

# AMERICA'S BUSINESS STAKE IN INDONESIA



INDONESIA is the great, resources-rich group of islands, including Java, Sumatra and Borneo, which lies south of India and the Philippines, north of Australia. After long, prosperous development as the Netherlands East Indies, Indonesia is soon to become independent. The deadlock since V-J Day between the Dutch and the Indonesian Republic over methods of introducing independence at last appears close to an end. In early January 1948 an Interim Federal Government was formed for virtually all non-Republican areas, forerunner of a sovereign United States of Indonesia, which the Republic will join. Shortly thereafter, the United Nations Good Offices Committee secured both a truce in Dutch-Republican military conflict and agreement by both sides on a political program.

American business has a large stake in Indonesian stability and prosperity, now in sight for the first time since 1941.

- ★ Indonesia provides indispensable materials for America's industrial machine.
- ★ Indonesia offers America important markets, both immediate and future.
- ★ Indonesia holds investment opportunity for American capital.
- ★ Indonesian commodities—normally 40% of the world's rubber, 15% of its tin, 25% of its palm oil, 20% of its tea, plus many others—are essential to economic rehabilitation and the restoration of trade and business throughout the world.

## **FACT...** Many Indonesian commodities are virtually indispensable to American industry and consumers.

**RUBBER**—32% of America's normal pre-war needs, about 300,000 tons in the biggest pre-war year, worth \$130,000,000 at today's prices, were supplied by Indonesia, something like 4 pounds annually for every American man, woman and child. Synthetics did a big war-time job, but natural rubber is still better for most purposes and needed even where synthetic is employed.

**TIN**—10% of U. S. tin needs were regularly provided by Indonesia, about 15,000 tons annually in a top year, worth \$30,000,000 today. On tin-producing Banka, Billiton and Sinkep islands, failure of food supplies from Republican-held areas at first slowed production, which is now gradually rising, especially as new equipment arrives from the U. S.

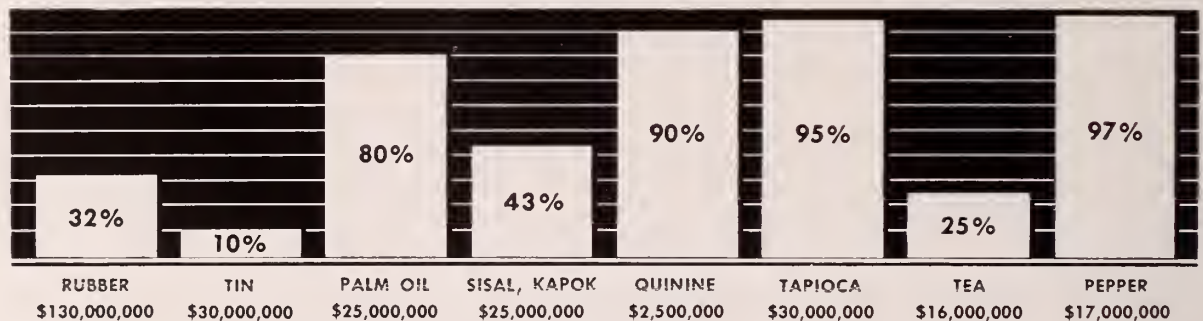
**PALM OIL** — 80% of American consumption came from Indonesia, some 125,000 tons, worth over \$25,000,000 at current prices, for uses in making soap, shortening and tin-plate. Post-war strife has spared most plantings, but some processing factories were destroyed or damaged.

**FIBRES**—31% of the sisal and hennequen spun into rope and twine by U. S. mills and 90% of the kapok used here for mattresses and life-saving equipment, altogether about 50,000 tons a year, worth \$25,000,000 today, came from Indonesia.

**QUININE** — 90% came from Indonesia, \$2,500,000 worth annually at today's price level, in various raw and refined forms. War-time synthetics, though effective, are no longer in demand and, as plantations are intact, cinchona products will again become U. S. anti-malarial No. 1.

**TEA, SPICES AND OTHER COMMODITIES** — America normally receives from Indonesia: 95% of its tapioca for food and glues, \$30,000,000 worth at 1947 prices; 25% of tea needs, worth \$16,000,000 today; 97% of pepper consumption which would cost \$17,000,000 now; 65% natural gums, worth \$4,000,000 now; 30% of rotenone imports, an essential insecticide; 90% of high-grade cigar-wrappers; and a long list of rare spices and other goods.

### U. S. NEEDS NORMALLY PROVIDED BY INDONESIA



## **FACT...** America and the American economy are importantly involved in the production of these commodities in other ways as well.

Thirty-one American companies own Indonesian properties valued before the war at \$250,000,000 (see below) but have not hitherto been able, since the war, to produce effectively because of disorder and political uncertainty. Their commodity output and money income have been negligible as factors in U. S. business life meanwhile.

The yawning gap in world production of goods which Indonesia usually contributes has perhaps been even more obstructive to the Western European economy than to America's. Implementation of the Marshall Plan would be seriously impeded—and the drain on short American supplies intensified—without Indonesian production.

## FACT... *Indonesia offers American business a trading opportunity.*

Reconstruction of the debilitated Indonesian economy requires immediate large-scale imports of equipment and supplies which America can provide. The size of the probable market is suggested by Dutch estimates that \$400,000,000 in foreign credits are needed for such purchases. These would include: *ships, mining and agricultural machinery, railroad equipment, oil extraction equipment, heavy and light motor vehicles, medical supplies and textiles.*

The Department of State announced January 20 that the United States Government "is exploring ways and means of extending economic and financial assistance to this reconstruction."

The trading situation has already shown great promise, despite two years of disturbances. U. S. exports to Indonesia are now at a volume approximately twice that in 1939, when the total was \$36,000,000. Although volume of Indonesian exports to

the U. S. is less than half the \$92,500,000 of 1939, the improving political situation is expected to cause a rapid rise. Some 40% of all U. S.-Indonesian shipments are currently carried in U. S. bottoms.

The longer range picture is also favorable. Dutch guidance has long been laying a base for future Indonesian industrialization. This will create demand for manufacturing equipment, tools and consumers' goods to contribute to rising living standards.

Even though the importance of Indonesian trade to America in the past has been more strategic than financial, it has been substantial. In 1939 for instance, America sold Indonesia 14% of its imports from abroad, \$36,000,000 worth at 1939 prices, more than any other country except Holland and Japan, and bought from Indonesia 20% of all its exports, \$92,500,000, more than any other country including Holland.

## FACT... *Indonesia offers American business investment opportunity.*

Indonesia is already an established outlet for the export of American capital, which ranks third among nations investing there: Holland \$4,000,000,000; Britain \$300,000,000; America \$250,000,000 at pre-war values. Among the 31 American companies represented are: *Standard Vacuum Co.*—Sumatra wells and refineries; *U. S. Rubber Co.*—Sumatra and Java plantations; *Goodyear Co.*—Sumatra plantations and Java tire factory; *Procter and Gamble*—soap factory; *General Motors*—Java assembly plant.

Disturbed conditions which prevailed in the Indonesian Republic, centered in Java, economic heart of all Indonesia, have led American businessmen to become interested in more peaceful N.E.I.

areas, where autonomous governments had previously been set up through Dutch-Indonesian cooperation. Two of these are *East Indonesia* and *Borneo*. With the announcement in January 1948 of an Interim Federal Government, most other parts of N.E.I. are also opening up.

Major fields open to American investors are exploitation of mineral resources, manufacture of light consumer goods, and planting of tropical agricultural products. Mineral reserves include nickel, bauxite, manganese, wolframite, copper, zinc, lead and sulphur. Specialties like tropical forest products and pearl cultivation offer unusual profits.



Preparation of palm oil fibre cake



Machine processing of crepe rubber

## **FACT...** *Instability and political deadlock in Indonesia have hitherto nullified this stake.*

Until a few months ago, the Indonesian Republic held those areas of Java and Sumatra where production of vital agricultural commodities, Indonesia's main activity, is concentrated. Only a fraction of former volume was maintained. Wholesale smuggling greatly reduced the financial return, even to Republicans.

In July 1947, Dutch military action eliminated Republican troops and armed bands from major producing regions, and a start was made at reconstruction. In August, the Netherlands authorities complied with the U.N. "cease fire" request.

On January 15, 1948, after eleven weeks of negotiation with the United Nations Good Offices

Committee, the Dutch and Republicans agreed to both a truce in military activity and a set of political principles on which to base a settlement. Restoration of trade between Dutch and Republican territory was provided in the agreement. Thus only now, 21½ years after V-J day, can a full return to normal Indonesian economic life really begin.

Prior to the Dutch police action of last July and the January truce, production languished, order was lacking and management could not return to its properties. More peaceful parts of the archipelago were hampered by lack of usual food supplies from Java. Current and future condition and legal status of properties remained shrouded in ambiguity.

## **FACT...** *The American business stake in Indonesia, past and future, is a stake in the Dutch struggle for Indonesian stability.*

The Dutch program for restoring stability does not oppose Indonesian aspirations for independence. The Dutch have been planning a free Indonesia for decades. They have opposed only irresponsible extremists, rejected only those Republican leaders who refused cooperation and the keeping of commitments.

The Linggadjati Agreement of March 1947, which Republicans signed but failed to implement, provided for an orderly transfer of powers by January 1949 from an interim government to an Indonesian regime, guaranteeing essential rights, especially those of business and property owners. The

Agreement as such lapsed, but its objectives still represent the Dutch program and are embodied in the January agreement reached under U.N. auspices.

The proof of Dutch intentions and of Dutch-Indonesian capacity to cooperate toward independence is the formation January 13, 1948, of a new Interim Federal Government, forerunner of a sovereign United States of Indonesia. The Interim Federal Government, of ten autonomous states, takes in virtually all Indonesia except the isolated areas of Java and Sumatra held by the Republic, which will join the interim federation.

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