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Chinese Commercial Audacity: Trade Conditions, Boycotts, and Legal Strife in Late Colonial Indonesia

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Abstract: Towards the end of the nineteenth century Chinese commercial penetration of colonial Java's interior was held responsible for all sorts of economic and social wrongdoings. Chinese entrepreneurs responded to deteriorating sentiments and circumstances with increasing assertiveness towards the colonial government and/or its commercial establishment. Aware of their crucial economic position within the colony they turned their organizational skills and aptitude in legal matters into the formidable weapon of trade boycotts. These boycotts serve as clear examples of Chinese collective agency in which individual entrepreneurs pooled their knowledge, skills, and resources, and acted in concert to shape their future. Chinese traders' capacity to act forcefully in their given – unfriendly – environment undercuts the persistent tendency to objectify colonial actors excluded from political power. However, far from being passive and reacting objects, these entrepreneurs actively engaged (individually and collectively) with colonial (legal) power structures, displaying purposeful, goal directed activity along the way. How to account for this uncharacteristically visible conduct? This paper seeks to answer the question by zooming in, first, on the functions of trade in general, and, second, late colonial conditions under which trade was conducted in the Netherlands Indies. It is argued that the Chinese trader's room for manoeuvre stemmed from a unique combination of systemic functions and historical conditions. A combination that provided the Chinese trading community the necessary (legal) loopholes to act upon, and enabled the transformation of collective agency in forceful trading boycotts.

Abstrak: Menjelang akhir abad ke-19, penetrasi komersial Cina ke pedalaman Jawa kolonial dianggap bertanggung jawab atas segala macam kesalahan ekonomi dan sosial. Pengusaha Tionghoa menanggapi sentimen dan keadaan yang memburuk dengan meningkatkan ketegasan terhadap pemerintah kolonial dan/atau pendirian komersialnya. Sadar akan posisi ekonomi mereka yang penting di dalam koloni, mereka mengubah keterampilan organisasi dan bakat mereka dalam masalah hukum menjadi senjata boikot perdagangan yang tangguh. Boikot-boikot ini menjadi contoh nyata dari agen kolektif China di mana para pengusaha individu mengumpulkan pengetahuan, keterampilan, dan sumber daya mereka, dan bertindak bersama untuk membentuk masa depan mereka. Kapasitas para pedagang Cina untuk bertindak secara paksa dalam lingkungan mereka yang tidak ramah melemahkan kecenderungan yang terus-menerus untuk mengobjektifkan aktor-aktor kolonial yang dikucilkan dari kekuasaan politik. Namun, jauh dari objek yang pasif dan bereaksi, pengusaha ini secara aktif terlibat (secara individu dan kolektif) dengan struktur kekuasaan (hukum) kolonial, menampilkan aktivitas yang bertujuan dan diarahkan pada tujuan di sepanjang jalan. Bagaimana menjelaskan perilaku yang terlihat tidak seperti biasanya ini? Tulisan ini berusaha menjawab pertanyaan tersebut dengan menyorot, pertama, fungsi perdagangan secara umum, dan, kedua, kondisi kolonial akhir di mana perdagangan dilakukan di Hindia Belanda. Dikatakan bahwa ruang manuver trader China berasal dari kombinasi unik dari fungsi sistemik dan kondisi historis. Kombinasi yang memberi komunitas perdagangan Tiongkok celah (hukum) yang diperlukan untuk ditindaklanjuti, dan memungkinkan transformasi agensi kolektif dalam boikot perdagangan yang kuat.

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INTRODUCTION

In 1908 *Kabar Perniagaan* – a Malay language *peranakan* Chinese newspaper – published an article with the heading *Hal Boycot* ('Boycott Matter'). Demonstrating the blessing of the boycott instrument this article shows the underlying motives of Chinese traders to engage in boycotts (Kabar Perniagaan, 01-08-1908). In the first sentence the following sweeping statement is made:

> *Boycot, oleh bangsa Tionghoa di oepamaken sebagi sendjata jang paling teroetama, boewat bangsa bangsa laen, ini sendjata belon taoe di goenaken.*
>
> (The boycott is considered the most important weapon of the Chinese, whereas other nations still do not know how to use this weapon.)

According to the author China's defeat in the Chinese-Japanese war of 1894/95 provided the initial impetus to awaken China from its sleep and it remained difficult to mobilize the country's large populace. Consequently, the Chinese continued to suffer humiliation at the hands of powerful foreign nations.

> *… ini waktoe, Radja radja besar di Europa dan Azia soeka sekali kasi lihat kasombongannja pada Tiongkok, jang iaorang pandang sabagi satoe barang permaenan, jang tida soesa di poeter kakanan dan kiri.*
>
> (… the powerful kings of Europe and Asia at the time very much liked to demonstrate their arrogance towards China, considering its people a toy, to be turned without much difficulty to the left and to the right.)

The resulting boiling sense of frustration is well captured in the following statement by the author:

> *Kaloe bole Tiongkok dan anak rahaijatnja hendak lantas kasi lihat giginja, tetapi ija orang taoe jang masa ini ija belon boleh bikin begitoe oleh kerna kakoewatan marika itoe belon sampe tegoeh aken bertanding pada Radja radja besar jang tjoekoep alat sendjata dan bala tentaranja.*
>
> (If it had been possible, China and its people would have shown their teeth immediately, but the people realized that they had to restrain themselves at this point in time, because their strength was not sufficient to stand up against powerful kings who had more than enough weaponry and troops at their disposal.)

The Chinese had to bide their time for the moment, but managed to come up with another strategy:

> *… beroentoeng anak rahaja Tiongkok bisa dapet pikiran aken tolak hina'annja laen bangsa dengen saroepa sendjata jang tida membahajaken djiwanja manoesia. Ini sendjata, soeda bisa begitoe berpengaroeh, hingga djoega ini sendjata terkenal oleh orang orang semoewa …*
>
> (… fortunately the Chinese could think of a way to start resisting the contempt of other nations with a kind of weapon that will not endanger people's lives. This weapon has already become very influential, so that it is well-known to all …)

At this point the author presented the climax of his argument:

> Ini *sendjata jang terpake oleh bangsa Tionghoa, brangkali pembatja pembatja djoega kenal, jaitoelah, orang Europa dan orang orang di ini Hindia kasi nama 'Boycot'. Ini sendjata, djadi satoe penoeloeng besar pada satoe negri jang masi lemah.*
>
> (Used by the Chinese, this weapon – maybe the readers also know it– is called 'Boycott' by Europeans and people of the Indies. This weapon is a great support for a country still weak.)

The author supports this conclusion by referring to successful trade boycotts which – in the eyes of the Chinese – had taught Dutch wholesale import traders in e.g. Surabaya an expensive lesson. A distinct change in European attitude had become noticeable as Chinese talked about being treated far less haughtily in matters of business.

It seemed just that the Chinese could protect their interests successfully by means of boycotts. According to the author this deserved recognition in Batavia as seen in the article's closing sentences:

> *Tetapi bagimanatah dengan orang orang disini, apakah ia bisa djoega kasi liat giginja pada toko toko Europa jang berlakoe tjoerang? Itoelah saja tida bisa djawab, hanja tjobalah nanti kita liat pada hari kamoedian!*
>
> (But what about the people here? Can they also show their teeth to the European firms that behave dishonestly? That I cannot answer, just let us see what the future brings!)

Boycotts as mentioned above serve as clear examples of Chinese collective agency in which individual entrepreneurs pooled their knowledge, skills, and resources, and acted in concert to shape their future (Claver 2021). Chinese traders' capacity to act forcefully in their given – unfriendly – environment undercuts the persistent tendency to objectify colonial actors excluded from political power. However, far from being passively reacting objects, these entrepreneurs actively engaged (individually and collectively) with colonial power structures, displaying purposeful, goal directed activity along the way.

How to account for this uncharacteristically visible conduct? This paper seeks to explore this question by zooming in on the functions of trade in general, and late colonial conditions under which trade was conducted in the Netherlands Indies. It is argued that the Chinese trader's room to manoeuvre and access to capital, information and security stemmed from a unique combination of systemic functions and historical conditions. It was this combination that provided the Chinese trading community the necessary loopholes to act upon, and enabled the transformation of collective agency in forceful trading boycotts.

DEFINING TRADE AND ITS CHARACTERISTICS

Trade is an elusive concept with one common denominator: its intermediary function. Positioned in between the producing and consuming side of the economy, trade provides the necessary link between producers and consumers. People engaging in trade are making a profit by tapping and manipulating the flow of goods and services. Here, trade is defined as mediating between the production and consumption process with the intention of making a profit (Wehrmeijer 1969). Within this context markets and market conditions play an important part. Close scrutiny of the physical and/or virtual 'arena' where trading takes place, is therefore required. The trading process involves a number of stages, e.g. export, import, wholesaling, and retailing. The intermediary activities of trading enterprise are not necessarily confined to any one of them and they often operate on several stages.

In the field of trade the most important distinction is between wholesale and retail. In a simplified sketch of events the wholesale trader buys the goods from the producer, in order to sell them to the retailer and thereby make a profit. The retailer will subsequently sell to the consumer as a result of which production and consumption are connected. The main function of the wholesale trader is the transformation of the conditions for delivery into the conditions for purchasing (De Goey, 1993, p 13; Jonker and Sluyterman, 2000, p. 11). To achieve this, he will collect goods from a large range of producers, stock them temporarily if necessary, and redistribute these goods among a large range of retailers (Sluyterman, 1998,p. 87). A trading company performing this role places itself between these two driving forces on the market: i.e. producers and retailers. Whether these forces will make use of the services offered by the wholesaler, will depend on their strategic decisions. This would appear to make the wholesale trader extremely vulnerable to elimination, given the assumption that he can do very little to influence these decisions. In theory producers and retailers will benefit from integrating as many phases of the production and consumption process as possible into their enterprise. This would ultimately eliminate the function of the wholesale trader in sale and purchase, leading to the inevitable disappearance of the wholesale trader as an independent actor from the market scene (Chandler, 1977, pp. 209-240).

However, the role of wholesale trading has been challenged many times by different forces, but to no avail (Tobi, 1927; Sluyterman, 1998, p. 87; Jonker and Sluyterman, 2000, pp. 9, 11). Apparently, the wholesaler has something to offer that cannot be replaced easily. What is the core competence of the wholesale trader? No doubt, he will be aware of his delicate position in a continuously changing environment. The need and ability to adapt to rapid changes will therefore rank very high (De Goey, 1993, p. 15). Or, to put it differently: "The core competence of the wholesale trader lies in his knowledge of markets and products, and in his flexibility to change his product ranges and outlets" (Sluyterman, 1998, p. 87). In other words, the wholesale trader possesses a specific kind of knowledge, which is obviously difficult and probably expensive to obtain, and is capable of sustaining his position by means of timely adaptation.

Functions of trade

By performing its intermediary function, trade helps to bridge differences in time and place, in quantity and in quality (Jonker and Sluyterman, 2000, pp. 10-11). Products made at a certain time and place reach their final destination in another time and place. The intermediary function of a trading house can be divided into specialised functions, each serving the purpose of transforming the conditions of delivery in order to correspond eventually with the conditions of purchase. These functions are: (1) Collecting: The wholesaler will buy and collect a range of products with the objective of selling those goods with a profit; (2) Sorting: The products purchased from different producers are sorted so that the retailer can choose from an assortment differing in price, quality etc.; (3) Storing: The wholesaler will keep a supply of this assortment in order to furnish his customers at any given moment; (4) Distributing: By forming a link between producers and consumers, wholesaling contributes to the geographical distribution of goods.

These tasks can only be accomplished through solid financial backing and the efficient use of up to date transport and information technology. The collecting, sorting, storing and distributing of goods requires substantial financial resources in order to cover, for example, insurance costs, maintenance costs for storage capacity and credit facilities being given to customers. And, there is the fundamental task of keeping well informed about market conditions, searching for market niches, assessing the reliability of producers and customers, etc. All of which comes at a cost and requires both time and energy.

Broker versus reseller

Products can be traded for own account, whereby the trader will first buy them and then try to sell them with a profit, or on the basis of a commission. In the latter case he operates as an agent and receives a percentage of the sales. In other words, trade mediation can be done either by reselling or broking. The distinction lies in the ownership of the product in which the trader deals. Unlike the broker, the reseller assumes ownership of the product which puts him at greater risk. The bigger the time lag between purchase and resale, the greater his risk becomes, since the value - and with many agricultural products also the quality – of the goods may change.

To offset this risk, the reseller can resort to a forward sale. This fixes the price before delivering the product and can be done when a potential buyer expresses his interest, but only for the foreseeable future and not right away. After the deal has been closed, price movements are irrelevant with regard to the concluded contract which, obviously, can work either to the reseller's advantage or disadvantage. The problem, however, is that a forward contract can prove difficult to enforce, which leaves the reseller with a price-regulating instrument of imperfect value.

A forward sale thus comes down to speculation upon the movement of the market price of the product and the reseller's ability in forecasting this movement. The only relevant tools at his disposal are the quality of information he is able to collect, and the amount of time he is allowed in forming his judgement when obliged to react to (perceived) changes in the situation. The time aspect, in turn, is dependent upon the durability of the product. When a product can be stored for a long period without affecting its quality too much, the cost per unit goes down, and the reseller can afford to wait longer in order to pursue a more profitable strategy (Casson, 1998, pp. 24-27).

Diversification

Trading enterprises operate not only on different levels, but also in different fields. Some are primarily engaged in import trade or export trade, while others are active in both import and export. Trading companies can decide to specialise by product, region, or combine both features. Conversely and more commonly, they have chosen the option of diversification. In order to reduce dependency, the decision can be made to expand operations by integrating part of the production and/or distribution line.

Trading companies have always exhibited tendencies to perform activities other than trade mediation, and frequently diversified into related services, such as shipping, manufacturing, or financing. The resulting 'hybrid' trading companies continued to engage in trade mediation, but performed other activities beyond trade (Jones, 1998, p. 2). The growth of Dutch trading companies in Indonesia led, for instance, to diversification into activities such as plantations, or shipping and insurance companies, which resulted in growing integration. Trading enterprises often promoted legally separate companies to own plantations, which they either managed, or … owned themselves.

Integration

The diversification process has often led to integration into three distinct areas: shipping, production, and finance (Casson, 1998, pp. 29-32, 37-38).

Shipping: The trader loses control over the product, when it is being shipped. To safeguard the mediation process, diversification into the shipping business is an option. This would stabilise results by enhancing control and thus reducing risks. In many cases the best solution for a firm would be to own ships which do not necessarily carry their own cargoes, because when shipping rates rise, the profits of mediation are reduced, but consequently the profits on shipping increase, and vice versa. Ideally, these simultaneous up- and downward trends will offset each other, or at least dampen their respective effects.

Production: The period between the buying and selling of the product is one of potential uncertainty for the trader. Being owner of the product makes him very vulnerable to sudden, unexpected price movements and requires him to guard the quality of the goods he receives very closely. (This applies above all for business conducted under reselling.) By taking over the producer, the quality of the product can be controlled at first hand. And although traders were usually not in a position to significantly influence price fluctuations, controlling supply enabled them to respond aptly to market conditions.

Finance: Almost all trading companies become involved in extending short-term credit to firms in the industries in which they trade. Usually, this is done to meet the producer's need for working capital. Typically, the producer of an export crop experiences an imbalance in expenses and proceeds, since the former are more evenly spread throughout the year. In order to counterbalance this, traders will give loans on the condition of receiving a certain portion of the harvested crop. Although this could be done on a year-to-year basis, competition soon forced traders into more structural arrangements. Internatio, for instance, exclusively marketed the sugar from the Tjomal factory near Pekalongan for decades on the basis of an official contract, stipulating that Internatio financed its seasonal capital requirements (Internatio, 1938, p. 23).

Structural extension of long-term credit can easily lead to a situation in which diversified trading companies become involved in activities not directly related to their core business. Because they are collecting information relevant to several types of product, they are scanning a wide variety of information sources. The Nederlandsche Handel Maatschappij (NHM) can serve as a case in point. Starting out as a general trading enterprise, the company evolved into a financial conglomerate (Mansvelt, 1924; De Graaf, 2010). This can be explained by the wide-ranging information collected and analysed by the NHM for trading purposes. Opportunities for new business were identified which, however, did not necessarily relate to trade. Only by more direct financial investment – as opposed to the extension of short-term credit for working capital purposes only – could such opportunities be realised (Casson, 1998, p. 46). From trading enterprise to merchant bank was therefore a real possibility (Roberts, 1993, pp. 23-31).

ACCESS TO CAPITAL, INFORMATION AND SECURITY

Mediation is a core element in the trading process. Though obviously in constant danger of being outmanoeuvred by other players in the economic field, the trading enterprise appears to perform a function that can only be acquired at great cost. Most authors tend to locate this specific quality in the acquisition of (relevant) knowledge. The notion of access offers good opportunities in clarifying how the trader fights his battles with regard to the procurement of capital, information and security.

Access to capital, information, and security defined a trader's operational room for manoeuvre (Claver 2014, 3-6). Within the business arena the trader operated on a formal stage, based upon legal contractual arrangements and an informal stage, where 'soft' (networks of) contacts were maintained, based upon trust and/or status. Forms of socio-economic networking provide significant advantages in facilitating access to capital, information and security (Boyce, 1995; Godley and Ross, 1996; Smallbone and Lyon, 2002, pp. 19-20). Describing and analysing networks – i.e. repeated exchanges among the same people – can shed more light on market exchanges. A trade network can be defined as the number of strategic alliances a trader would make with the purpose of exchanging material and immaterial (e.g. information) goods, in order to ensure a profitable result. The dynamics of trade constitute a continuous struggle over closure or monopolisation of market opportunities. Profits tend to be highest for firms which co-opt trade partners in permanent networks (Collins, 1988, pp. 413, 447).

Trust and status are important features of (entrepreneurial) networks (Taselaar, 1998; Schijf, 1993). Both notions – perhaps best viewed as some sort of social capital – can serve as an illustration of the connection between economic and social activities (Menkhoff, 1993). Trust is an important factor in entrepreneurial and economic life. Trust can be defined as the belief or expectation that another individual will not behave in a way that is harmful to one's own interests. The importance of information and enforcement is at the core of this concept (Guinnane, 2005, pp. 1, 29-31). Entrepreneurship is above all a matter of organisation and co-operation. Gaining access to such important factors as capital and information is in most cases achieved by obtaining other people's trust, rather than on the basis of warranties (Henley, 1997). Status on the other hand is an important prerequisite if one is to be deemed reliable and/or trustworthy. Trust and status are invisible, although it seems possible to single out both factors by looking at the networks in which any entrepreneur participates (Barton, 1983, Casson, 1995, Gambetta, 1988, Menkhoff, 1993, Smets, 1999).

Capital

Trade and trading enterprise in Indonesia could not do without elaborate credit arrangements. Credit can be considered the engine propelling the trading business, an engine fuelled by the payment of interest. The connection between banking and trading is both obvious and extremely important. Banks or financial intermediaries in general respond to information. This is crucial for their functioning and at the same time poses their biggest problem, since the process of acquiring and analysing information is difficult and costly. Informal, qualitative and case-specific information is very hard to come by and often impossible to trade. Gaining access to this kind of data will give the mediator a distinct advantage when performing his task. Not only banks, but also other players in the economic field, e.g. traders, have very similar needs (Godley and Ross, 1996, p. 3).

The credit market is characterised by so-called 'incomplete' contracts, since the interest the borrower has agreed to pay is only the price he has promised to pay the lender over a period of time (Godley and Ross, 1996, p. 2). Interest payments thereby constitute the price tag attached to credit. Naturally, the lender will only settle for this promise with the assurance of sufficient collateral. But, to form a judgement he will have to rely on very specific information concerning the proposed venture. In most instances, such information can only be obtained from the borrower himself.

In the case of the Netherlands Indies at the end of the nineteenth century the risks of the credit business were increased by the difficulty of finding security. Mortgages could only be obtained on private lands and not on leased lands, no matter if these contracts had expiration dates set after no less than 99 years. Besides that, only factory installations could be mortgaged, since they represented a considerable and above all retrievable capital investment (Allen and Donnithorne, 1957, p. 186). To operate in this market called for specialised intermediaries, able to assess the available amount of credit competently. Banks and traders had to develop methods to solve, at least partly, the problem of asymmetric information, since only the loan applicant would know the exact details needed for a sound judgement of the request.

The methods developed to see the loans to successful liquidation reflect successive stages of the running period of the loan and consist of three phases: screening, monitoring, and enforcing (Godley and Ross, 1996, pp. 2 -5).

Screening: Screening comes down to assessing the creditworthiness of the loan applicant. Access to relevant information is of the utmost importance in this respect. Although banks, because of their accumulated expertise, are commonly considered to be in the best position to perform this task, one could argue that it is essentially their network capabilities which account for this. Other kinds of networks based on personal relationships may prove in specific cases to have access to more and better information, especially since knowledge of the applicant's family background and personal integrity is usually not available in any trustworthy institutionalised form. This explains partly the involvement of traders in the financing of enterprise, since they were often better embedded in the local situation.

Monitoring: Monitoring as a control mechanism, is applied once the loan has been granted and is essentially a form of risk reduction. This is a particularly difficult and expensive function for banks to perform effectively, since it requires access to information. Information in an institutionalised form will not be able to do the job sufficiently, for it will never be complete. In certain cases personal networks have a clear advantage over banks as intermediaries in the credit markets. Nevertheless, self-monitoring, whereby the debtor himself gives complete and trustworthy information, remains the most efficient form of monitoring, no matter how illusionary this can turn out to be.

Enforcing: Enforcing liquidation of a contract is sometimes necessary when it becomes clear that the borrower will not be able, or is not inclined to live up to his promise. Of course, the better the screening and monitoring, the easier the completion of the contract. Enforcement is usually done by forfeiting collateral and/or litigation. But, this could take up a lot of time. More informal networks have additional tools of enforcement at their disposal, like the use of shame and exclusion in a cultural network, or the use of violence in criminal networks.

Information

Any business collects commercial information, but in the case of trading enterprises acquiring information – and thereby knowledge – lies at the heart of their activities. Since traders do not produce themselves, knowledge can be considered their prime asset. The emphasis on information instead of production helps to explain why trading enterprises are considered by most people elusive or even anomalous. The conventional view of the economy is one of a system of material flow, focused on the handling of physical commodities (Casson, 1997, pp. 153, 163).

Trading enterprises depend heavily on their position within wider commercial networks, since these form their ultimate source base. This explains why traders are usually more interested in access than control. Access is the precondition enabling them to exert control. It has to be understood that commercial networks also comprise political and social elements. The successful combination of all these elements optimizes opportunities. At this point, notions like personal integrity and trust come to the surface. In the end, the successful functioning of any network rests on high levels of trust often facilitated by ethnicity (Jones, 1998, pp. 19).

A trading enterprise handles flows of material goods on the basis of large amounts of information. Much of this information is part of a routine procedure repeated at every transaction, predominantly involving elements of procurement and distribution. Customer orders have to be processed, payments by customers have to be recorded, goods have to be bought from suppliers and outstanding debts or credits filed. Though important, this is obviously not the information of greatest significance for the trader. Above all, the enterprise needs to find out how much its services in handling certain products are in demand and secondly, in the case of the reseller, the company needs to speculate or hedge against price movements when products are in his possession.

All of this information is impossible to come by at first hand and any trader will have to rely on a network of contacts feeding him relevant information, ranging from confidences and gossip to reading newspapers and magazines (Casson 1998: 35-36). The importance of this last kind of information should not be underestimated, as can be seen from the list of subscriptions to newspapers and journals the chambers of commerce and trading associations (*handelsvereenigingen*) in Batavia, Semarang and Surabaya published in their yearly reports.

Security

Security against outside competitors, breach of contract, sudden and unexpected price movements, harbour strikes, etc. can be achieved in different ways. First, there is the possibility of institutionalised security. Insurance is an important feature in this respect and the Netherlands Indies offered attractive opportunities, as many insurance companies were active – especially in Java. Then there was the possibility of resorting to the legal system. In many cases however this did not live up to the traders' expectations.

Second, there was the possibility of organising into co-operative bodies. These bodies, such as industry and trade organisations, 'mediate' between the mediators. They could be particularly effective in defending the collective interest against the 'hostile' outside world. One of the ways to achieve this was by actively taking part in that same world. This was very frequently done by taking up a seat in local, regulating bodies – like town councils – or advisory boards. Besides that, in many cases a code of practice was established under which local trade took place (Casson, 1997, pp. 162-163). The sugar trade in Java can serve as a good example of this type of security seeking, since this sector managed to organise its collective interest to great extent into co-operative bodies (Javasuiker, 1932/1933; Allen and Donnithorne, 1957, pp. 84-85).

THE INDONESIAN CASE

The Netherlands Indies in the late colonial period possessed a number of distinctive trading features, which can be sub-divided into systemic trade functions and historical trading conditions (Claver, 2014, pp. 7-9 135-144).

Systemic trade functions

Import and Export

First, there is the distinction between import and export. Obviously, a trading-company can focus on both aspects, or limit itself to one of the two. Internatio, The big Dutch colonial trading company Internatio did both, but a more specialized German company like Erdmann and Sielcken quickly retreated from the import business and concentrated itself on exports, primarily sugar (Internatio, 1913; Internatio, 1938; Schmiedell, 1924). Within the colonial trading scene general trading companies and more specialized ones existed side by side (Yonekawa and Yoshihara, 1987, Yonekawa, 1990). A general trading company is a firm active in both import and export, that will trade all kinds of goods all over the world. Although historically speaking the large successful general trading company has received most of the attention, the majority of traders focused their business activities on a relatively small range of (related) products.

Wholesale and Retail

Second, there is the important difference between wholesale and retail trade. Being a European in the import and/or export business in the Netherlands Indies meant engaging in wholesale trade. Neither willing nor able to compete in the local intermediate trade, European traders provided middlemen with merchandise on credit, in the expectation that the traded products would ultimately reach the consumer market (Blussé, 1986, p. 71). Traditionally, the intermediate and to large extent the retail trade was the domain of the Chinese, although Arab merchants participated as well (Heuken, 1996; De Jonge, 2000, pp. 145-146; Mandal, 1994, pp. 39-52). This held true at least until Japanese merchants arrived on the scene the 1920s. Chinese predominance in trade owed much to their cultural background and ethnic minority position which seems to have favoured the development of business skills, as well as the preservation of extensive family and business contacts throughout Southeast Asia, giving them unrivalled access to intra- and extra-archipelago trade networks. However, a simple distinction between wholesale and retail trade is not enough.

Distributive and Collecting Trade

For a complete picture a third distinction has to be made (Liem Twan Djie, 1947, pp. 4-11). In case of imports intermediate trade was tantamount to distributive trade, also called by the Dutch 'the second hand' (*tweede hand*). More often than not, there was also a third, fourth or even fifth hand (Van der Kooy. 1931, pp. 21-22, 45, 85-89). The distribution chain typically went from European importer first to Chinese middlemen. The latter could be highly specialized, but the *pasar* enterprise – which sold just about anything – was equally important. From the intermediate trader the goods were distributed further down the chain, reaching the third hand. By now, the goods were on their way to the smallest of villages (*desa*). The merchandise was sold in shops: *toko*, or in smaller *warung*. From these shops, the products would hit the street. They were also traded by small peddlers, usually Chinese, who would sell the merchandise by hawking it in every conceivable spot. The '*Klontong* Chinese' with his carrying pole (*pikulan*) was a common sight everywhere. Last but not least, there was the market (*pasar*) in which the majority of traders was indigenous.

With exports, retail essentially meant the collecting of merchandise. Petty traders would buy small quantities of local agricultural or industrial produce. This they would bundle and try to sell to retail traders. Retail traders could also decide to buy directly from the local producers. Wholesale traders, for their part, would buy goods from retailers or directly from the factories, in the case of processed agricultural products, like sugar.

Credit

The import and export trade of the Netherlands Indies (and the Netherlands for that matter) thrived on credit (Jonker, 1996). This fourth distinction is of central importance. The whole trading system was completely dependent on the provision of capital. It acted as a lubricant, not just for the trading sector, but for the entire economy. Gaining access to sufficient capital was a major precondition for the smooth running of the economic system. Credit was hard to come by and securing it was easiest to accomplish for those with access to the higher echelons of society. From the top of the pyramid, capital trickled down to all those involved, whether in trade, production, or consumption.

Substantial risks were attached to the extension of credit. E.G.J. Gimbrère, active in banking in the 1920s, was all too aware of this (Korthals Altes, 2004, pp. 247, 282, 527; Gimbrère, 1924 and 1928). In his many years of experience, he witnessed the consequences of light-hearted and irresponsible use of credit. His book on credit practices in trade, published in 1924, pleaded above all for a better – i.e. clearly defined – use of terminology and standardization of contracts (Gimbrère, 1924, pp. 3-7). According to him, it all boiled down to the creditworthiness of the participants. Essentially, this meant assessing the extent to which risks could be covered. Since borrowing took place on security, sufficient collateral was a key condition. This was greatly aided by clear liabilities. However, being able to hold someone liable does not guarantee a favourable outcome when a debtor defaults on his payments. Each creditor, whether bank or trading house, encountered this problem and found it impossible to solve. At best, a workable compromise could be found.

Historical trade conditions

Trade and Ethnicity in Southeast Asia

Discussing ethnicity and occupation in the Southeast Asian colonial context means raising the question of Chinese economic participation and success (Brown, 1997, pp. 160-174). Explanations offered have frequently focused on cultural notions. Confucian culture would promote values of diligence, order, individual responsibility and capitalist behaviour. A line of reasoning with strong political resonance for it implies that the economically successful Chinese minority had a cultural edge over the indigenous population. Though cultural values are important, they must be observed in their social and historical context (McVey, 1992, pp. 9-10, 18-19)._Limlingang distinguishes three independent variables responsible for the economic success of the Overseas Chinese (Limlingan, 1986, pp. 46, 58-59). First, the transformation of the Southeast Asian economy under colonial rule, whereby the policies pursued by the European powers created the economic opportunities the Chinese could exploit. Second, the questionable status of the Overseas Chinese as Chinese and as immigrants. This provided powerful motivation for exploiting the opportunities presented by the transformation of the regional economy compared to other groups such as the indigenous and Arab population. Third, the social organizations and values which the overseas Chinese brought with them, developed, and maintained in a threatening environment provided them with a distinct competitive advantage.

The last variable raises the question of conditions within China, and its influence on the business outlook of the Overseas Chinese. Chinese business development went through several phases (Faure, 2005). In the traditional phase (16th -18th century) business relied on contracts as well as on ritual propriety. In the modernizing phase (1850 – 1950) it had to adapt to the introduction of company law and legal standards of accounting.

\In the Ming (1368-1644) and Qing (1644-1911) dynasties written contracts were widely used. However, until the legal reform of 1904, the government was only minimally involved in the creation and execution of written contracts for the purpose of trade regulation (Faure, 1996a: 264; Faure, 2005, pp. 45-64; Kirby, 1995). Legal protection was therefore minimal, which handicapped the creation of credit and the pooling of capital. The maintenance of contracts was relegated most of the time to personal trust, governed not by temporal law but by ritual obligations, carrying a strong social and religious element.

Lineage organization played an crucial part in this respect. Within the structure of Chinese society kinship regulates the behaviour and the formation of social groups. The lineage is a common descent group whose members bear the same surname and trace their ancestry to one ancestor through the patrilineal line. Lineage bonds were most strongly developed in South China, above all in Fujian and Guangdong (Ng Chin-Keong, 1983, pp. 28, 30). Here, lineage and village tended to coincide. In the Ming and Qing period lineage and family connections were the most fundamental relationships in economic organization, not only for consumption but also for production and trade (Faure, 1996b, pp. 82-83; Faure, 2006, pp. 27-44; Faure and Pang,1996, pp. 282-285; Ng Chin-Keong, 1983, pp. 26-37).

There were great advantages in belonging to a large and powerful lineage. As a formidable resource base it was also well suited for extra-village activities of which the Overseas Chinese took full advantage. Even more important was the socialization process encouraged by the lineage organization. Lineage participation taught people the proper attitudes and behavioural pattern towards their relatives, as well as techniques of accommodation to the government authorities. In the process, they became less exclusive when the need arose. This could help explain the competitive edge of Overseas Chinese trading communities in dealing with their foreign environment. Although the lineage organization did not function in its full-fledged form outside the ancestral village, it helped them establish wider social connections in their association with non-kinsmen (Ng Chin-Keong, 1983, p. 37).

The competitive edge of the Chinese in business should not obscure the fact that European business possessed competitive advantages as well (Bayly, 2004, pp. 59-64). Besides possessing advantageous economic conditions, the northwest of Europe could capitalize on relatively stable legal institutions which safeguarded property to considerable extent (Pomeranz, 2000; Gang Deng, 1999). Property rights in China were also generally safe, in sharp contrast to the rest of Asia (Deng, 2000, p. 4; Gang Deng, 1999: Chapters 2 and 3). However, the system of multiple inheritance tended to split up rewards diminishing the long-term cumulative rewards compared to some parts of western Europe. In addition, the suggestion has been made that the capital of merchant firms in Asia remained insecure as the merchant and his working stock remained indivisible and were not treated separately from each other. In other words, there was a lack of separation between capital and capitalists adding to the insecurity of commercial capital since arbitrary expropriation was never far off (Chauduri, 1985, pp. 210-215).

Western Europe also saw the development of relatively independent financial institutions. With the establishment of the VOC the Dutch pioneered the joint-stock company in an attempt to minimize risk. This started the process of pooling risk and dividing management from ownership which has been central to capitalist development. Western Europe seems to have been in the vanguard of commercial innovation, although the relative sophistication of Asian merchants should be acknowledged. Their accounting techniques and entrepreneurship were not inferior to their European contemporaries (Deng, 2000, pp. 2-4, 10-11; Gang Deng, 1997; Gardella, 1992, pp. 321-323, 332-334; Pomeranz, 2000, pp. 166-186). However, it was the framework of law and corporate organization which gave European commercial firms a distinct advantage.

The Chinese population of the Netherlands Indies

Chines migrants were called *Huaqiao* or *Hoakiau* in the Netherlands Indies meaning 'Chinese sojourner' (Pan, 1999, pp. 16-17, 46-47; T'ien Ju-K'ang, 1953, pp. 2-3; Kuhn, 2003). They predominantly came from the southern part of Fujian and would speak *Hokkien* – the local pronunciation of the word Fujian – which is the main speech group of this area (Jansen s.a., pp. 9-13; Pan, 1999, p. 24). In Java Chinese settlements formed along the northern coast (*Pasisir*) in ports like Banten, Batavia, Cirebon, Semarang and Surabaya, but also in smaller towns like Jepara, Pekalongan, Rembang and Tuban (Claver, 2010, pp. 93-230; Claver, 2014, Chapter 4). Although the early settlers married local women, succeeding generations tried to maintain their Chinese character. However, Malay and Javanese influences soon gave birth to a *Peranakan* subculture. A Peranakan, from the Indonesian word for child, was either of Chinese, or mixed Chinese-Indonesian blood, but always of Indonesian birth. Immigrant Chinese were referred to as Singkeh, from the Amoy dialect meaning new guest, or as Totok, the Indonesian word for full-blooded or newcomer. (Echols, 1994; Khoo Joo Ee, 1998, p. 24; Pan, 1999, p. 153; Teeuw, 1996; Williams, 1960, p. 10). *Peranakan* Chinese thought of themselves as Chinese and were regarded by others as Chinese, but they displayed many indigenous cultural traits such as the adoption of Malay and/or the regional language, local dress as well as food and table manners. Being a *Peranakan* therefore implied the adoption of a creolized or mestizo culture with strong indigenous influences often including racial mixing through the maternal line (Khoo Joo Ee, 1998, pp. 23 -28; Pan, 1999, pp. 153-155; Rafferty 1984, pp. 247-248).

As immigrants from the south of Fujian established themselves much earlier than other language groups such as the *Hakka* and Cantonese the vast majority of the *Peranakan* in the Indonesian archipelago were *Hokkien* in origin, particularly in Java (Kong Yuanzhi, 1987; Kong Yuanzhi, 2005, pp. 182-240, especially 183). The Chinese community remained dominated by local-born Chinese, with *Peranakan*, constituting about 62% (750,000) of the total Chinese population in the Netherlands Indies in 1930 and China-born newcomers (called *Singkeh* or *Totok*) accounting for 450,000 (Twang Peck Yang, 1998, p. 19). In 1875 48% of the Chinese workforce was engaged in commerce (Cator, 1936; Ong Eng Die, 1943). In 1900 this percentage stood at 44%, in 1905 at 43%. However, substantial trading activity remained unaccounted for including illegal trading activities which would not have been registered at all. Underregistration was less of a problem during the census of 1930 which would account for the higher percentage (58%) of Chinese active in trade.

Chinese Occupation in the Netherlands Indies

The percentages above point to a correlation between ethnic origin and occupation (Brown, 1997, pp. 1-12, 160-174; Claver, 2010, pp. 93-230; Claver, 2014, Chapter 4). The explanation given for this focuses on cultural differences arising from differing contexts, i.e. contrasting physical environments and diverging political, economic as well as social historical experience (Diamond, 2005, pp. 25, 405-420). The southern part of China was mountainous, infertile, prone to flood and drought and overpopulated. Hard toil was essential for survival and strongly admired social values were industriousness and frugality. Continuity and cohesion of kinship groups was stressed and a strong obligation was felt to help one another even in the case of distant relatives. Chinese society thus emphasized lineage advancement and placed a high value on material success. The individual entrepreneur was encouraged to work within extended, kin-based organizations, which facilitated networks of dependable trading contacts, the emergence of bigger firms, the pooling of capital and enterprise and the sharing of commercial risks and opportunities. Calculations of risk, return, margin and profit were thus common benefiting the Chinese command of business practices. This would give the south of China appreciable advantages in trade and commerce (Blussé, 1979; Gang Deng, 1997 and 1999b).

The socio-economic structure and historical experience of e.g. Java and Siam (Thailand) offered less opportunity to develop commercial and financial skills, or create extensive trading contacts. This influenced the commercial practices of the indigenous population in a decidedly different manner when compared to the Chinese (Dewey, 1962, pp. 27-50; Van Gelderen, 1966, p. 144; Skinner, 1957). Both Java and Siam were fertile, underpopulated regions in which subsistence was secured with more ease than in the southern provinces of China. Javanese and Siamese alike had no ancestor cult, and kinship ties were less extensive. Javanese empires (Pajang, Mataram, Majapahit) were or had been inland states with overriding agricultural considerations and less involvement in external trade (Brown, 1997, p. 162; Houben, 1994, p. 63; Ricklefs, 2001, pp. 18-19, 45-46). The frequently voiced colonial complaints of native indolence and economic irrationality as the root cause of Chinese commercial dominance cannot be taken seriously. The production of government crops under the Cultivation System contradict this image. So does the explosive expansion of smallholder rubber in the decades before the 1930s (Brown, 1997, pp. 144-159; Henley, 2005). Generally speaking the rural populations across Southeast Asia were sharply responsive to market opportunities, being driven by the prospect of material advance and greatly industrious (Clemens, 1989; Lindblad, 1988a, pp. 58-78; Thee Kian Wie, 1977; Thee Kian Wie ,1994, pp. 95-98; Touwen, 1997, pp. 144-197).

Compared with China there was less legal protection for individual property against state power (Bayly, 2004, pp. 60-62; Deng, 2000, p. 4; Deng ,2004). Accumulation of private capital was difficult. In absence of legal protection individuals secured property and position principally through the cultivation of patronage ties which ran counter to the promotion of frugal habits needed for commercial endeavour. State monopolies frequently secured the trade of the most valuable articles; thus limiting the opportunity to gain business experience, build long-distance networks, or accumulate capital (Kathirithamby-Wells, 1993, pp. 130, 132; Stuart-Fox, 2003, p. 93).

Western commerce thus came to rest on intensive collaboration with immigrant Asian intermediaries – principally Chinese. At the local level Chinese enterprises had the advantage with low overhead costs, knowledge of local conditions, and the command of indigenous languages, while many individuals married locally (Brown, 1997, p. 44; Kathirithamby-Wells, 1993, pp. 133-135). This resulted in an ethnic separation of economic roles in which (Chinese) migrant communities provided the entrepreneurial skills, trading networks and capital to conduct business profitably (Brown, 1997, pp. 8, 44-45; Reid, 1993, p. 79).

HAL BOYCOTT

The *Hal Boycot* ('Boycott Matter') article in Kabar Perniagaan also had something to say about the specific trading conditions in the Netherlands Indies and the Chinese position within it (*Kabar Perniagaan*, 01-08-1908).

> *Nah! Inilah ada swatoe tjonto pada laen-laen bangsa, jang soeka hinaken bangsa Tiong Hoa zonder alesan jang tjoekoep, dimana pada kamoedian hari toch ia moesti menjesel di atas perboewatannja sendiri.*
>
> (Well, here is one example of another nation that

likes to humiliate the Chinese without sufficient reason, where afterwards it nonetheless has to regret its own actions.)

Begitoepoen pada orang-orang Europa disini, sedjak sala satoe handelsvereeniging di Soerabaja telah di boycot, jang kamoedian soeka damiken ini perkara dengen menanggoeng karoegian besarnja ¦ 25.000, roepa roepanja toewan toewan toko di Soerabaja tida begitoe brani berboewat kesombongan pada orang orang Tiong Hoa lagi, hingga ini waktoe djarang sekali jang orang orang Tiong Hoa dapet maloe lantaran acept jang terbikin di doewa fihak. Sringkali djoega djika orang Tiong Hoa melanggar djandjinja boewat sapoeloeh hari atau lebi sedikit, toko toko Europa soeka menoenggoe hingga terbajar, jang mana ada djadi njata pada kita, bahoewa toko-toko Europa di Soerabaja tida berlakoe begitoe keras seperti toean toko di Batawi dengan langganannja. Dimana sebenarnja kaloe tida langganannja jang bantoe djoeal, soeda tentoe itoe toko toko Europa tida bisa tinggal lama, dan terpaksa tida bisa berniaga disini.

(In the case of the Europeans here, ever since a trade association in Surabaya was boycotted and had to accept its settlement with a big financial loss of ¦ 25.000, the owners of the firms in Surabaya do not seem to be as arrogant towards the Chinese any more, with the result that nowadays the Chinese are very seldom embarrassed as an acceptance involves two sides. Often, even if the Chinese break their promise to make good in ten days or a little bit longer, the European firms do not mind to wait to be paid, which has made it evident to us, that the European firms in Surabaya are not selling as well as the owners of the Batavian firms with their regular clients. On the other hand, if retailers are not helpful in selling, it is natural that these European firms cannot wait for a long time, and are forced not to trade here.)

Poen pada toean toean toko, banjak sekali jang tida maoe orang melanggar djandjinja. Sedangan bermoela ia berniaga; kaloe bole ia brani bajar boeat orang jang kasi ia langganan, tetapi, kaloe sadja perniaga'annja soeda madjoe, ia pandang hina sekali pada langganannja, dan sa'andenja langganannja brani liwat dari pada djandjinja, soeda tentoe lantas ia berboeat sabagimana moestinja, ia itoe boei pada pioetangnja atau beslag pada tokonja.

(Subsequently, most owners of trading firms do not want a person to break his promise. However, when he i.e. the European trader starts to trade he is eager to pay a person so that he will receive regular clientele, but, as soon as the trader has set up a thriving business, he considers his retailers with contempt, and in case the client has the nerve to disregard his commitments he i.e. the European trader is certain to act readily in the prescribed manner, i.e. debt imprisonment or seizure of his shop.)

Credit, Credit and more Credit

The wholesale trader was forced into a position with little room for manoeuvre. The trust placed in him by his clientele demanded short-term tangible results which could only be achieved by vastly expanding trading operations. Being swamped on the one hand with goods from Europe for which an outlet had to be found, while at the same time frantically searching for the required export products was no sinecure. In addition there were countless other tasks to attend to, such as organizing the transport of agrarian products from the countryside to coastal areas, or from one coastal town to another, taking care of customs clearance, the administration of godowns, and the procurement of coolies. Many traders would also have side jobs and manage a shipping agency, be involved in a *praauwenveer* (lighter company), or sit on the board of an insurance firm.

The operations of a trading house required an enormous investment of capital; export products could only be obtained by advancing huge amounts of working capital to different agrarian enterprises, whereas credit extension on a grand scale was crucial to clearing the shelves of imported goods in time for the arrival of a new shipment from the head office. The potential profits were however very real and in general the massive capital outlays were considered well justified by everyone in the business.

The upsurge of private enterprise due to the break -up of the Cultivation system changed this situation rapidly. New trading houses were established and in the case of imports this soon led to unbridled competition and a saturated market. Suddenly, the overcrowded import sector had to struggle even more to find an outlet for its range of articles and the Chinese retail trader became exceedingly important in this respect. Indispensable as a go-between, he was encouraged to take as many items as possible, preferably on a regular basis, by being awarded fabulous credit on ever more generous terms.

It would be wrong to say that the Chinese were 'entrusted' this money by their European trading partners as the concept of trust had little to do with the extension of credit. The faith seemingly exhibited by the Europeans in their Chinese counterparts was inspired by dire necessity and the inability of wholesale importers to co-operate with each other. Huge amounts of credit thus governed the business alliance between wholesalers and retailers and would continue to do so until the end of the Dutch colonial presence.

These conditions appear to have followed a Southeast Asian pattern as can be seen from the following paraphrased description of Singapore trading practices in the nineteenth century by Singaporean historian Wong Lin Ken in 1960 (Wong Lin Ken, 1960, pp. 162-169):

> The European merchants in Singapore also had to conduct their business through Chinese merchants with better knowledge of and access to regional markets. As these middlemen seldom had any capital, the European trader had no choice but to sell them goods on credit. These credit sales were accompanied by promissory notes and/or acceptances payable, nominally, in three months' time. In practice,

credit was extended to four, five, and even six months, and paid back in instalments according to the pressure exerted by the European firms. Chinese merchants, therefore, traded on the capital of the Europeans.

Obviously, this system had serious drawbacks as it encouraged reckless speculation. When strapped for cash or sniffing a business opportunity, Chinese merchants would, for instance, buy goods on credit and sell these at prices 20 to 30% below market level. They would then depend on the profits of original or new business deals to recoup not only the losses incurred in this forced sale for cash, but also to give them a reasonable margin of profit. When this failed to occur, the European suppliers of credit had to bear the burden of loss.

Such instances were not uncommon. In 1858, for example, several Chinese firms in Singapore collapsed. They had conducted their business on too large a scale with insufficient capital of their own owing to the fact that credit was easily obtained. To safeguard trading activities, the Singapore Chamber of Commerce decided to restrict the period of credit extension to three months. In 1864 two European firms with liabilities of over a million dollars had to close their business. Their failure was again ascribed to the indiscriminate granting of credit to Chinese traders, encouraging them to overextend their activities. This incident led to a further reduction of the credit period to two months.

Commercial crashes like these were blamed on the weakness of the credit system which the Chinese (mis)used to their great advantage. However, contemporary opinion did realize that the faulty credit terms were partly caused by the fierce competition among European trading companies and their unabated struggle to dispose of their goods. This struggle attracted official notice as early as 1844, but only became damaging in the 1860s. In 1865 more European trading companies went bankrupt, including one of the oldest firms with liabilities of more than a million dollars, which subsequently led to a rush on the banks and the closure of two of them in the following year.

These examples show that during the nineteenth century the entrepot trade of Singapore suffered serious growing pains. Compared with earlier decades the fluctuations in trade and trading conditions became more violent because of increased sensitivity to world trade conditions. Being confined to each other Europeans and Chinese remained business partners, but they were forced to renegotiate the terms of trade continuously. A slow and painful process which saw severe disruptions on more than one occasion.

Boycotts: Economic and Social Disruption

Boycott 'campaigns' – whether successful or not – were disruptive (Claver, 2020, pp. 221-244, in particular 235-243). The long drawn-out boycott of the HVA (1902-1905) is a telling example. The 'Hal Boycot' not only refers to the exciting fact that the Chinese successfully wrested f 25,000 from the HVA, but it also provides a glimpse of the psychological effects. In the eyes of the Chinese the wholesale import traders had been taught an expensive lesson, and a change in European attitudes had become noticeable. At least, such was the perception of the Chinese, who talked about being treated less haughtily in matters of business.

Greater leniency was also experienced in debt payments, although the Chinese were not oblivious to the fact that the prevailing trading conditions in Surabaya partly explained this fortunate circumstance, as European importers in Batavia were seemingly able to count on a higher rate of turnover due to a more solid customer base. Therefore, H. certainly comprehended the European firms' sense of urgency in Surabaya concerning the repayment of outstanding credit. With such a limited clientele they could not afford too wait too long and needed to be paid promptly. But, H. also asserted that they themselves were to blame for this situation. After all, initially Chinese traders were offered merchandise on very generous conditions including extremely lenient payment schedules, while in case of arrears penalties were customarily avoided by offering a more amicable solution. However the rules of the game could change surprisingly fast. As the European wholesalers grew more confident about their business prospects, they would sooner or later demand strict adherence to a signed contract. All of a sudden, the Chinese – who had become accustomed to a certain degree of flexibility – were denied their leeway.

The fact that the only alternative to non-compliance consisted off the 'boei' or 'beslag' (i.e. the prison or the loss of one's shop) deeply offended the Chinese. The article shows that this was considered disrespectful and dishonest. It seemed just that the Chinese could now dispose of a new means to protect their interests successfully, and this deserved wider recognition. In the closing sentences of his article H. therefore tried to evoke a general spirit of assertiveness by confronting his readers directly with the following provocative words:

> Tetapi bagimanatah dengan orang orang disini, apakah ia bisa djoega kasi liat giginja pada toko toko Europa jang berlakoe tjoerang? Itoelah saja tida bisa djawab, hanja tjobalah nanti kita liat pada hari kamoedian!
> (But what about the people here? Can they also show their teeth to the European firms that behave dishonestly? That I cannot answer, just let us see what the future brings!)

Though aware of these circumstances contemporary authors continued to express their amazement at the magnitude of the phenomenon (Kali Bezaar, 1862, p.163).

> No country in the world brings to light the value of credit as the Netherlands Indies. A Chinese … set-

> tling his first small payments in time, gradually obtains credit for thousands and thousands of guilders, without owning any capital at all. It is not unusual that a Chinese manages a turnover of one and a half million guilders in textiles in one single year without making a full percent of profit. This kind of trade is therefore unable to withstand exceptional circumstances; … a little dip in turnover, no matter how slight, renders a bankruptcy inevitable and a settlement has to be reached with the creditors. In such times several hundreds of thousands of guilders are soon reduced to 40 – 60 percent of their original worth.

Disastrous outcomes of this kind were harsh reality on numerous occasions, but failed to inspire a thorough analysis of the underlying causes. Public opinion routinely pointed the finger to the Chinese whose reckless and cunning business methods were taken for granted and vehemently attacked. These outcries were usually accompanied by persistent accusations of embezzlement and outright fraud of Chinese traders when dealing with their creditors in case of a bankruptcy proceeding or settlement agreement. Commercial law provisions were considered to favour the Chinese population group and it was never doubted that they knew exactly how to make clever use of this. Different voices were heard, but only sparingly. Championing the Chinese cause was by no means an enviable task, but nevertheless a few bright minds felt obliged to speak up in an attempt to set the record straight. Though not oblivious to the fact that there was many a crook and swindler to be found among the Chinese, people like F. Alting Mees, P.N. Fromberg and Y.W. Young emphasized the European traders' own responsibility and held them partially accountable for the frequent occurrence of Chinese bankruptcies.

The argument made by these and other advocates against the wholesale import traders consisted of three main elements. First, overextension of credit which was given too easily under far too generous terms should end. The amount of credit extended in each individual case ought to come down substantially, while the application itself ought to be considered more thoroughly, especially with regard to the security offered and the perceived solidity of the applicant. Interest rates charged had to be fitting and not artificially low. The prolongation of a loan should not be given too easily and should conform to clearly stated rules in order to stop clients from counting on certain approval. Finally, the running period of a loan needed to be cut back to prevent the company's capital from being tied down for too long. Second, the import firms should refrain from flooding their clients with all kinds of articles even if they knew for a fact that this would lead to heavily saturated markets and falling prices, since the capacity of their clients to honour their debts and pay the agreed instalments would be severely hampered (De Locomotief, 11-03-1898). Next, products put on sale ought to be marketable and of guaranteed quality and value (Huizinga 1975: 145) Third, the fierce competition among the wholesale traders needed to be checked. Instead of poaching on each other's territory co-operation was urgently required which would surely contribute in achieving the first two points (Liem Twan Djie, 1947, pp. 34-37; Alting Mees, 1881; Fromberg, 1926; Meeter, 1881, p. 2; Young, 1894; Huizinga, 1975, p. 145).

The sense of these recommendations was beyond any doubt, sometimes even acknowledged, but in most instances simply brushed aside as a pretence to excuse Chinese offences against the law (Meeter, 1881, p. 3). When viewed in context this should hardly surprise us. The motives dictating this kind of stupefying behaviour were deeply rooted in feelings of racial superiority sanctioned for decades by sundry discriminatory regulations. Upon closer inspection another reason appears to have been of equal importance. To all intents and purposes no level of mutual agreement existed among the European traders on how to approach the trading branch's intrinsic weaknesses. Over time, intense competitive behaviour had become part and parcel of the trader's outlook and this normative attitude was compounded by the fact that agents of most trading firms were tied hand and foot, not only by all kinds of directives from the head office, but even more so by an extremely demanding working environment. As a result, there was no fundamental relationship of mutual trust that could be built upon.

CONCLUSION

In essence, capital for the Chinese entrepreneur was a tool of circulation rather than a tool of accumulation. Efficient trade mediation created a profit, most of which Chinese business passed on to the consumer in the form of low prices. By selling indispensable consumer articles and buying up agricultural produce, Chinese business successfully penetrated Java's interior. Under the described conditions traders were obliged to calculate sharply and seize every opportunity for their business to survive. Profits were made possible by the accumulation of many tiny profits (Wertheim, 1994, pp. 67, 160-161; Fromberg, 1926, pp. 407-408). In other words, profits stemmed from a low margin/high turnover strategy, based upon short-term advances/credit and secured by corresponding high interest rates.

A major constraint on the actions of both the wholesalers and the intermediate traders was the longer cycle of agricultural production that necessitated the wholesalers' extension of credit to the intermediate traders, while the latter advanced goods to the peasant in return for the crops come harvest time. Where Chinese corporations handled the intermediate trade, Dutch wholesalers were eager to extend credit to these traders for access by the latter to the hinterland market. But, Chinese traders often undersold their merchandise to use the money for other business ventures – e.g. their own rice and gambir trade. The Dutch wholesalers' dependence on and simultaneous distrust of Chinese traders were manifest in their willingness to extend only short-term credit to their partners in trade.

New measures by Dutch trading companies to hold their Chinese middlemen to greater account by tightening the conditions of credit extension in the 1890s and the early 1900s largely failed to elicit the change Dutch traders and creditors desired. Attempts by Dutch trading companies to drastically shorten the duration of credit advance were repelled by the public action of Chinese traders, closing ranks and jointly boycotting the Dutch firms in question. Insofar as the state intervened, it tried to arbitrate a settlement to which both sides could agree. This points to the fact that the colonial state understood and did not wish to undermine the social power of the Chinese merchants in the colonial marketplace. A 1896 survey of the Chinese economic position observed that the expansion of agricultural production in Java "actually originated through the mediation of Chinese traders, whose intervention opened up markets previously inaccessible to the (agrarian) smallholder." (Claver, 2014, p. 168)

This paper has shown that Chinese traders' room to manoeuvre stemmed from a confluence of systemic (legal) functions and historical conditions. This unique combination provided the Chinese trading community the necessary (legal) loopholes to act upon, and enabled the transformation of collective agency in forceful trading boycotts. Western business was characterized by high organizational abilities and benefited from strong financial control, technological advance and sophisticated marketing strategies. Chinese business suffered from fragile governance structures, but could rely on the Chinese business community; a formidable resource base for independent access to capital, information, and security.

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