicate the mutineers and, at the same time, governed the area that was free from mutineer. Government system, however, was very complicated whereby civilian and military system violated the power each other and caused conflict.

**About the Seethed Region.** The existence of copra trade and the lost of regional income resources resulted in political impact on the claim for establishing new province, for instance North and Central Sulawesi province, on 20 June 1957. The establishment of this province adopted the government model of

<sup>19</sup>As cited in "Reisrapport Heer Crawford: Inventarisatie No.1992" in *Ministerie Buitenlanse Zaken Archief*, Den Haag, Netherlands.

<sup>20</sup>See "Laporan W.J. Cator, Komisararis Tinggi Belanda, Kepala Bagian Ekonomi: 25 September 1954" in *Archive of Ministerie Buitenlanse Zaken*.

the Netherlands East Indies that was dividing Sulawesi Province into two provinces i.e. Manado Residency and Makassar Residency. North Sulawesi Province, then Manado residency, including Central Sulawesi, the first Governor of this province was H.D. Manoppo. When delivering speech in *PERMESTA* (*Perjuangan Semesta* or Universal Struggle)'s Conference in Gorontalo, North Sulawesi, he stated that the founding of province was expected to solve the problems of copra business caused by the centralization of central government control over Sulawesi. He further said:

Sulawesi province cannot stand any longer getting promise of local development from central government [...]. Copra as the main commodity of Sulawesi province must be handled in barter system, because only this way, the local can develop itself (cited in *PIA*, 4/7/1957:14).

Andi Pangerang Daeng Parani, as Sulawesi Governor, had been objected for establishing the two provinces in Sulawesi. Andi Pangerang Daeng Parani also responded the *PERMESTA* (*Perjuangan Semesta* or Universal Struggle)'s Charter, which divided East Indonesia into five autonomous provinces, namely: (1) South and Southeast Sulawesi; (2) North and Central Sulawesi; (3) Molluccas; (4) *Nusa Tenggara* or Minor Sunda Islands; and (5) West Irian (*Pedoman Rakjat Makassar*, 24/6/1957; and *Marhaen*, 6/9/1957).

The establishment of North Sulawesi Province was without involving Andi Pangerang Daeng Parani as Sulawesi Governor. Since it was done unilaterally, it resulted in conflict between Andi Pangerang Daeng Parani and military officers in North Sulawesi who in the long run wished to establish North Sulawesi Province. This situation was reflected when Andi Pangerang Daeng Parani said that the integration of the two economic regions (Makassar as a rice barn and Manado as copra producer) had mutual benefits in economic and social development in Sulawesi Province (cited in *Pedoman Rakjat Makassar*, 24/6/1957; and *Marhaen*, 6/9/1957).

Such dispute certainly brought about government instability in Sulawesi Province. Andi Pangerang Daeng Parani gave support on

the division of military area in East Indonesia into four commanders, but rejected the establishment of North Sulawesi Province. On the other hand, Ventje Sumual gave support on the establishment of North Sulawesi Province, but persistently became Head Commander of East Indonesia Inter-regions or KADIT (*Kepala Antar Daerah Indonesia Timur*), because dissolution of Military Territory VII automatically lost his position as East Indonesia Commander.

The formation of North Sulawesi Province caused copra decline in Makassar. Copra control from Makassar over hinterland areas became more and more restricted. Smuggling copra from North Sulawesi via Bitung port caused the economic condition in Makassar became worse. It was estimated that since July 1957, there were about 10,000 workers lost their jobs in Makassar. Coconut oil manufacturers stopped to operate because lacking of copra (*Marhaen*, 6/12/1957:2).

On August 14, 1957, Andi Pangerang Daeng Parani announced that all copra exports from South and Southeast Sulawesi had to pass through Makassar port. He asked Gowa King (Somba) and Ventje Sumual to fulfill the copra need in Makassar at the amount of 5,000 to 10,000 tons per month (*Marhaen*, 14/8/1957 and 6/12/1957). To monitor copra procurement and supply in Makassar, it was established Emergency Trade Bureau. In addition to overcome the copra shortage in Makassar, Andi Pangerang Daeng Parani also recommended to prepare five-years program plan for East Indonesia. Every district was expected to prepare development proposal.

East Indonesia was decided as copra barter area in order to guarantee the development finance. Barter revenue was divided into 70% for local development and 30% for central government. In order the development reached all areas, it was based on their width, not on their amount of population. By this model, equity and fairness principles in development would be satisfied. In addition to physical development, human resources development was also done. Students were given scholarships to study both in domestic and in overseas countries.

The result of Copra Conference in Makassar

caused new tension between Makassar and Jakarta in terms of copra trade. Relocating Makassar as a center for copra trade caused dispute between central and local government. Consequently, the direct barter system became more progressive without Jakarta license, for instance the copra barter system that was practiced by South and Southeast Sulawesi Province in March 1956, by bartering thousands tons of copra with portland cement from North Kalimantan and Singapore.<sup>21</sup>

Likewise, bartering copra in October 1957, which valued Rp. (*Rupiah*) 25,000,000; such barter could be exchanged with 20,000 sacks of portland cement, 10 landrover cars, 2 small cargo cars, 2 *Volk Wagen* ambulance, 8 fordson tractors, 3 crawlers bulldozers, 20 rear front tyres cars, 30 drums of caustic soda, 10 Johnson boats, 5 bales of cotton mull, and 1 wish lunnen (cited in *Pedoman Suara Rakyat Merdeka*, 27/1/1958).

The confusion of copra trade, either practiced by Central government or by Local government caused East Indonesia lost its position in copra trade system. That was the reason why Central government interfered in solving copra problems. Obviously, such problems were how to take real actions in order the gain of copra could be also enjoyed by producer areas, especially in overcoming copra trade system.<sup>22</sup> That's also why on May 3, 1956, it was held Copra Conference in Tugu, Bogor, West Java, Indonesia.

The conference agreed decentralization and democratization of *Yayasan Kopra* (Copra Foundation) Management Board by placing the representatives of local copra producers. In the Management Board, it was also decided that national copra exporter was no longer used foreign exporter.<sup>23</sup> Nevertheless, the Association of Coconut Farmers in Minahasa rejected the existence of *Yayasan Kopra* in Januari 1955, one year before the conference, and founded the *Yayasan Kelapa Minahasa* or Minahasanese Coconut Foundation.

<sup>21</sup>See "Reisrapport Heer Crawford: Inventarisatie No.1992" in *Ministerie Buitenlandse Zaken Archief*, Den Haag, Netherlands.

<sup>22</sup>See also "Berita Jajasan Kopra dalam Konferensi Kopra di Tugu, Bogor, Djawa Barat: 25 Mei 1956". *Archival Sources* in Province of Sulawesi.

<sup>23</sup>Cited in "Saleh Lahade's Personal Archives, Reg.272" in Library and Archive Office, South Sulawesi Province, Indonesia.

*Yayasan Kelapa Minahasa* and various coconut farmer groups in Selayar and Mandar wished a systematic solution. In this case, *Yayasan Kopra* had to pay its debt to the coconut farmers at about Rp. (Rupiah) 102,146,702 (*ibidem* with footnote 23). Such payment was expected to motivate the farmers to continuously plant coconut as commodity export. The government was expected to rearrange the payment of *Yayasan Kopra* debts to the farmers. To facilitate this payment, the special committee was formed in every copra producer area. If necessary, each copra producer area should be subsidized for development fund Rp. 100 millions. This subsidy was aimed at giving incentives to coconut farmers and as an indication that the coconut was still needed to improve community welfare (*ibidem* with footnote 23).

The existence of copra corporation in various areas caused the dissolution of *Yayasan Kopra* on May 31, 1956. There were many protests came from copra producers, because *Yayasan Kopra* had too much debts. Producers areas rejected its existence and as the result, *Yayasan Kopra* suffered from too much financial loss. According to Ministry of Economic Affairs' Report, such financial loss was caused by: (1) *Yayasan Kopra* had paid more than its income; and (2) *Yayasan Kopra* experienced financial difficulties, because Bank of Indonesia gave no longer credit (*cf* Leirissa, 1991; and Harvey, 1989).

Every month, *Yayasan Kopra* required money at the amount of Rp. 62,551,745; including Rp. 42,313,600 for purchasing copra and Rp. 20,238,145 for operational costs. Whereas the amount of credit received from Bank of Indonesia was only Rp. 90,000,000. This means that *Yayasan Kopra* needs an extra fund of Rp. 62,551,745 per month. The balance of money Rp. 27,448,255 was not enough to buy copra for the next month (Lindblad, 1996).<sup>24</sup>

To fulfill the copra need, *Yayasan Kopra* borrowed from the farmers and, consequently, its debt continuously increased. To ease the community service, centralized bureaucracy

was soon dissolved. Dissolving centralized bureaucracy could restrict corruption and improved the government credibility over local areas. In recruiting the candidates of National Council members, it was recommended 70% of the members came from representative of first level autonomy, since this autonomy understood the struggling principles of the areas. Such principles are as the following:

- a. Announcing War Situation and War Emergency to be in effect as well as Military Government based on Government Regulation No.33 Year 1948 from the Indonesia Republic Government in Yogyakarta.
- b. Dividing East Indonesia into five autonomous provinces, which headed by the appointed military officer respectively.
- c. The Commander of Military VII Wirabuana, besides his duty as troop commander, he also headed the Military Government controlling five Military Governors.
- d. The Commander and the Head of Military Government were accompanied by a National Advisory Council and Expert Team designing struggling program. Military Governor accompanied by Local Advisory Council and Local Expert Team.
- e. The members of National and Local Advisory Council for a while consisted of struggler figures until the Congress of *Bhinneka Tunggal Ika* (Unity in Diversity) at Makassar undergone, and in each capital city of the provinces established *Dewan Revolusi* (Revolutionary Council).
- f. Administrative channels to Central Government were still put in effect (cited in Harvey, 1989).

Various struggling concepts, as mentioned above, became a trigger on local opponent movement of which its figures were given ultimatum on 10 February 1958. The Republic of Indonesia's Revolutionary Government, known as PRRI (*Pemerintahan Revolusioner Republik Indonesia*) was proclaimed on February 15, 1958. Within this PRRI, there were two seniors members of Supreme Council of *PERMESTA* (*Perjuangan Semesta* or Universal Struggle), i.e. Mr. Saleh Lahade and Mochtar Lintang, who was appointed as Minister. Consequently, this situation caused the local political power stream in South Sulawesi split in two i.e. pro- and anti-*PERMESTA*. Despite of this splitting-up, the

<sup>24</sup>See also "Arsip Biro Pusat Statistik Kepala Kabinet Presiden RI, Daftar Tahun 1957 tentang Harga Kebutuhan Pokok Sehari-hari, No.1661". *Archival Sources*. Jakarta: ANRI [Arsip Nasional Republik Indonesia].

Commander of South and Southeast Sulawesi regional, further KoDPSST (*Komando Daerah Provinsi Sulawesi Selatan dan Tenggara*) stayed impartial.<sup>25</sup>

The impartiality of KoDPSST was based on two reasons: firstly, *PERMESTA* movement did not ever mean to resist the central government by using force; *secondly*, the rebellion in South Sulawesi had already undergone which controlling villages. Indonesian Army was in the phase of doing exercise and consolidation and it was impossible to resist physically against central government. But some military figures, such as H.N.V. Sumual, was fired unrespectfully from military on February 25, 1958. Mr. H.N.V. Sumual's colleagues, such as Saleh Lahade, Tumbekka, and Ottay also fired on February 17, 1958. They were fired on a charge of violating Government Regulation No.3 Year 1958 concerning Military Dismissal (Harvey, 1989).

## CONCLUSION <sup>26</sup>

The dissolution of RIS (*Republik Indonesia Serikat* or United States of the Republic of Indonesia), in early 1950s, was indicated by the formation of East Indonesia State. Copra, as an economic commodity, was used as a political issue rather than overcoming economic problems. The concept of political self-reliance and anti-imperialism, by means of nationalization on foreign companies in 1950s, seemed to be correlated directly with the discontinuity of Indonesian economy up to now. There hasn't been any model found as it was in Dutch colonial period, when copra was booming and the establishment of regional economy.

As an archipelago state, today Indonesia is threatened economic disintegration in the whole islands, which gradually also threatens national disintegration. National integration can only be strengthened if it is followed by economic integration of all islands. National integration developed so far hasn't taken the

<sup>25</sup>See, for example, "Tjatanan Pidato M. Saleh Lahade tentang Piagam Perjuangan Peremesta". *Archival Sources*. Jakarta: ANRI [Arsip Nasional Republik Indonesia].

<sup>26</sup>This paper, before be revised like now, was presented in an International Conference on Asia-Pacific Economics and Business History, with a theme on "Responses to Environmental Changes" in Melbourne, Australia, on February 13-15, 2008.

maximum advantages of inter-island relation as an economic power, so that the economic policy of Indonesia seems to be partial. Consequently, the conflict between central and local government has always been highlighted by political aspects.

The importance of economic power, in supporting national integration, was still kept freshly in mind of the whole community members of East Indonesia, since commodity of copra was placed as regional economic power in East Indonesia and being a national economy. Despite of the diversity in tribes, religions, and political parties, they could be allied in a strong state economy.

However, when the politics dominantly controlled economic policy, the copra export trade system in the area has collapsed. This situation was used by military in controlling copra export. They established new trade system, namely barter system. The establishment of economic institution at the Military Territory VII Wirabuana in 1956, for supervising various copra exporters formed by the strugglers veteran, empowered local support on the decentralization of copra export, which was monopolized by *Yayasan Kopra* (Copra Foundation) in Jakarta. North Sulawesi and Moluccas disintegrated their trade network with Makassar. As the result, economic integration was stagnant and monopolized by national political elite. Today, this region is only fragments of archipelagoes economy for the sake of parties controlled by Jakarta.<sup>27</sup>

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<sup>27</sup>**Statement:** I would like to declare that this article is my own original work; so, it is not product of plagiarism and not yet also be reviewed and published by other scholarly journals.

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