

The Paradox of Indonesian Sovereignty, 1945-1949

Hariyono¹✉, Daya Negri Wijaya¹, Bayu Kurniawan¹, Fernando A. Santiago, Jr.²

¹ Universitas Negeri Malang, ✉hariyono.fis@um.ac.id

² De La Salle University

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Abstract: This paper aims to elucidate Indonesian sovereignty post-1945 independence. Employing a historical approach, it delves into historical occurrences based on various pertinent sources, be they primary or secondary. The paper underscores Indonesia's upholding of autonomy through a national revolution, placing it among nations that secured independence after the Second World War. The Republic of Indonesia encountered internal and external hurdles over a prolonged span of five years. The amalgamation of diverse political-military factions in Indonesia was marred by discord and sporadic outbursts of violence. This state of affairs was exacerbated by Allied forces seeking to reinstate the pre-World War II global political status quo and the Netherlands' desire to reassert control over Indonesia. A blend of conflict and diplomacy pursued by the Republic of Indonesia reached an accord at the Netherlands-Indonesian Round Table Conference, acknowledging the nation's sovereignty. Nevertheless, the aspirations of the national founding figures for economic self-sufficiency and political authority remained unfulfilled post-independence. Hence, a decolonization process entwined with the neo-colonialism phenomenon stands as imperative.

Abstrak: Tulisan ini bertujuan untuk menjelaskan kedaulatan Indonesia pasca kemerdekaan 1945. Dengan menggunakan pendekatan historis, makalah ini menggali kejadian-kejadian historis berdasarkan berbagai sumber yang relevan, baik sumber primer maupun sekunder. Makalah ini menggarisbawahi penegakan otonomi Indonesia melalui revolusi nasional, yang menempatkan Indonesia di antara negara-negara yang berhasil meraih kemerdekaannya setelah Perang Dunia Kedua. Republik Indonesia menghadapi rintangan internal dan eksternal dalam kurun waktu lima tahun. Penggabungan berbagai faksi politik-militer di Indonesia dirusak oleh perselisihan dan ledakan kekerasan yang sporadis. Keadaan ini diperparah oleh pasukan Sekutu yang ingin mengembalikan status quo politik global sebelum Perang Dunia II dan keinginan Belanda untuk menegaskan kembali kendali atas Indonesia. Perpaduan antara konflik dan diplomasi yang diupayakan oleh Republik Indonesia mencapai kesepakatan dalam Konferensi Meja Bundar Belanda-Indonesia, yang mengakui kedaulatan negara. Namun demikian, aspirasi para tokoh pendiri bangsa untuk kemandirian ekonomi dan otoritas politik tetap tidak terpenuhi pasca kemerdekaan. Oleh karena itu, proses dekolonisasi yang terkait dengan fenomena neo-kolonialisme menjadi sangat penting.

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INTRODUCTION

Nationalists have long aspired to reside in an autonomous nation. Nonetheless, they often oversimplify the concept that independence is closely linked to the economy, creating a paradox. Sovereignty empowers governments to chart their political course, yet economic reliance can erode a nation's autonomy. After independence, Asia and Africa depended on capitalist nations, resulting in inconsistent national policies. This imbalance has fostered inequality and complex issues (Agamben, 1998; Bodin & Jean, 1992; Frank, 2018; Sumarmi, 2012). The intricate nature of this paradoxical sovereignty necessitates thorough consideration when defining a



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nation.

Although history never repeats itself, historical patterns often emerge. Indonesia, as a former colony, leveraged the momentum of World War II to fight for its nation's sovereignty. The war impeded colonial governments in Asia and Africa to pursue decolonization. Following a national revolution, Indonesia eventually gained recognition from the international community, notably the Allied countries, after a challenging journey riddled with hardships and complex diplomacy. Strangely, the country did not attain economic and political independence post the Dutch–Indonesian Round Table Conference (KMB) agreement involving the Republic of Indonesia, the Federal Consultative Body (Bijeenkomst voor Federale Overleg – BFO), and the Netherlands Kingdom. The political framework established in the United States of Indonesia (RIS) constitution, advocating for a federal government and a liberal political system, diverged from the aspirations of the founding fathers. According to Reid (2011), the more radical factions of the national movement, such as the Marxists and nationalists around Soekarno and Hatta, were not particularly interested in federalism. They were ideologically committed to the nation's sovereignty and believed that independence could only be attained through revolutionary action.

The paper aims to analyze the paradoxical state of Indonesian sovereignty post the national revolution. Following independence, Indonesia transitioned from being a colony of the Netherlands and Japan to subordinate capitalist countries pre-World War II. While capitalist nations, led by the United States and the United Kingdom, publicly endorsed decolonization post-World War II, former colonies retained de facto political and economic dominance, as evidenced in the Indonesian revolution, often intertwined with diplomacy.

This scenario faced by Indonesia is not unique. After WWII, most independent nations became trapped in the Cold War currents and tensions, particularly the power struggle between capitalist nations under American leadership and socialist nations led by the Soviet Union. They were initially striving for neutrality and an active foreign policy, voiced by Moh. Hatta (former vice president of Indonesia), as "rowing between two rocks" (Hatta, 1951), Indonesia found it challenging to maintain these ideals and veered towards a state of "pseudo-independence".

Various previous studies have explored Indonesia's paradoxical sovereignty post-

independence. Some focused solely on Indonesia's fight for independence (Cribb, 1990; Crouch, 2007; Feith, 2006; Reid, 2011) or the constitutional framework of the Republic of Indonesia (Rumokoy, 2009; Suryawan, 2016; Suryawati, 2018; Yudi, 2016). Global research has delved into paradoxical sovereignty in third-world nations (Abbott, 2004; Cardoso, 1982; Mayotte, 1994), as well as in developed countries (Fitzgerald, 1972; Miles, 2005; O'Conneide, 2012; Saunt, 2004). Building on prior literature, this study adopts a historical perspective to reconstruct Indonesia's paradoxical sovereignty and project the future of Indonesian independence.

METHOD

We focused on the Indonesian Revolution and its complexities, utilizing historical methods to address our research goals. Information was gathered by examining pertinent historical sources. Initial data was acquired by reviewing secondary sources concerning the Indonesian Revolution and the dawn of Independence. Primary sources were consulted by accessing the Ministry of Defense archives, the contemporary newspaper "*Kedaulatan Rakyat*," and relevant literature on the subject. Historical sources were categorized based on research goals. All data was meticulously verified both externally and internally for accuracy and reliability. Data authenticity and validity were scrutinized, interpreted, and summarized for research aims. In this study, we refer to Sartre's (1961) assertion that Decolonization entails more than just breaking free from colonial powers; it also involves the duty to construct a fresh path forward. Ultimately, these conclusions were synthesized into a historiographical article.

THE END OF NATIONAL REVOLUTION IN INDONESIA

Indonesia gained independence officially through the proclamation of Soekarno-Hatta on August 17, 1945 (Kahin 2000). Yet, the Dutch sought to regain control of Indonesia for the third time (Luttikhuis & Moses, 2012; Pollmann, 2000; Ricklefs, 2008), leading to political and military complexities and prompting global reactions (Sastroamidjojo, 1974; Sundhaussen, 1988a). These political shifts impacted Indonesia's constitutional structure, guiding its evolution from a presidential to a parliamentary and then a federal system (Ricklefs, 2008). Negotiations were initiated with Linggajati (1946), Renville (1948), and Roem-Royen (1949), culminating in the Dutch-Indonesia Round Table Conference (1949). Amid Dutch military aggression

(Cribb, 1990; Frederick, 1989; Smail & Aravena, 2011) and internal uprisings (Ricklefs, 2008), Soekarno's government grappled with governance challenges and sought international legitimacy (Scagliola, 2007).

On December 27, 1949, negotiations culminated in Den Haag, Netherlands, using the Dutch-Indonesian Round Table Conference (KMB). The KMB agreement tackled intricate issues like West Irian's status, Indonesian military structure, and the management of vital economic resources and assets. The KMB agreement potentially marked the conclusion of the war between Indonesia and the Dutch, paving the way for establishing the Republic of the United States of Indonesia (Republik Indonesia Serikat – RIS) and drafting the RIS constitution. Indonesia was recognized as a member of the United Nations in the early 1950s. (Sastroamidjojo, 1974; Soemarsono, 1978).

The Dutch-Indonesian Round Table Conference (KMB) agreement left several major problems because of a three-party agreement, particularly between the Republic of Indonesia, the BFO delegation, and the Dutch delegation. Central Indonesian National Committee (Komite Nasional Indonesia Pusat – KNIP) as the parliament of the Republic of Indonesia, in a session presided over by Arudji Kartawinata (Indonesian Islamic Syarikat Party), voted 226 to 62 in favor of the KMB. Before the vote, 31 KNIP members (17 from the Labor group and 14 from the PSI party) walked out and departed the session. Because 9 Labor members continued to attend the meeting, there was a difference of opinion among the labors; side on their approach towards the KMB agreement (Noer, 2005). The Indonesian National Party (Partai Nasional Indonesia – PNI), which previously opposed the Linggajati and Renville agreements, accepted the KMB results to highlight the significance of a nation's "sovereignty" in its international dealings. Ali Sastroamidjojo, a prominent figure in the PNI, emphasized this point:

The PNI acknowledges the disappointing KMB agreements but is ready to accept them, believing that Dutch recognition of Indonesia's actual independence will enhance its position domestically and worldwide. Complete independence enables normal diplomatic relations, particularly if RIS becomes a UN member. Full autonomy allows Indonesia to manage internal affairs without external interference. Consequently, the PNI is positive about the shortcomings of the KMB agreement. This means that all provisions in Indonesia's

unsatisfactory political, economic-social, and cultural areas shall be pushed for transformation or elimination" (Sastroamidjojo, 1974).

Some political parties, including Murba and PSI, prefer to reject the KMB agreement. Those disappointed with the KMB's results continued to engage in "armed rebellion" in many areas. Therefore, the RIS government continues to declare an emergency in various locations where military instability persists (Hariyono, 2008).

ECONOMIC SUCCESS FOR THE DUTCH

Ultimately, the Dutch authorities realized that neither international pressure nor the heroic fight of the Indonesian military would allow them to avoid requests to discuss and accept Indonesia's sovereignty. Nonetheless, the Dutch also knew that without financial excess from Indonesia, they would face various future economic challenges. Various approaches were tried to conduct negotiations and accept Indonesian independence without causing significant economic losses to the Dutch' economy's stability. The Dutch tried to collect economic gains from the KMB agreement, relying on international support. Since World War II, the severe economic situation of the Netherlands Kingdom has compelled them to keep West Irian as a colony and impose debts on the Indonesians.

In addition to pursuing significant financial compensation from the Indonesian government, the Dutch also aimed to maintain authority over governance and agriculture in Indonesia. The Dutch government suggested becoming Indonesia's primary creditor. Following the recognition of independence, Indonesians were not allowed to modify economic and financial policies set during the Dutch colonial period without prior consent from the Dutch government. The Indonesian delegation strongly objected to the restrictions enforced by the Dutch, as outlined below:

The Dutch felt that during the power shift, the Republic of the United States of Indonesia (RIS) should take on all its debts. Initially, they requested a total debt of 6,100,000,000 guilders (US\$ 1,732,400,000), with 3,100,000,000 guilders in external debt and 3,000,000,000 guilders in internal debt (the latter from government paper money, bank notes, and bonds issuance) (Kahin 1952).

Representatives of Indonesia and the BFO opposed the Dutch proposal, with the Indonesian delegation vehemently arguing against the debt. Soemitro Djojohadikoesoemo, former Indonesian finance minister, skillfully conducted economic

calculations to determine Indonesia's economic costs. Their estimates indicated that the Dutch owed money to Indonesia (Kahin 1952; Katoppo 2000; Sastroamidjojo 1974). Both parties' unwavering stances nearly made the debt negotiations standstill, becoming a focal point of the discussions. Mr. Cohran, a U.S. representative, positioned himself as a third party backed by the Dutch, while the Indonesians requested Australian delegate Thomas K. Critchley. After a protracted process, the debt issue was eventually resolved, culminating in Indonesia settling a debt of 4.3 billion guilders charged by the Dutch.

The U.S. played a significant role in the Dutch-Indonesian Round Table Conference (KMB) negotiations, pressuring the Dutch to engage in the talks. As the leading capitalist nation, the U.S.'s stance on decolonization remained ambiguous, still desiring a strong Netherlands and bolstering Dutch interests as a capitalist nation and NATO allies against communist forces. The Indonesian delegation's weaker position in the negotiations was influenced by the U.S. representative Merle Cochran, part of the United Nations Commission for Indonesia (UNCI), who exerted pressure on the Indonesian side. Ali Sastroamidjojo, a member of the delegation, responded adamantly to this approach:

...a political game played by the U.S. government, which wants the Dutch as an ally in Europe and not to leave the KMB as the sole loser. Remember that the Dutch still owe the U.S. several huge loans. Therefore, it is easy to understand why the U.S. government believes that if the Dutch do not gain any financial benefits from the transfer of power to Indonesia, the U.S. will be lost, as the Dutch government will have trouble paying its debts to Indonesia. The U.S. thinks Merle Cochran is considered the ideal choice to navigate this political situation (Sastroamidjojo, 1974).

The involvement of international parties pressured Indonesia to pay debts to the Dutch government. Recognizing foreign economic assets is tied to protecting these assets. Indonesia's commitment to repay Dutch debts allows the Netherlands Kingdom to repay international loans, notably those of the United States. Acknowledging foreign assets in Indonesia safeguards foreign economic interests post-Forced Cultivation system. Furthermore, the Dutch delegation successfully convinced their Indonesian counterparts to uphold and safeguard the rights and ownership of foreign companies in Indonesia. Particularly, The Dutch foreign companies were assured protection, as they

were considered the primary controllers of economic assets across various industries. Having established themselves as property owners during the colonial period, the Dutch argued for their "historical rights" (Muhaimin, 1990). Notably, the Netherlands' Koninklijke Paketvaart Maatschappij (KPM) maintained control over shipping enterprises, while Shell, Stanvac, and Caltex dominated the oil sector. Even the Dutch' five most prominent companies in Indonesia (The Big Five), including NV Borsumij (Borneo Sumatra Handelmaatschappij), NV Jacobson van den Berg, NV Internatio (Internationale Crediet en Handelsvereniging Rotterdam), NV Lindteves, and NV Geo Wehry & Co, continued to hold significant influence.

Additionally, Harmsen en Verwey, Deli Atjeh NV, Moluksche Handelsvereniging, Mirandolle & Voute, and Reis Compaigne were also key players. These companies were identified as the top 10 Dutch companies, following the KMB, that continued to shape Indonesia's economy. Almost 80% of Indonesia's exports were managed by Dutch companies and shipped to Amsterdam or Rotterdam (Kanumasyoso, 2001; To, 1991).

The Dutch domination of the shipping and aviation industries, which united the Indonesian archipelago, forced the Indonesian government to rely on foreign companies. The government's bargaining power to prioritize the public interests above those of foreign companies has weakened. The economic consequences of the KMB agreement, which were hostile to Indonesia's position, contributed to the degradation of relations between Indonesia and the Dutch. Therefore, the Indonesian government encountered a dilemma. An agreement with the Dutch bound the government. At the same time, the public desired a limitation in colonial economic dominance and the replacement of the colonial economic system with a robust national economy.

THE EMERGENCE OF OPPOSITION PARTIES

The negotiation process involving national government leaders and the Dutch led to various disappointments. Political elites who participated in guerrilla warfare were dissatisfied with the Dutch' talks with the imprisoned Indonesian leaders on Bangka Island. Simultaneously, the military command, feeling they had exerted significant pressure on the Dutch forces, disagreed with Soekarno-Hatta's decision to go into hiding. They argued that, given the current political climate, imprisoned leaders lacked the authority to negotiate

on Indonesia's behalf. Instead, they believed the Emergency Government of the Republic of Indonesia (PDRI) was more legitimate for engaging in talks with external parties. While the military excelled in ground battles, executing sabotage and attacks on Dutch-controlled cities, they remained displeased with the political maneuvers of the Bangka leaders.

The military's discontent extended beyond governmental and imprisoned leaders' formalities on Bangka. They had faced setbacks with previous diplomatic strategies. The Linggarjati and Renville agreements primarily favored the Dutch, perpetuating their dominant position over Indonesia. Even the military believed that soldiers who risked their lives against the Dutch were continually sacrificed. The Dutch consistently exploited Indonesia's weakened position, ultimately betraying the country through military actions violating the agreements. The Indonesian populace grew disillusioned and suspicious of diplomatic efforts.

Military leaders advocating guerrilla warfare against Dutch aggression were sceptical of political negotiations led by national figures. They sought a more active role for the PDRI government in confronting Dutch conflicts. Many officers respected public leaders, including the PDRI, who physically fought alongside soldiers, over politicians and figures who cooperated with the Dutch to their captured. Commander Soedirman even sent a letter to Syafruddin Prawiranegara (leader of the Emergency Government of the Republic of Indonesia-PDRI) and expressed his disappointment with the diplomatic actions of politicians in Bangka. The military believed that military successes in guerrilla warfare would guarantee victory. They were further let down by the leaders in Bangka, who excluded army participation in negotiations with the Dutch.

Shortly after the Roem-Royen's agreement in Jakarta, Commander Soedirman instructed soldiers to remain vigilant and cautious of public negotiations. Upon discovering diplomatic talks in Bangka in May 1949, the PDRI government initiated negotiations led by Sjafoeddin Prawiranegara and Moh. Rasjid (the military leader). The meeting, which was referred to as the PDRI grand meeting, addressed the deliberated on negotiation strategies. They had not yet had the opportunity to accept Roem-Royen's agreement at that time (Zed, 1997).

Soekarno appointed Sjahrir as a member of the consulting committee for the discussions, but

Sjahrir was hesitant to accept the letter. Sjahrir was disappointed with Soekarno-Hatta's refusal to appoint the PDRI government as Indonesia's representative in negotiations supported by the United Nations with the Dutch. According to him, the imprisonment of Soekarno and Hatta did not benefit Indonesia's status as an independent country. Soekarno and Hatta, who were kept prisoners in Bangka, were more visible to the international community than the PDRI government. This recognition of Soekarno-Hatta as the representative of the Indonesian government caused concerns among the military and the PDRI. The influence of Soekarno-Hatta on the more prominent countries became a significant issue for the international community—demands from the International Asia Conference support this, the Security Council Session, and UN officials.

Therefore, the PDRI leaders were more receptive to Soekarno-Hatta's diplomatic initiatives than the Sjahrir cabinet and certain military officials. This stance increased the flexibility of the leaders' diplomatic strategies in Bangka. Those who were disappointed included PDRI leaders, who were left uninformed prior to internal deliberations, and Soekarno-Hatta, representing the national government, who promptly engaged in talks with the Dutch. Additionally, the military, which had endured prolonged battles and hardships, expressed discontent with the Dutch. Even General Soedirman, serving as the Supreme Commander, opposed the agreement between Indonesia and the Dutch.

Additionally, several political parties expressed discontent with the KMB agreement. The Murba Party, the Socialist Party, and the PNI were among those who disagreed. In contrast, the Masyumi party approved by selecting their member, Moh. Roem will be entrusted to Hatta as his representative to commence the arrangement. The Masyumi's stance aligned with Kartosuwirjo's political standpoint, who had begun to doubt the Indonesian government's tolerant approach towards the Dutch following the Renville agreement.

Kartosuwiryo contended that yielding independence to the Dutch would render the United Republic of Indonesia subservient to them, with its Armed Forces becoming a tool for the Dutch. Departing from Masyumi and being involved in ongoing talks, Kartosuwiryo criticized figures like Hatta and Moh. Roem. "Recently, the Roem and Hatta attitude has become unethical and accused them of involving the sale of the state in a

significant deal. How unfortunate." (Dengel, 1995). Sutan Sjahrir, who led negotiations from the start of the revolution, strongly disagreed with the Soekarno-Hatta administration's policies. Sjahrir stated that the Dutch tactic to confront the jailed Indonesian leaders in Bangka was considered ineffective. During this time, the legitimate government was the PDRI. Sjahrir questioned why Soekarno and Hatta endorsed actions in the Netherlands, ultimately leading to Moh. Roem took over negotiations, which further disappointed Sjahrir. In a letter from Soekarno and Hatta, Sjahrir was appointed as a consultant but rejected the role by tearing up the assignment letter and criticizing Soekarno. This marked the decline in the relationship between Sjahrir and Soekarno over time.

The anti-imperialist national front issued a pamphlet on August 1, 1949, opposing the KMB agreement. The pamphlet criticized the Hatta cabinet for hastily honoring individuals like Abdul Hamid, Kertalegawa, Sukawati, and Dr. Mansur as heroes, despite their past allegiances to the Dutch. It urged farmers to join a united movement through the Revolutionary Farmers' Union (BTR) to attain justice and cautioned them about the risks of deceit in diplomatic affairs. The pamphlet highlighted that Dutch imperialism would hinder complete sovereignty, as the imperialists sought independence only if it safeguarded their capital interests. During a KNIP meeting on December 14, 1949, the PSI faction fiercely opposed the KMB agreement and subsequently withdrew from the gathering. Sjahrir and the PSI were reluctant to support the Hatta cabinet and played a minor role in the RIS government. Following this, PSI leaders leaned towards collaborating with Masyumi under Natsir's cabinet during the period of "guided democracy." (Hariyono, 2014).

PSI wasn't the sole party opposing the KMB agreement; the PKI and the Murba party also rejected it. The PKI forces continued attacks in the Merbabu-Merapi region, while some Murba troops, such as the Barisan Sakit Hati Force led by Charul Saleh and Iwa Kusuma Sumantri, engaged in violent conflicts in West Java. The Dutch's decision to separate West Irian from the Dutch East Indies proved strategic, as the neglected region began gaining attention, being seen as a dumping ground for dangerous politicians (like Digul and Tanah Merah). The move to exclude Papua Island from the Republic of Indonesia reshaped the mindset of certain individuals, highlighting distinctions between regions within Indonesia.

The acknowledgment of the Dutch economic assets as they were pre-war, coupled with Papua's exclusion from the RIS, sparked debates on whether the revolution had indeed concluded. This discourse would shape future political power dynamics and opposition movements in Indonesia. The aftermath of the KMB agreement, failing to grant full economic and political sovereignty to Indonesia, left the nation susceptible to internal conflicts among elites and international pressures. When the government sought approval or ratification from KNIP members, not all concurred; factions like PSI refused to participate and exited the December 14, 1949 meeting (Hariyono, 2014).

THE ECONOMIC IMPACT OF INDONESIA SOVEREIGNTY

The RIS government encountered a tough challenge in addressing financial and economic issues. Indonesians were burdened with a 4.3 billion guilder debt from the KMB agreement (Ricklefs, 2008). Sumitro Djojohadikusumo, part of the Indonesian delegation, expressed disappointment, complaints, and reluctance to accept Indonesia's debt to the Dutch (Djojohadikusumo, 2000). Key economic assets remained under the control of foreign entities. The infrastructure damage from the national revolution needed swift and thorough attention to meet the high expectations of a newly independent nation. Social, political, and economic challenges, including involvement of the armed forces, played a vital role in shaping the Indonesian nation amidst the global Cold War tensions between communist forces led by the Soviet Union and capitalist forces led by the United States. Indonesian leaders, primarily driven by nationalist elites, strove to navigate the turbulent global political landscape without losing their identity. Brought by the KMB agreement, Indonesia lacks the capacity to settle Dutch debts. As the government lacks full control, foreign entities still own and manage economic resources in Indonesia. Consequently, the succeeding administrations of the KMB frequently struggled to manage the country's economy. Historians Katoppo (2000) stated that:

Alternative guarantees were provided for Dutch investments in Indonesia, and it was agreed that discussions on particular financial issues would occur. Some Indonesians perceive these arrangements as unjust constraints on their autonomy. The Indonesian side was also needed to surrender on the two most tough topics. The Dutch maintain control over Papua until the region's position is more extensively deliberated.

The RIS assumed liability for the debt of the Dutch East Indies, which, following extensive negotiations, was set at 4.3 billion guilders; a considerable part of this sum reflected the expenses incurred by the Dutch during the revolution."

Many individuals expressed dissatisfaction with the economic circumstances that followed the Dutch assertion of political independence. The ongoing economic supremacy of the Dutch was at odds with the country's struggle for freedom. The situation grew more intricate as radical nationalist leaders pressed for changes and mobilized support (Wie, 2012).

In this current economy, the cabinet that followed the KMB had to deal with various economic challenges that were often intertwined with political issues. Concurrently, the war severely damaged crucial infrastructures essential for economic activities. Under the RIS administration led by Hatta, four monetary significant problems had to be addressed: (1) reduced economic productivity stemming from production sector damage; (2) minimal foreign exchange reserves; (3) restricted availability of consumer goods; and (4) inflation concerns (To, 1991). The government implemented a deficit financing strategy in response to these pressing issues.

Post-KMB, the concept of "economic nationalism" was widely advocated by Indonesian elites. They called for reconfiguring the colonial economic framework, which hindered economic independence. The colonizers held authority, played a crucial role in economic operations, and reaped the primary benefits of economic expansion. Indonesia needed to shift from a colonial economy to a national one. To achieve a democratic and prosperous society, the Indonesian government and people must wrest control from leaders and key stakeholders. Establishing a robust national economy was deemed imperative for progress.

Muhaimin (1990) asserts that economic nationalism comprises three key elements: 1) a diversified economy not reliant on raw material exports; 2) economic advancement; 3) local community predominance in economic ownership, oversight, and administration. During the Wilopo cabinet's tenure, efforts to establish local community dominance in economic management were sidestepped to prioritize the initial two facets. The Indonesian government initially adopted a cautious stance to diminish foreign companies' dominance. This caution was sensible, as influential figures like Hatta, Sjafruddin Prawiranegara, Soemitro, and Juanda held firm positions in the

economic sphere post-KMB, embodying conservative ideals. They pursued gradual national economic expansion to avert hypergrowth, considering the intricate Indonesian economic landscape fraught with dual colonialism. Not only did the Dutch rule the Indonesian economy, but Chinese enterprises also held sway. Fostering local enterprises while neglecting the Chinese business network risks rendering economic policies ineffective.

The government's initial deliberate action was to establish the Economic Urgency Plan (RUP) program and the "Benteng" policy. RUP aimed to enable the government to oversee new "important industries" as part of the broader economic strategy. Soemitro Djojohadikusumo and Saroso Wirodihardjo were key figures in developing the RUP. Sjafruddin Prawiranegara, a prominent business leader then, opposed the nationalist and socialist RUP policies and fortification initiative. In 1952, Sjafruddin expressed that the government should refrain from interference as long as private enterprises benefit the social welfare and that foreign investment should continue to play a crucial role in the Indonesian economy until local companies can enhance their production capacity (Muhaimin, 1990).

Nonetheless, Sumitro and Sjafruddin believed foreign companies would still be necessary in Indonesia under government oversight. They acknowledged that radical demands to nationalize or take over foreign enterprises could have adverse effects if local companies fail to uphold productivity, efficiency, and sound management practices. Sumitro further emphasized his stance by introducing the RUP policy, leading to the swift announcement of the RUP program shortly after the Natsir cabinet's resignation.

The Republic of Indonesia has significantly reduced Dutch dominance in the economic sector. The Indonesian government effectively took control of De Javasche Bank, which had previously served as both a circulation and central bank under the KMB agreement. By acquiring shares previously owned by the Dutch, the government demonstrated its commitment to asserting independence in monetary and economic affairs through this vital institution. The nationalization of De Javasche Bank was carried out under Law No. 24 of 1951. A. Houwink stepped down as De Javasche Bank's president on July 12, 1951, with Sjafruddin Prawiranegara assuming the position. Although Finance Minister Yusuf Wibisono sought Sumitro Djojohadikusumo as Governor of Bank Indonesia, Hatta and the

board opted for Sjafruddin due to his more moderate stance. Following the successful acquisition of shares and the assumption of De Javasche Bank's role by the Indonesian government, the institution was renamed Bank Indonesia on July 1, 1953 (To, 1991).

Nationalization efforts in other sectors have yet to be fully realized, especially in establishing companies in strategic economic and financial fields like the Central Trading Company (CTC) and PT Kantil Mas. Many local communities still sell their business permits to Chinese entrepreneurs for quick profits. Throughout history, Chinese entrepreneurs have dominated the economic sector, creating a culture of entrepreneurship superior to that of the local community. Local entrepreneurs often rely on Chinese business partners due to their ability to navigate challenging situations. This dynamic has led to the emergence of entrepreneurs known as "Ali-Baba," as noted by Herbert Feith. Opposition groups have called on the government to act against the economically damaging results of these practices. The Murba Party has demanded the nationalization of critical enterprises such as agriculture, mining, manufacturing, and transportation (Feith, 2006). The PKI has highlighted significant foreign influences, particularly from the Dutch, in Indonesia's economy after the KMB labelled Indonesia a semi-colonial country. Dissatisfied opposition groups aim to shift control of economic assets to the local community for collective welfare through various propaganda efforts.

Fortunately, the Korean War took place during the administration of the Hatta and Natsir cabinets. Indonesia's export commodities, primarily rubber and copra, saw price increases that boosted the country's revenue. However, following the Korean War's conclusion in mid-1951, Indonesia's exports declined, exacerbating the Indonesian government's economic challenges. The Natsir cabinet faced significant economic and financial hurdles, leading to a growing state budget deficit.

Certain regions' inhabitants, viewing Indonesia as fully independent, are trying to claim foreign-owned farmlands. Their excitement over the new-found freedom quickly met with unaltered socio-economic realities from the prior period. Many associate sovereignties with freedom, which involves taking over foreign-owned lands and agricultural resources. This action led to economic and political constraints. The local community's appropriation of foreign-owned lands in Tanjung Morawa has posed

a challenging situation for the Indonesian government, necessitating access to agricultural territories to improve the community's well-being. Permitting locals to assume control of these lands will spark international criticism, as the KMB agreement binds the Indonesian government, with international interests coming into play following losses from demonstrations. Regrettably, the local community, political conflicts, and unsettling insecurity are the ultimate victims. Various areas' security and political instability have adversely affected Indonesia's economic development.

CONCLUSION

The establishment of Indonesia as a federal state (RIS) with a liberal political system, where Papua province remains outside its jurisdiction, indicates Indonesia's limited political sovereignty. The national leaders opted for a unified state during the Investigating Committee for Preparatory Work for Independence (BPUPK) meeting under Dutch pressure, leading to the creation of a federal state. Hence, The Dutch federal states are recognized and safeguarded by law. Upholding and implementing the liberal system, despite opposition from prominent figures like Moh. During the national movement, Hatta and Soekarno thwarted the aspiration to amalgamate all Dutch colonies as the Dutch disputed West Irian's Indonesian ownership.

Indonesia's financial standing has deteriorated, owing to the recognition of foreign entities, including the Netherlands Central Bank, that possessed agricultural, manufacturing, and mining sectors in Indonesia pre-Second World War. Consequently, external parties controlled economic assets as Indonesia grappled with financial woes amid the revolution, exacerbated by obligations to settle Dutch debts.

The Indonesian military faces challenges, compelled by the KMB pact to integrate former Dutch military personnel assuming Indonesian citizenship. Amid evolving military structures and command frameworks, escalating social and emotional tensions within military units persist. Central military leadership encounters complexities in engaging with regional commanders who wield significant influence and frontline experience with Dutch soldiers on their territories. The RIS constitution's "Western" emphasis relegates the military's role in state politics to a subordinate status in this context.

Indonesia, grappling with political, economic, and military challenges, finds itself relatively disadvantaged in negotiations with major nations. De-

spite its steadfast commitment to independence and reluctance to align with global powers, Indonesia is now part of the current liberal state led by the United States. This affiliation, reflected in its constitutional framework, has effectively positioned Indonesia within the liberal state. However, the envisioned social and economic democracy integral to political democracy remains unfulfilled as foreign influences persist in controlling financial resources.

Following the successful suppression of the Madiun PKI rebellion, Indonesia garnered increased support from the U.S., steering its leadership towards a liberal political stance rather than a communist one. The situation intensified after the U.S. sided with Indonesia in the Dutch-Indonesian conflict at the United Nations, notably endorsing the January 28, 1949 resolution by the UN Security Council. This recognition by the global community propelled Indonesia towards alignment with the U.S.'s liberal political ideology, pitting it against the socialist bloc led by the Soviet Union during the Cold War.

Indonesia's subordinate position is evident in its dealings with more influential nations, mainly the Dutch and the United States. Although international backing for Indonesia's political sovereignty, notably through the KMB, extends to the financial realm, Indonesia remains susceptible to Western exploitation. Notably, the Dutch crown still holds ownership of the present central bank, The Java Bank, hindering financial autonomy essential for political maneuvering. Furthermore, agriculture, manufacturing, and mining sectors remain under foreign control.

Post-KMB, Indonesia's economic reliance on Western entities persisted, perpetuating a cycle of exploitation and heightening political discord. The onset of the KMB led to escalated political unrest, with calls for government decentralization gaining traction. Simultaneously, internal military tensions swelled. Indonesia continues to grapple with economic dependencies that categorize it as a structurally "underdeveloped" nation. Despite striving for independence post-World War II, Indonesia contends with entrenched international economic forces impacting its autonomy. The legacy of colonialism and imperialism further complicates Indonesia's pursuit of genuine sovereignty and self-determination.

The diverse population of the Republic of Indonesia responded variably to the independence achieved through the KMB agreement. Efforts were made to confront and navigate the structural impositions of the global order within the Indonesian

context. The journey towards establishing a federal or unified state, as envisioned in the August 17 proclamation, encountered numerous challenges, including transitioning the political system, addressing economic reliance, and resolving the status of West Irian, requiring decisive and sometimes harsh actions over a decade.

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