

BRITISH CHAMBER OF COMMERCE AND THE COMPETITION AGAINST GERMAN BUSINESS ACTIVITIES IN THE NETHERLANDS INDIES

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ABSTRACT

After World War I German business activities in Netherlands Indies became a seriously earnest threat according to British Chamber of Commerce because the British firms were anxious that this would menace their market in the Dutch colony. In their publications during 1920-1923, the features and editorial comments of *Netherlands Indies Review* frequently exposed the rivalry between Britain and Germany. The approach of this paper is business history that narrates to what extent the commercial competition happened between the two industrial countries as it was shown by the *Netherlands Indies Review*, a monthly journal issued by the British Chamber of Commerce. Eventually, the British Chamber of Commerce concluded that Germany's efforts to strengthen her commercial position in Netherlands Indies after the Great War was not meeting with any success.

Keywords: British Chamber of Commerce, Competition, German Business Activities

ABSTRAK

Pasca Perang Dunia I aktivitas-aktivitas bisnis Jerman di Hindia Belanda menjadi ancaman serius menurut Kamar Dagang Inggris dikarenakan Inggris cemas bahwa mereka akan mengancam distribusi produk-produk industri Inggris di koloni Belanda tersebut. Dalam publikasi *Netherlands Indies Review* pada kurun waktu 1920-1923 berbagai berita editorial yang dimuat oleh jurnal milik Kamar Dagang Inggris ini sering mengulas persaingan bisnis yang sengit antara Inggris dan Jerman. Pendekatan dalam makalah ini adalah sejarah bisnis yang bertujuan untuk menarasikan sejauhmana persaingan bisnis antara kedua negara industri ini sebagaimana dipublikasikan oleh *Netherlands Indies Reviews*. Kamar dagang Inggris kemudian menyimpulkan bahwa upaya Jerman untuk memperkuat posisi komersialnya di Hindia Belanda setelah Perang Dunia I tidak berjalan dengan sukses.

Kata kunci: Kamar Dagang Inggris, Persaingan, Bisnis Jerman, Hindia Belanda

INTRODUCTION

Of the European powers in the Netherlands Indies during the Great War, Britain alone was able to maintain its market share. The Netherlands, Germany and others all suffered serious commercial losses. The economic situation in the Netherlands Indies was gradually returned to normal after Armistice Day. The Dutch colonial administration built up infrastructure, laying out new roads, constructing bridges, building an aerodrome, workshops, printing offices, irrigation and drainage systems, piers, harbour work, wireless stations, and other engineering works. They also encouraged industry, banking, mining and oil exploration.

Early 1920s was marked by the revitalization of German business activities in the Far East. The Great War that once ravaged the stability of the country could not be an excuse to revive from adversity. In Netherlands Indies German trading house mushroomed which impacted on increasing their value and volume of export. This phenomena received enough attention from their main competitors in the colony, mainly the British (*De Indische Gids*, 1921:1033-1034).

The approach of this paper is business history which describes to what extent the competition between the British Chamber of Commerce against German commercial activities in the Netherlands Indies happened as it was recorded by their publications. The British regarded German commercial activities in Netherlands Indies became a seriously earnest threat for their businesses. In their publications during 1920-1923, the features and editorial comments of Netherlands Indies Review frequently argued the hard competition between Britain and Germany. It was stated in the journal that "Germans are filling many of the minor and not a few of the major official posts in the Dutch East Indies." (*Netherlands Indies Review*, January 1921:381-382)

The British Chamber of Commerce issued Netherlands Indies Review, a monthly journal to give information about economic matters in the Netherlands In-

dies. *Deutsche Bund*, a still-unofficial German Chamber of Commerce published *Die Deutsche Wacht*, a monthly magazine although it was not particularly dedicated for economic issues in Netherlands Indies. I chose the years of 1920-1923 as the period of this paper because early 1920s was a dynamic period where the competition between the two industrial nations in Netherlands Indies took a special stage as reflected by the British journal. Such a "battle" that would not be seen thereafter.

Little has been written about the foreign Chamber of Commerce in Netherlands Indies although many scholars have done with the foreign enterprises. A study of Chinese Chamber of Commerce in Medan has been described by Dirk A. Buiskool. In his paper (Buiskool, 2006), he chronologically depicted the activities of the Chamber of Commerce.

The meaning of "chamber of commerce" would vary depending on in which country the term was used. In Great Britain it was common to have a Chamber of Commerce in almost every town, especially commercial towns, whose aims and objects were internal and external trade, commerce, industry and shipping. In the matter of Netherlands Indies, however, the term was not the same. Literally "Chamber of Commerce" is translated in Dutch as *Kamer van Koophandel*. Nonetheless, *Kamer van Koophandel* did not equivalently act as a chamber of commerce in Britain. Instead, "Kamers van Koophandel" were a business organizations appointed by the Governor General (*Netherlands Indies Review*, March 1923:493). There were five *Kamers van Koophandel* in the Indies, namely, at Batavia, Semarang, Surabaya, Padang, and Makassar (*Regeering Almanak I*, 1919:373). Beside these bodies, there existed in various parts of the Netherlands East Indies business organizations known as *Handelsverenigingen* (Commercial Societies). This kind of organization was the real chambers of commerce in the British interpretation of the phrase (*Netherlands Indies Review*, March 1923:493). Nevertheless, the characteristics of the British

Chamber of Commerce for the Netherlands East Indies was unique. It differed from both the *Kamers van Koophandel* and the *Handelsverenigingen* in that its head office was in London.

DEUTSCHE BUND: THE ORIGIN OF GERMAN CHAMBER OF COMMERCE IN THE NETHERLANDS INDIES

During the Great War British enmity was shown unexceptionally to all Germans in the Netherlands Indies. The Germans who felt under pressure used the moment to encourage unity. On the special occasion of the German emperor's birthday, 27 January 1915, German and Austrian-Hungarian community living in Batavia and Buitenzorg declared the founding of the *Deutsche Bund* at the house of Victor Zimmermann (*Deutsche Wacht*, February 1915). Members of the *Deutsche Bund* could be of German, Austrian, Hungarian origin without any discrimination. Furthermore, gender discrimination was not practiced as women and could also become members. Because many of the members were German businessmen in the Netherlands Indies, the function of the *Deutsche Bund* was later as the unofficial German Chamber of Commerce in the Indies. Concurrently, *Die Deutsche Wacht* was published for the first time as the founding of *Deutsche Bund*. This was the monthly news magazine of the *Deutsche Bund*. *Die Deutsche Wacht* was a magazine that suited the needs of German people in the Netherlands Indies. It was a political, economic and cultural magazine.

Only in 1927, *Deutsche Bund* was admitted as the official German Chamber of Commerce in the Dutch colony by German government in Berlin. A prominent German businessman in the Netherlands Indies, Emil Helfferich was the main actor behind the launching of *Deutsche Bund* and the one who led *Deutsche Bund* to become the official German Chamber of Commerce in the Netherlands Indies (Helfferich, 1948).

THE BRITISH CHAMBER OF COMMERCE

World War I brought great potentialities to many commodities from the archipelago such as rubber, tin, sugar, quinine and others to Great Britain. After the armistice it was immediately realised by several businessmen in the country that there was a lack appreciation from its business society about the chance to openly broaden a new market in the Indies amongst a population of almost fifty million people. Furthermore, the growth of Singapore, New Zealand and Australia was closely attached to the development of the Indies.

Various British companies operated throughout the Netherlands East Indies since the beginning of 19th century. They were Maclaine, Watson & Co. (1822), Picairn, Syme & Co. (1825), L. Plato (1841), Blackman & Co. in Makassar (1847), Gumprich & Straus (1847), John Price & Co. (1848), Burt Myrtle & Co. (1851), and Niederer & Co. (1858). In 1863 the Chartered Bank of India, Australia and China opened their establishment in Batavia (Helfferich, 1948:212).

For those reasons a Chamber of Commerce for the Netherlands East Indies was founded in London in 1919. The role of British merchants in the Netherlands East Indies was undoubted. Nevertheless, no strong British organization seriously attempted to capture the new market of industrial products created by industrial development in the islands. One of the main goals of the British Chamber of Commerce for the Netherlands East Indies was to strengthen British trading in Netherlands East Indies, as stated in the *Review*:

[...] by a desire to stimulate international rivalry and to see Great Britain take in these islands the place to which her industries and manufactures entitle her, we feel that it is essential that British businessmen should closely study the great concern which is being shown by the nationals of other countries in the development of and exploitation of Holland's territories in the East" (*Netherlands Indies Review*, December 1920:296)

To run the organization an office was set up in Abbey House, Victoria Street, Westminster, London. The Council of the Chamber consisted of powerful businessmen and firms whose reputation was famous in the Far East. Therefore the chamber secured a familiar connection with government and commercial offices in Britain, the Netherlands, and the Netherlands Indies (Coote, 1924:96). The Chamber actively co-operated with the Department of Overseas Trade in London and the Division of Commerce in Java (*Netherlands Indies Review*, December 1920:284). The Governor of the Chamber, Sir Walter Townley, K.C.M.G, who was a British Minister for the Netherlands in 1917-1919 and had experienced a reputable diplomatic career, dedicated the greater part of his energy to the progress of the interests of the chamber in its early years.

The Chamber's membership was limited to British and Dutch firms and individuals in addition to the work of the regular functions of other British Chambers of Commerce in foreign countries (*Netherlands Indies Review*, March 1923:493). Ordinary memberships were only granted to British firms and individuals, however, Dutch firms and individuals were allowed to join as affiliated members. The Chamber was an independent institution which did not get any subsidies from the British government.

To buttress its activities, the Chamber published a journal, "Netherlands Indies Review," first published in June 1920 and circulated monthly. The journal, generally forty to fifty pages, comprehensively reported on the economic situation in the islands. Insisting that it avoid political topics, in line with the aim of the Chamber, the *Review* merely focused on commercial interests. Other than members of the Chamber, commercial, agricultural, and industrial leaders in Netherlands East Indies, every important Chamber of Commerce in the British Empire, and a large number of European institutions could be counted among its readers (*Netherlands Indies Review*, June 1922:6).

In the meantime the members and

prospective members began asking enough questions to examine the credibility of opening a branch in the Indies. The Council of the Chamber did not wait too long to make a response. C.M Morrel, the former secretary of the chamber, was in charge of establishing a branch in Java. In 1921 he set a sail to the Netherlands Indies to assist in the formation of the branch. No other place in the Netherlands Indies would be suitable for the branch's location other than Batavia, the main economic center of the Netherlands East Indies. Morrel installed the office branch in the same building as the Standard Chartered Bank. Not only were there official and administrative staffs organised in Batavia, but there were also some correspondents in the other main trade centers of Medan, Bandung, Semarang, Surabaya and Makassar. In 1922 D. O'Sullivan and L.G.J van Breda were appointed as correspondents in Semarang and Surabaya (*Netherlands Indies Review*, April 1922:485).

By having a branch in the Indies the speed of communication would grow rapidly. The commercial information flow could be attained by headquarters in London at a faster rate than ever before. As the representation of the chamber Morrel travelled a lot to various commercial centers in Java and outer possessions. He visited Sumatra, Dutch Borneo, Celebes and other smaller islands to see what economic potential was there. He was thus able to capture first-hand commercial information for British firms and send it to London by cable when necessary (Coote, 1924:96). Another benefit of the branch was that business problems, for example discharging of cargo, warehousing, and others which could not be answered by headquarters in London, would be delegated to the branch.

WHAT BRITISH SHOULD LEARN FROM ITS COMPETITOR?

Early 20th century was marked by the situation when international trade has been increasingly carried on by manufacturing enterprises that marketed their goods through their own salaried sales force op-

erating from their office in the foreign lands (Chandler, 1986:405). I pick a small case from dyestuffs since in that product the German had a unique method to meet the precise requirement needed by the market. In the process of making batik the dyes have to be the first-class and perfectly wash proof. The dyes that widely used were nearly all of German origin which suited to meet all the batik makers' requirements. British and American dyes could not fulfill the needs of the batik makers. It was discovered that the dyes quickly discolored. Therefore, they were inferior to those German products.

British industrialist also criticized for those products were more costly than those of German. Instead German products were more superior. Thus, why could the German produce those pleasing products? According to Netherlands Indies Review, it turned out that they laid on a special method. To assemble the determinate dye needed by batik makers, the dye factories delegated appropriate chemists to Java to learn the industry and to instruct the makers how to use the dyes. These chemists explained (in Malay and not via an interpreter) to batik makers mixing colors and analyzing the water used which is a key factor. These activities were observed by a British who then wrote an article about how those Germans working from morning until night in small "batik" shops to look into and to demonstrate their commodities to the "batik makers" (*Netherlands Indies Review*, October 1922:194).

The first wave of modern global competitors grew up in the late 1800s and in early 1900s. Many industries went from a local to national in scope and some began globalizing. Early global competitors were principally European Companies (Porter, 1986:42). It was a good fortunate that British businesses rarely faced an actual strong or direct competition since it was a frequent characteristic of British Business overseas in the 20th century that, although it excelled at opening up new areas of activity, the British was less successful in managing the businesses thereby

created (Bostock and Jones, 1989:41).

Learning from German strategies to market their goods in the Dutch Colony, it was discovered later by the British Chamber of Commerce the need of learning both Dutch and Malay language. Unlike Dutch people who were well-known for their bilingual or even very good in speaking more than one foreign language, the British—at that time since I am not sure for present time—were generally not good in speaking non-English language. There was a notion that either in Netherlands or in Netherlands Indies, the British neither read nor spoke Dutch. The urgency of learning the languages was additionally emphasized by Chas M. Morrell, the temporarily representative of British Chamber for Netherlands Indies (*Indische Gids*, 1922:829-831). This vision was thankful by some of the more up-to-date British firms in the Netherlands Indies. It was founded later that such firms obliged the junior members of their staffs to study Dutch. Morrell, in an interview with a correspondent of *Locomotief* newspaper entitled *De Engelsche Handel in Netherlands Indies* said that:

Voor ons was van belang te weten, of de Britsche handel uit de ervaringen van voor den oorlog de lessen heeft geput van de methoden, waardoor hij in zooveel gebieden en vooral in Azië door den Duitschen handel werd verdrongen.[...] de soepelheid van den Duitscher, diens tegemoetkoming en voorkomendheid diens credietsysteem en delcrederehandel en diens tactiek om de taal te leeren en de zeden te volgen van de natie [...]. " (Netherlands Indies Review, June 1922:14)

(For us it was important to know whether the British trade has drawn lessons from the experiences of the war for the methods by which it in so many areas, especially in Asia, was ousted by the German trade. [...] the flexibility of the German, its compensation and consideration, its credit system and foreign export trading and its tactics to learn the language and follow the customs [...])

The British Chamber of Commerce un-

derstood that some German catalogues were setting out plainly the price of the goods in Netherlands currency (*Netherlands Indies Review*, June 1922:55). Thus, It was suggested by the Commercial Handbook for some British firms to do so and to settle branches in Java and the other islands when necessary (Coote, 1924:19). One of the substances which was generally ignored by Europeans houses seeking to develop trade in the Netherlands Indies was publicity. Many British firms which attempted to popularize their goods in the Netherlands Indies, according to the chamber, had failed to recognize the fact that advertising and publicity, and as essential to the commerce of those articles in the East as they were in Great Britain. British publicity campaigns in the Netherlands East Indies were lack of local applicability which their commercial competitors had studied and applied (*Netherlands Indies Review*, November 1920:238).

NETHERLANDS INDIES REVIEW AND GERMAN BUSINESS ACTIVITIES: A BRITISH HOSTILITY?

Printed media is the easiest way to create public opinion (Hench, 2010.) During World I British authority developed the signature style of British propaganda which relied on unverified hearsay and innuendo on the subject of German activities (Jenks, 2006:13). By way of its periodical, *Netherlands Indies Review*, British Chamber spread the thoughts as well as too much fear to confront with German companies which were trying to regain its achievement before the war. The Chamber contended “a great danger if Germany again obtaining a foothold in all these branches of industry—a foothold which she will make secure, to the exclusion of all other competitors” (*Netherlands Indies Review*, July 1920:143). To anticipate the competition the chamber investigated and gathered lots information regarding German activities of which they obtained from their Dutch informants then reported in *Netherlands Indies Review*.

In October 1920, for example the

Chamber raised the issue of German trade methods in Java, German pipes for Batavia, and German locomotives for Netherlands East Indies in which Germany received large order. The first article denounced the service of a German firm which, based on what happened to a Javanese firm, was disappointing. A Javanese firm told the Chamber that during 1919, they reserved an order for dozen cross-cut saws with a German firm. The tempting price and the best rate of exchange were the main factors behind the decision to order to the German firm. However, a year had almost passed yet the saws had not been delivered (*Netherlands Indies Review*, October 1920:168).

What occurred in Netherlands Indies itself, as reported by the British Consul General at Batavia, was still too premature to speculate that German trade with Netherlands Indies was hitting the level when they enjoyed the position of their trade before the war. The British Consul General believed that German's endeavors was sparing no effort to retake as high as they could probably capture their prior position. Likewise, the Consul General judged that the German had already praised themselves more than enough with the advancement they had attained on the re-opening of their commercial activities (*Netherlands Indies Review*, December 1920:298). This opinion was thus in the opposite of the Chamber's opinion about German business activities.

British Chamber of Commerce deplored anti-German feeling which faded away too soon in the islands after the Great War so that her products which were mostly cheaper than that of British were more acceptable. German alertness became respectively trends in the editorial comments of *Netherlands Indies Review*. In its edition of April 1922 (*Netherlands Indies Review*, April 1922:485) the chamber censured the German propaganda methods. They wrote:

German propaganda methods are interesting if crude. [...] We regret, therefore, that a letter which we recent-

ly received from the "Eildienst" (Intellegence Bureau) will not go far toward elucidating the mystery. It is interesting from other standpoints. The letter, which was written in German, may be translated as follows: "We take the liberty herewith to ask whether you would be willing to place a free copy of your journal at the disposal of the *Eildienst*. Your interest would be served insofar that the *Eildienst* would spread news from the Netherlands Indies Review, in German industrial and circles, which would be of importance to them. [...]"

We are extremely glad to learn that the articles and information contained in the REVIEW would be of importance to German commerce, but somehow we do not think it would be quiet fair to members of the Chamber if we agreed to the proposal to send the German Intelligence Department a copy of the REVIEW monthly. [...]

Apart, however, from the fantastic side of this letter there is a serious aspect. The German intelligence department is keenly interested in what is going on in this country with a view to the expansion of trade in the Netherlands East Indies. [...] It proves again, if further proof is necessary, that above all, the German intends to do his best to corner the trade of the Netherlands East Indies and to keep it.[...]

However, British Chamber was defending itself as a partner for British firms to deal with any competitors in the free competition in Netherlands Indies. It claimed :

We have no desire, either as a journal or as a Chamber, to pay compliments, but we do feel that if British manufacturers and exporters will take full advantage of the information we disseminate, there will be no need or fear on our part that Germany or any other country will secure the lion's share of the trade of the Netherlands Indies. (*Netherlands Indies Review*, March 1921:440)

Also, British Chamber of Commerce openly stated that it was fighting against German trade position in Netherlands Indies. The Chamber, anyway, tried to deal with the problem of competition and as-

sured that "The Chamber is actively engaged in giving its members all possible details concerning German competition and in discussing means of combating it" (*Netherlands Indies Review*, January 1921:381). The fight was always mirrored from how the chamber revealed an article. This could be understood, anyhow, if the competitor derived more orders. One of articles is as follow:

Some weeks ago this chamber of commerce learned that Java and Netherlands East Indies generally were crying out for general railway material and rolling stocks. Alert to place every possible opportunity of trade expansion before British exporters, we immediately sent out letters to twenty of the leading manufacturers of railway materials in this country pointing out this fact and adding that many orders would doubtless come to Great Britain if our manufacturers would only lay themselves out to get their share of this trade. We wish we could add that, by seeing trade expansion in this way we had received our reward. But as a result of subsequent inquiries we have discovered that order for fifty-six locomotives have been placed with various firms in Saxony and Hanover. It was at first states that Krupps had received an order for 37 of these engines (*Netherlands Indies Review*, October 1920:176).

RHINE-ELBE-UNION AND THE ALARM OF BRITISH CHAMBER OF COMMERCE

Britain's trading position in the Netherlands East Indies indeed in all parts of the east is being menaced by the spread of German industrial schemes, controlled, more or less directly by Herr Hugo Stinnes. With the exchange in her favour, Germany is doing her level best to dominate the market. Under the guiding influence of Germany's trade Napoleon, iron and steel manufacturers, shipping firms, factories and all other branches of industry have shown themselves anxious for a national combine and in the strength of their unity,

they mean to make their presence felt immediately, and to a still greater extent in the future.

This excerpt of editorial comments from *Netherlands Indies Review* (*Netherlands Indies Review*, November 1921:250) illustrated how British chamber was quite apprehensive for its future trading in Netherlands Indies. British's anxiety that German would capture more industrial market rose in the highest culmination when Hugo Stinnes, an eminent German industrialist, magnified his business to the Indies. During that period August Thyssen, F.A Krupp, Hugo Stinnes were the wealthiest and most powerful industrialists in Germany. In 1923 following the spread of his networks all over the world American *TIME* magazine recognized his superiority by which entitled him "The New Emperor of Germany".

Stinnes was born in Mülheim, Ruhr Valley 22 February, 1870 from a rich family. He spent his youthfull by attending business classes and Academy of Mining in Berlin. Although he inherited his family business—coal mining and other financial enterprises—Stinnes founded his own company, Hugo Stinnes GmbH, in the age of 23 years. Hugo Stinnes GmbH was engaged in many sectors such as mining, shipping, tools, machinery, steel industry and so on. The company's breakthrough originally extended to Poland, Austria, Hungary, Czechoslovakia, Lithuania, Latvia-Esthonia, Denmark, Scandinavia, even Rusia. Later it disseminated outside Europe. In the Great War Stinnes' companies provided war materials for Germany (The Editors of *Encyclopaedia Britannica*, 2011).

Stinnes completely understood the value of Eastern trade. Under Rhine-Elbe-Union as his vehicle he did his best to re-establish his pre-war commercial footing in the Netherlands Indies. Subjectively the chamber described "Stinnes is not the man who is keen on publicity and keeping in the public eye. Unlike most magnates and millionaires, he shuns the limelight of the press and his own papers gave but little

to say about him." (*Netherlands Indies Review*, February 1922:383)

Rhine-Elbe-Union was a combined firm consisted of Stinnes, Siemens and German National Bank interests (*New York Times*, 19 February 1922). It was common in German industrial system to combine corporations due to the lack of surrounding infrastructure. Furthermore, the high needs of capital requirements usually combine firms linked to major universal banks (Herrigel, 1996:21). Those major universal banks—the *Deutsche*, the *Dresdener*, the *Diskontogesellschaft* and the *Darmstädter*—were intimately connected with industry and were well represented on boards of the director. They took a direct interest in particular enterprises both within Germany and overseas, and often formed banking and syndicates to set up a venture (Fieldhouse, 1973:49). What made Rhine-Elbe-Union so special that British Chamber put a lot of intention of its presence? According to the chamber, single British or Dutch firms could not go for any degree of success against industrial combines as powerful as the Rhine-Elbe-Union. Combine firms were neither much adopted by British nor Dutch.

Firstly, Rhine-Elbe-Union established its office in Bandung, West Java. British chamber, however, deemed it as a benefit for the German which was thus in a better position to bid for all tenders from the government or otherwise which came on the market. Rhine-Elbe-Union further had the advantage of being on the spot and hearing immediately of any proposed scheme. They would, as the chamber had in mind, be able to prepare their plans and estimates or to lay them before the authorities even in some cases long before British firms could hear the existence of the contract (*Netherlands Indies Review*, September 1922:145). In Early 1922, Rhine-Elbe-Union proposed a loan in the amount of \$ 1,200,000 to the local authority in Bandung (*New York Times*, 19 February 1922). This might be a proof that their interests in Netherlands Indies were not just a figment. The activities of Rhine-Elbe Union in Netherlands Indies was so striking that

The New York Times, one of the largest newspapers in United States, required to unveil an opinion as follows:

The recent trading activities of Hugo Stinnes in the Dutch East Indies are taken as a matter of course in Holland, where the open door policy is the only possible for the development of the colonies. From a Dutch collaborator of Stinnes I learn that the latter, finding himself shut out of the markets of the allied countries and the United States and unable to do business in countries where exchange is weak, now considers the export possibilities for German products the best in the Dutch East Indies and plans to strike out on a large scale. Stinnes is establishing trading posts, banks and a railway car factory in Java.

His interests have now become an important factor in the life of the island. The Rhine-Elbe-Metal Union has opened offices in Randoening (bandoeng), on the site of the East Indian Fair and the Stinnes-Schuckert organization is establishing branches in various East Indian coast centers. Stinnes will also try to industrialize the Dutch colonies. [...] (Anonymous, *New York Times*, 6 August 1921)

The activity of Rhine-Elbe-Union did not end although a corruption allegation was accused to them. It appeared that Rhine-Elbe-Union had managed to obtain contracts which were not welcomed for tender to either Netherlands or the foreign firms. While according to the *Sourabaya Handelsblad*, a remark made by the late Governor-General of the Netherlands Indies, Limburg van Stirum, to the representatives of the Stinnes' concern the previous year was the direct reason that the factory and workshop were being settled on a very large scale in Cirebon, seeing that orders were committed for their provision to do the work in the Netherlands East Indies. Rhine-Elbe-Union seized large orders for railway materials without Dutch or the foreign firms being requested for tender. These orders included some 700 railway wagons and 1,500 tons of constructional

work (*Sourabaya Handelsblad* cited by *Netherlands Indies Review*, February 1922:383).

The exclusive contract between the Dutch colonial government and Rhine-Elbe-Union agitated Dutch businessmen who felt that they were being deprived of opportunities in doing business at their own colonies. They, however, were afraid of losing many chances in tender offered by the government. It was also stated by the Commission for Industrial Development in the Netherlands Indies, a commission created to investigate the possibilities for setting up industries in the colony (*Nationaal Archief, Archief van MvK, Verbaal*, 14 June 1923 No. 3, toegangnummer 2.10.42).

At the time when the agreement was signed, it became the topic of a very severe criticism in Dutch circles and was sharply commented upon in the States General. Later it was found that in the debate which occurred the agreement was decided without the opinion of the authorities which should had been consulted. At first it was intended by the Dutch Colonial authorities that the establishment of Rhein-Elbe-Union in Cirebon should be a genuine manufacturing business, it had really developed the other way around into little more than an assembling shop for goods imported from Germany. It said, moreover, that to give orders to a German combination in Java would be much cheaper than to reserve to a firm in Germany (*Netherlands Indies Review*, February 1922:383).

In contrast with *Netherlands Indies Review*, *Deutsche Wacht* did not much expose the competition. British propaganda generally was so flexible because it was the product of an open society that its content, although it was false, vicious and distorted was the product of basic agreement within the society (Marquis, 1978:495). The German magazine just once in a while countered the opinion. The magazine was not merely dedicated for German economic activities in the Indies so that it did but very little reflected the spirit of the competition. The German businessmen who completely did not agree with some

articles in Netherlands Indies Review, later, wrote in *Deutsche Wacht* as follows:

Die Britische Handelskammer für Niederländisch-Indien, ist so zu sagen als Reflexbewegung der deutschen Regsamkeit in Niederländisch-Indien in Erscheinung getreten. Wer daran zweifelt, braucht nur einen Blick in die Monatsschrift der Britischen Handelskammer für Niederländisch-Indien zu werfen, in die "Netherlands Indies Review", die sich mehr damit beschäftigt, was die Deutschen als was die Briten hier aussen tun. Der Spiritus Rector der Britischen Handelskammer für N.-Indien ist, Sir Walter Townley K. C. M.G., der frühere Gesandte Grossbritanniens in Haag. Sir Walter ist sehr aktiv. Alle Augenblicke hört man, dass er irgendwo eine Rede gehalten hat und sein "hobby" ist Niederländisch-Indien. Soweit bekannt, ist Sir Walter niemals in Niederländisch-Indien gewesen. Sein Urteil ist also nicht durch die Praxis getrübt. [...] (Deutsche Wacht, April 1922:1-2)

(The British Chamber of Commerce for the Dutch Indies, so to speak as a reflex movement of the German alertness in Dutch India, has appeared. Those who doubt this need to look only in the monthly journal of the British Chamber of Commerce for Dutch Indies, "Netherlands Indies review", in which it is more concerned to the Germans than what the British do here. The driving force of the British Chamber of Commerce for N. India is, Sir Walter Townley K. C. M. G., the former Ambassador of Great Britain in the Hague. Sir Walter is very active. All moments we hear that he delivered a speech somewhere and his "hobby" is the Dutch Indies. It is widely known that Sir Walter has never been to Netherlands Indies. His opinion is therefore not concluded by practice.)

In the first half of 1922 the fluctuations of German currency, mark, caused discomfort in financial circles. The possibility of Germany's collapsed was being discussed in the columns of many daily newspaper. It went without saying that the situation worsened in the second half of the year. Inflation inevitably hit Germany caused

the government failed to pay indemnity that was demanded in Versailles treaty. As a consequence, French army occupied the Ruhr industrial region. The future of German industry was abruptly at the threshold of darkness.

German industrial exports to the Netherlands Indies were seriously affected by the French occupation of the Ruhr area. In the Indies, Rhein-Elbe-Union failed to fulfill contracts due to inability to get raw materials from the Ruhr. An instance of this took place at the aviation camp at Andir, Bandung, where work had been held up since the Rhein-Elbe-Union was unable to deliver the materials contracted for. The Netherlands Indies authorities gave the Rhein-Elbe-Union two weeks to carry out the conditions of the contract, threatening that if this had not been done the materials would be purchased elsewhere and charged to the Rhein-Elbe-Union. The German firm complained, and the matter was brought to the notice of the Governor General who handed orders that the work should be stopped and the contract off. Several companies hoped to replace the orders so that they would have a chance of tendering for the work, which mainly related to railway construction (Coote, 1924:24). Some orders were then reported to have been placed with the British firms.

Further it appeared that the time came when the Germans noticed it increasingly difficult to reduce the cost of their products to compete with their foreign competitors. Germany could no longer distribute their chief industrial commodities in low price (Coote, 1924:22). In electrical goods particularly the products of the A.E.G were 30 percent dearer in Java than those of British firms (*Deutsche Wacht*, December 1922:27; *Netherlands Indies Review*, November 1922).

Not only in the matter of price had position of the Germans weakened. In April 1924, Hugo Stinnes passed away in Berlin. *Die Deutsche Wacht* expressed its loss by quoting a long eulogy with full compliment about him in the first page of that magazine (*Deutsche Wacht*, April

1924:1). His image was magnificently described as a simple, stereotyped rich German man. His death inflicted to rapid disintegration among his business empire. Many of his companies were liquidated, including Rhine-Elbe-Union. All the staffs of Rhine-Elbe-Union were repatriated to Germany.

CONCLUSION

“That Herr Stinnes realizes the importance of these parts is evidenced by the fact that a German Chamber of Commerce for the Netherlands East Indies has been formed.” (*Netherlands Indies Review*, February 1922, p. 393)

The last sentence of a paragraph in the editorial comment above indicated that the British Chamber of Commerce supposed the existence of German Chamber of Commerce in Netherlands Indies was of Stinnes' initiative. However, this was incorrect for *Deutsche Bund*—the (unofficial) German chamber of commerce—was launched by German community in Netherlands Indies following the increase of anti-German feeling mainly spread by the British in the World War I to begin with. For the sake of many members who were German businessmen in the Indies gradually *Deutsche Bund* became more or less an economic association and was only recognized as the official German Chamber of Commerce not until 1927. Besides, Rhine-Elbe-Union as the core of Stinnes' activities in the Dutch Colony were seldom promulgated by *Die Deutsche Wacht*, in fact a magazine published by *Deutsche Bund*.

The path of German industrialists to retrieve its market in the Netherlands Indies was not smooth. Her natural competitor, Great Britain was doing her very best in making the position clear for British firms. The British was also willing to learn the way German enterprises in the Netherlands Indies applied their commercial methods. However, for British Chamber of Commerce, competition from German firms became less strong than before due to the close down of the Rhine-Elbe Un-

ion workshops at Cirebon.

British Chamber of Commerce eventually found that the competition with German companies, particularly Rhine-Elbe-Union, had not developed as convincingly as it was foreseen. Indeed, for more than one reason German enterprises were no longer a serious obstacle for the British in the Netherlands Indies. Therefore, it seemed like the fierce rivalry between British firms and German commercial activities as it was exposed by *Netherlands Indies Review* was to such extent more of a Post War sentiment rather than a real hard competition in the field. The words as weapons were widely perceived as having had a major effect on the war during the Great War and the practice of propaganda was still dominating in the years after (Marquis, 1978:469).

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