
The Political Framework of Economic Decision-making in Indonesia and Vietnam, 1945-1950

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Abstract

This article identifies similarities and differences in economic institutions and in decision-making in Indonesia and Vietnam immediately after independence. It focuses on political and educational backgrounds of the economic leadership in the two nations that played an important part in explaining difference in thinking with respect to economic policies and priorities in the struggle against colonial forces. Indonesian leaders were mostly pragmatic nationalist politicians who possessed experience from management of the economy and who were inclined to adopt a liberal approach to economic policy. Economic development and national sovereignty were given higher priority in comparison to the objectives of economic nationalism. By contrast, most members of the Vietnamese government were revolutionary leaders adhering to Communist ideology. They considered the task of economic nationalism and resistance against foreign aggressors inseparable.

Keywords: Vietnam, Indonesia, economics, politics, revolution, institutions.

Introduction

When the Second World War entered its final stage in early 1945 with Allied victories in Europe and the Pacific, the Japanese authorities speeded up preparations for the transfer of sovereignty to their colonies in Southeast Asia in an attempt to strengthen their political and economic position in the region. On 9 March 1945, the Japanese military staged a coup d'état overthrowing French rule in Indochina. Two days later, the Japanese allowed Emperor Bao Dai to declare the independence of Vietnam. On 17 April 1945, Bao Dai and Tran Trong Kim formed a national government in Hue under auspices of the Japanese armed forces. Similarly, on 29 April 1945, the Japanese set up an Investigatory Committee for the Preparation

of Independence of Indonesia (Badan Persiapan Kemerdekaan Indonesia, BPKI). On 9 August 1945, leaders of the BPKI, Soekarno, Hatta, and Radjiman were summoned to Dalat in southern Vietnam. Marshal Terauchi, Commander of the Japanese Southern Army, told them that Indonesian independence was now in their hands. The sudden capitulation of Japan on 15 August 1945 quickened Indonesian plans for independence. On 17 August 1945, Soekarno and Hatta proclaimed the independence of the Republic of Indonesia. On the following day, a central government was established in Jakarta with Soekarno as President and Hatta as Vice President. Meanwhile, in Vietnam, on 16 August 1945, the Vietnam Independence League (Viet Minh) organized a People's National Congress at Tan Trao, electing a People's provisional

government under leadership of Ho Chi Minh. The provisional government immediately launched a nationwide uprising, urging the population to overthrow the Japanese government along with the pro-Japanese Tran Trong Kim government. On 2 September 1945, President Ho Chi Minh officially proclaimed the independence of the Democratic Republic of Vietnam in Hanoi.

But the Allies recognized neither the independence nor the newly formed governments in Indonesia and Vietnam. In September 1945, Allied troops were dispatched with the task of disarming the Japanese forces and repatriate Allied internees and prisoners-of-war. The eastern parts of the Indonesian archipelago, including Kalimantan, Sulawesi and the Lesser Sunda Islands were occupied by the Australian army, whereas Java and Sumatra fell under jurisdiction of troops from British India. In Vietnam, the British landed troops in the south and from the sixteenth parallel to the north with occupation entrusted to the Chinese Kuomintang army. Assisted by Allied forces, the Dutch and the French returned, intent on restoring colonial rule.

In early 1946, the Chinese and British troops departed, leaving Vietnam in the hands of the French. The withdrawal of Australian and British forces from the Indonesian archipelago took place at a slightly later stage, between July and December 1946. With the departure of Allied troops, the struggle for independence in Vietnam and Indonesia entered a new phase, commonly labeled the people's war of resistance against returning colonial forces. In January 1946, the Republican government was evacuated to Yogyakarta in order to forestall Dutch attacks. In February 1947, Ho Chi Minh and his revolutionary government similarly made an exodus to the northern Viet Bac base. Military conflicts in Indonesia came to a conclusion with the transfer of sovereignty by the Netherlands to Indonesia. A major turn in the course of Vietnamese revolutionary war

occurred in 1950 when Vietminh switched from a defensive to an offensive strategy, followed by the enlargement of Vietminh-controlled areas and intensified ties with Communist China and other socialist countries. This ushered in a new period of escalated warfare in Vietnam which brought strong involvement by the United States, the People's Republic of China, and the Soviet Union.

During the second half of the 1940s, the political economy of Indonesia and Vietnam above all reflected the national struggle to protect newly proclaimed independence against returning colonial forces. The aim of this article is to discuss the formation of economic institutions and economic decision-making in Indonesia and Vietnam during this revolutionary period. It highlights similarities and differences in background and thinking of the leadership in the two nations with respect to economic policy as related to the struggle for independence. The article consists of two main sections, the first one focusing on institutions and economic policy-makers, the other surveying the process of economic decision-making itself. In both sections, Indonesian and Vietnamese experiences are contrasted with one another

Economic institutions and policy-makers

In Vietnam independence was proclaimed when the administrative apparatus of colonial state had already been largely transferred to the provisional government. Java and most of the Outer Islands of the Indonesian archipelago remained in the hands of the Japanese military authorities also after 17 August 1945. Japanese troops were under Allied orders to maintain the status quo until the Allied forces had arrived (Reid, 1974: 36; Singh 1945: 253-6). The most urgent task of the Indonesian nationalist leaders after independence was to wrest administrative power from the Japanese. On 18 August 1945, the BPKI had been replaced by the Japanese-sponsored Committee for

the Preparation of Indonesian Independence (Panitia Persiapan Kemerdekaan Indonesia, PPKI), which in turn was dissolved by President Soekarno after only eleven days. It was replaced by the Central Indonesian National Committee (*Komite Nasional Indonesia Poesat*, KNIP). Former Netherlands Indies was divided into eight provinces, each headed by a governor assisted by a regional Komite Nasional. The eight provinces were West Java, Central Java, East Java, Sumatra, Kalimantan, Sulawesi, Maluku and Sunda Ketjil (Lesser Sunda Islands).

The original function of the KNIP was to assist the president and his cabinet. However, by decree on 16 October 1945, the KNIP was granted legislative power. Henceforth, all legislation in Indonesia had to be approved by the KNIP, acting in conjunction with the President. The KNIP was authorized to establish a Working Committee (*Badan Pekerja*) to carry on day-to-day work (Simanjuntak, 2003: 20-1). On 3 November 1945, in preparation for a national election, Vice President Hatta issued a decree allowing the formation of political parties. Within few months, political parties in Indonesia, in the words of political scientist John Sutter, sprouted forth 'like mushrooms after rain' (Sutter, 1959: 329). Major political parties with economic views strongly influencing the general public and policies included the nationalist party (Partai Nasional Indonesia, PNI), the socialist party (Partai Sosialis Indonesia, PSI), the Muslim party Masjoemi, and the Communist Party (Partai Komunis Indonesia, PKI). Through representatives in the government, the political parties would seek to bring their economic ideals into practice.

On 14 November 1945, President Soekarno dismissed his cabinet and asked the chairman of the KNIP, Soetan Sjahrir, to form a new cabinet. The formation of the Sjahrir cabinet marked a fundamental change in the constitutional system of the Republic, a shift from a presidential to

a parliamentary system. Although the form of Presidential cabinet was revitalized in January 1948 under Hatta's leadership, the new cabinets remained responsible to the KNIP Working Committee (Kahin, 1952: 232). Apart from three presidential cabinets, led by either Soekarno or Hatta, there were five separate cabinets between 1945 and 1950, three under Soetan Sjahrir, two under Amir Sjarifoedin. In addition, an emergency government was formed by Sjafruddin Prawiranegara in late December 1948 and early January 1949, when members of the cabinet, including the President and Vice President, were held captive by the Dutch.

Despite frequent reshuffling of cabinets, the basic structure of government remained largely as shaped by Soekarno on 31 August 1945. The Presidential cabinet consisted of twelve ministers, of whom four were primarily concerned with the economy. The Ministry of Finance was in charge of the national budget, taxation, customs, and money circulation. The Ministry of Prosperity supervised agriculture, industry and handicrafts, animal husbandry and fishing, commerce, mining, cooperatives, foodstuffs and necessary consumer goods. The Ministry of Communications was responsible for transport, post, telephone, and telegraph. The Ministry of Public Works administered irrigation and public construction. One section of the Ministry of Social Affairs was directly concerned with the economy, exercising jurisdiction over labor affairs as well as charity (*Asia Raya*, 19 August 1945; *Berita Repoeblik Indonesia*, No. 7, 15 February 1946). The Ministry of Prosperity was the largest department in the sphere of the economy, responsible for supervision of business firms in Jakarta and adjacent regions as well as the expropriation of Japanese economic assets.

The cabinet ministers were assisted by various government bodies in a pattern similar to earlier administration but with Indonesian names and management. At the provincial level, the ministers delegated power to the Residents,

who set up regional bodies. In January 1947, the Indonesian government established an Economic Planning Board consisting of representatives from ministries of Prosperity, Finance, Social Affairs, and Public Works. The purpose of the Planning Board was to draft a three- or five-year plan for reconstruction and development of the country's economy (Zed, 1997: 182). In April 1947, the Planning Board was expanded into a Committee of Economic Investigation (Panitia Pemikir Siasat Ekonomi) headed by Vice President Hatta. This committee consisted of 80 specialists and was divided into eight sections concerned with: 1) general economic problems, 2) Estate affairs, 3) Industry, Mining and Oil, 4) Foreign Property; 5) Financial Matters, 6) Electricity, Railways, and Trams, 7) Labor Affairs, 8) Problems in the Dutch-occupied areas. Instead of arranging a short-term economic plan, the Planning Board proposed a ten-year reconstruction plan (Panitia Pemikir Siasat Ekonomi, 1947: 40; *Merdeka*, 23 April 1947). Yet another program was introduced in June 1948 under the term 'national program', containing twelve points emphasizing the emancipation of the national economy from colonial order and government control of the economy (*Merdeka*, 17 May 1948).

Due to the rapid transfer of authority from the Japanese and an acute shortage of trained personnel, Indonesian cabinet members were mostly former officials, who had worked in the Dutch colonial service or the Japanese military administration. Many of them had been trained as economists and subsequently served in sections related to economy. Of the two principal leaders of the Republic, Hatta was an economist, who had studied at the Rotterdam Business School (Handelshogeschool Rotterdam) for ten years (1923-1932) (Rose 1987). Many of KNIP's members also had some economic experience. Chairman Kasman Singodimedjo had obtained a law degree at the Jakarta Law School (Rechtshogeschool Djakarta), majoring in sociological-economic studies. He had

served as chief of the agricultural information and inland fisheries section in the Bureau of Agriculture Department of the Netherlands Indies government (Simatupang, 2010: 104). Secretary of the KNIP was the deputy mayor of Jakarta, Raden Soewirjo, whose background included a variety of economic functions. Before the Pacific War, he had worked in the Central Bureau of Statistics and was then employed in a building and loan association (*Asia Raya*, 30 August 1945). In the KNIP's Working Committee, Sjafroedin Prawiranegara, Raden Mas Sunaria Kalapaking, Jusuf Wibisono, and Pardi all had extensive experience of working with the economy. Sjafroedin had served as assistant inspector in the Department of Finance of the Dutch colonial government. He became chief of the tax office, first in Kediri, then Bandung, after the Japanese occupation (Thee Kian Wie, 2003: 75). Sunaria Kalapaking had studied law in Leiden and worked from 1933 at the People's General Credit Bank (Algemene Volkscredietbank) in Batavia. During the Japanese occupation, he was top manager of the Mangkunegaran enterprises in Surakarta, then head of the Office of People's Economy in Jakarta (*Merdeka*, 17 November 1945). Wibisono had worked in the Industrial Division and Central Office of Statistics in the Dutch period. During the Japanese occupation, he had served as an economic prosecutor (Sutter, 1959: 315). Significantly, most of the members of the KNIP's Working Committee would later occupy cabinet positions. Several of them played a key role in economic policy-making in Indonesia after independence.

Minister of Finance in the first President cabinet was Samsi Sastrawidagda, who had been an advisor to the Department of Finance in the Japanese administration. When Samsi resigned in September 1945, A. Maramis took over his position. Maramis was in turn replaced by Sunaria Kalapaking in the first Sjahrir cabinet (November 1945-February 1946). Shortly after his promotion, Sunaria

fell ill and therefore his post was transferred to R.M.P. Soerachman Tjokroadisoerjo, who had served as director of Department of the People's Economy during the Japanese period and Minister of Prosperity in the Soekarno cabinet (Orang Indonesia, 1944: 208; Anderson, 1972: 450). Soerachman continued on as Minister of Finance in the second Sjahrir cabinet (March-June 1946), but in the third Sjahrir cabinet (October 1946-June 1947), he was replaced by Sjafroedin. In the Amir Sjarifuddin cabinet (July 1947-January 1948), Maramis was again appointed as Minister of Finance, remaining in this position also in the first Hatta cabinet (January 1948-August 1949). When Maramis departed on a mission to India in July 1948, however, Hatta himself took change of his office. In the second Hatta cabinet (August-December 1949), Hatta handed over the portfolio of Finance to Lukman Hakim, a lawyer, who had worked in the government tax office in Jakarta during the Japanese occupation (Anderson 1972: 426).

Soerachman was, as mentioned, Minister of Prosperity in the first Presidential cabinet. When appointed Minister of Finance in the first Sjahrir cabinet, his office was taken over by Darmawan Mangoenkoesoemo, who had served in the Department of Economic Affairs in the Dutch period and as an economic advisor in the Japanese administration (Ensiklopedia Indonesia, 1954/55: 372). In March 1946, the Ministry of Prosperity was split into a Ministry of Industry and Trade and a Ministry of Agriculture and Supplies. Darmawan continued as minister of Industry and Trade, whereas Baginda Zainuddin Rasad, an agricultural engineer, became minister of Agriculture and Supplies (Simanjuntak, 2003: 31). In June 1946, the Ministry of Industry and Trade and the Ministry of Agriculture and Supplies merged back into a Ministry of Prosperity; Darmawan returned as minister of Prosperity. In the third Sjahrir cabinet, A.K. Gani was appointed new minister of Prosperity. He was a businessman

from South Sumatra and one of the founders of the PNI (Cribb & Kahin, 2004: 54). Sjafroedin was reinstalled as minister of Prosperity in the Hatta cabinets of 1948-1949.

Both the Ministry of Communication and the Ministry of Public Works were headed by R. Abikoesno Tjokrosuejoso, onetime advisor of the Bureau of Public Works during the Japanese occupation (Orang Indonesia, 1944: 470). In the first Sjahrir cabinet, the post as minister of Communications was handed over to Endoen Abdul Karim, who had an engineering degree and who had worked as chief of Jakarta Municipality's Public Works during the Japanese occupation. The Ministry of Public Worked was now led by two engineers, Martinus Putuhena and Herling Laoh (*Ensiklopedia Indonesia*, 1954/55: 1150). In October 1946, Abdul Karim was replaced by Djuanda Kartawidjaja, an engineering expert teaching at the Bandung Technical School (Technische Hoogeschool). Both Djuanda and Herling Laoh would continue to serve as ministers in various cabinets after the transfer of sovereignty.

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The formation of cabinets and economic leadership in the Democratic Republic of Vietnam was highly different from in Indonesia. Under impetus of the August Revolution, the Japanese military administration was quickly transferred to the provisional government. On 23 August 1945, the Tran Trong Kim cabinet dissolved itself. Many of its members, including Bao Dai, subsequently joined the provisional government as reorganized on 28 August 1945. On 1 January 1946, the provisional government was again reorganized into a provisional coalition government. Yet, it was not until the fourth reorganization of the provisional government that Vietnam got a cabinet elected by the National Assembly.

The new cabinet was named 'Government of Union and Resistance' or 'Coalition government'.

Its members were officially announced at the first meeting of the National Assembly on 2 March 1946. Ho Chi Minh was elected as President ad interim Prime Minister. The National Assembly set up a Standing Committee (*Ban Thuong Truc*), functioning as a liaison between the cabinet and the National Assembly. The country's traditional division into three regions (*ky*) - North Vietnam (*Bac Ky*), Central Vietnam (*Trung Ky*), South Vietnam (*Nam Ky*) - was retained. Below the *ky* level, there were provinces, cities, prefectures, and villages. A People's Committee was established at all regional levels to supervise social and economic activities and to deal with defense matters (Han Le Mau. Tran Ba De & Nguyen Van Thu, 2002: 19).

The Coalition government consisted of twelve departments, of which four were primarily concerned with the economy. They were the Ministry of National Economy, Ministry of Finance, Ministry of Communications and Public Works, Ministry of Agriculture and Irrigation, and part of the Ministry of Labor and Ministry of Social Affairs. The most important body in the field of economic management was the Ministry of National Economy, which maintained a system of bureau at all regional, provincial and district levels (Dang Phong & Melanie Beresford, 1998: 19). In January 1946, Ho Chi Minh established a Planning Committee for Nation-Building (*Uy ban nghien cuu ke hoach kien thiet*). The Committee consisted of 40 members, most of whom were nationalist intellectuals or Vietnamese senior officials, who had served with the French colonial authorities or under the Tran Trong Kim government (Dang Phong, 2002: 174-5).

Except for the many changes in central government leadership and some positions at the provincial level, the administrative apparatus of the former colonial authorities remained largely intact. According to a government decree issued on 17 December 1945, 'pending new orders, all staffs in the government

services over the whole Vietnam were to keep in their positions' (*Cong bao*, 19 December 1945). In order to achieve a climate of national reconciliation, the government showed great willingness to mobilize nationalist intellectuals, talented people, and influential personalities regardless of their political background and affiliation. In the Coalition government, it was agreed to allocate four ministerial positions and 70 seats in the parliament to the Viet Quoc and Viet Cach, the two major anti-communist parties in Vietnam (Han Le Mau, Tran Ba De & Nguyen Van Thus, 2002: 11). In fact, in the early governments, a considerable number of ministers was neither a Communist Party nor a Viet Minh member. The first minister of National Economy of the Democratic Republic of Vietnam was a Catholic, Nguyen Manh Ha, who had obtained a law degree at the Paris University. When returning to Vietnam in 1937, he worked as Labor Inspector in the French colonial administration. In 1943, he was promoted to Director of the Office of Tonkin's Economy. During the revolution, he was active in the Catholic youth movement (Hammer, 1966: 166). Because of his pre-war experience and support of the Viet Minh, Nguyen Manh Ha was appointed as minister of National Economy. In the provisional coalition government, he was moved to the Ministry of Social Aid while keeping his position as deputy minister of National Economy. The new minister of National Economy was Nguyen Tuong Long, a lawyer and writer, who had been jailed by the French for his anti-French movements. Nguyen Tuong Long was a member of the nationalist party Viet Quoc, as was Chu Ba Phuong, who replaced him in the Coalition government. Both Nguyen Tuong Long and Chu Ba Phuong had knowledge of the economy since they had been owner and editor of a number of newspapers during the colonial period. They gained much popularity and influence among the Vietnamese intellectuals (Khuc Ha Linh, 2008: 70-1).

Minister of Finance in the first two Vietnamese cabinets was a senior member of the Communist party, a Viet Minh leader named Pham Van Dong. His professional experience in the pre-war times was as a history teacher. He was among the members of the Viet Minh, who organized the People's National Congress at Tan Trao. In March 1946, Pham Van Dong relinquished his post to Le Van Hien, who had been Minister of Labor Affairs in the provisional government. Le Van Hien was also a Viet Minh leader and had some practical experience in the field of economy. He had been the manager first of a publishing house, then a wine factory and woodworks in Da Nang (Le Van Hien, 1950: 12). Both Pham Van Dong and Le Van Hien were key members of the Planning Committee for Nation-Building. The latter served as minister of Finance until 1962.

The portfolio of the Ministry of Communication and Public Works was given to the engineer Dao Trong Kim, member of the Tran Trong Kim cabinet. In March 1946, Dao Trong Kim was replaced by Tran Dang Khoa, an engineer in irrigation. Tran Dang Khoa had obtained a degree in engineering at the Eyrolles École in Paris. During the colonial period, he had served as a civil engineer, taking part in the construction of irrigation works in Central and South Vietnam. He was also known as the founder of the Vietnam Democratic Party. The new minister of Agriculture and Irrigation in the Coalition government was Bo Xuan Luat, who in April 1946 was replaced by Huynh Thien Loc, an irrigation engineer from South Vietnam. Like Tran Dang Khoa, Huynh Thien Loc had been educated in France, but he turned into a private businessman after returning to Vietnam, managing rice-grinding factories in Saigon. During the Japanese occupation, he was appointed to the Committee of Economic and Financial Matters of Indochina. The ministries of Social Affairs and Health and Labour were both headed by Truong Dinh Tri, who had chaired the administrative committee

of Tonkin during the Japanese occupation (Dommen, 2011: 185).

The strategy behind the formation of the Coalition government was to enhance solidarity between nationalists, intellectuals, and political and social groups in the common struggle in the interest of the nation. Nevertheless, when the Kuomintang army withdrew in February 1946, several pro-Chinese individuals, many of them holding important posts in the government, joined the Kuomintang. As a result, on 28 October 1946, Ho Chi Minh was authorized to form a new cabinet, and on 3 November its members were made public. Most of them were key figures in the Viet Minh. Ho Chi Minh remained as President and Acting Prime Minister. Deputy Prime Minister was Pham Van Dong, who also held the post as Deputy Minister of National Economy. Minister of Economy was Ngo Tan Nhon, a revolutionary leader from South Vietnam. He had served in the office of rice management in My Tho, South Vietnam, under the French colonial administration. Le Van Hien was continued as minister of Finance, whereas Trinh Van Binh was appointed his deputy. Tran Dang Khoa served as minister of Communications; minister of Labour was Nguyen Van Tao, a journalist and an active member of the French Communist Party and Labor Union.

After the retreat to Viet Bac in February 1947, the Vietnamese government underwent some reshuffling, but membership and structure of the economic apparatus remained largely unchanged until 1954. One noticeable change was that Phan Anh moved from Ministry of Defense to become head of the Ministry of National Economy. He was a lawyer, who had defended several Viet Minh prisoners during the colonial period. He participated in the Tran Trong Kim government as Minister of Youth, but when the August revolution broke out, he joined the pro-Viet Minh youth movement opposing Bao Dai and French rule (Patti 1980: 478). When the Ministry of National Economy

was renamed Ministry of Industry and Trade in May 1951, Phan Anh was replaced by Ngo Tan Nhon.

The preceding survey demonstrates how soon after the proclamation of independence both Indonesia and Vietnam established systems of government comprising all basic institutions to plan and operate the economy. Apart from ministries and affiliated government bodies for specific practical tasks, a central planning board was set up in both countries, the Committee of Economic Investigation in Indonesia and the Planning Committee for Nation-Building in Vietnam. Primary function of these planning boards was to coordinate economic experts in and facilitate them in the formulation of economic policies and plans. However, there was one major difference in the composition of the economic leadership in the Vietnamese and Indonesian governments. Whereas leaders of the Indonesian Republican government were mostly senior officials with a background in Dutch colonial service or Japanese administration, most members of government in Vietnam were revolutionary leaders and intellectuals lacking practical experience of organizing the economy. Moreover, due to Japanese policies at the time of the occupation, many Indonesian leaders had been appointed to top levels in departmental hierarchies. Hatta, Sjafroedin Prawiranegara, Djuanda, and later Sumitro Djojohadikusumo, all demonstrate how crucial the contribution was of economic knowledge acquired during the colonial period to the development of post-independent Indonesia. Very few Vietnamese had an opportunity to get experience from assuming responsibility under the French colonial regime. Ho Chi Minh had spent most of the time during his exile studying the organization of state machineries and national administration, but he had no practical experience of these things prior to the revolution (Dang Phong & Beresford, 1998: 17). Until the end of 1946, several members of the pro-Japanese Tran Trong Kim government

and the nationalist parties (Viet Quoc and Viet Cach) held top positions in the Coalition government. They were mostly intellectuals; few of them had been civil servants in the colonial state. Since the fifth reshuffle of the cabinet and the evacuation to Viet Bac in February 1947, the Vietnamese government was increasingly dominated by members of the Communist party and Viet Minh.

Economic decision-making

Compared to Vietnam, Indonesia suffered relatively less damage from the Pacific War. In the entire archipelago, only the oil installations in Tarakan and Balikpapan in Kalimantan and Morotai and parts of New Guinea had been targets of Allied attacks. In Java and Sumatra, Allied air strikes had caused only superficial damage to facilities, military installations, and factories. The most severe material loss was the sinking of most of the modern interisland shipping fleet (Dick et al., 2002: 168). The Dutch colonial government estimated that a sum of 2.2 billion guilders (\$ 800 million) was needed to restore the economy to the conditions that had prevailed in 1942 (Fruin, 1947: 47). In Indochina, however, losses were estimated at astagging 14 billion piasters (\$ 2 billion) (Nguyen Manh Hung, 2004: 272). The transport and communications systems had suffered the most serious damage. One-third of all bridges were destroyed and 20-90 per cent of all port installations could no longer be used. Economic installations in Hanoi, Haiphong, Nam Dinh and other industrial centers of northern Vietnam had been seriously destroyed by American air attacks. The hardship caused by the war culminated in severe famine in early 1945 in North Vietnam which cost the life of an estimated 2 million people (Han Le Mau, Tran Ba De & Nguyen Van Thu, 2002: 11).

Under such difficult economic and social conditions, it is understandable that the prime concerns of the Vietnamese leaders immediately after independence was to combat

famine. Soon after the provisional government had been installed, Ho Chi Minh declared that the country was facing three enemies: hunger, ignorance and foreign aggressors. The greatest danger, and first priority, was the famine. Here the mobilization of Viet Minh organizations and volunteer contributions by the population were crucial. Economic policies focused on developing production, stabilizing prices, supplying necessary goods to government bodies and the army, as well as the struggle against dominance by foreign currencies. In November 1945, at a time when the war had already broken out in South Vietnam, the Communist Party introduced an ideology of 'resistance and nation building', signifying that the two problems of war and planning for economic construction were two sides of the same coin. Survival in the face foreign aggression and economic rehabilitation were considered as inseparable tasks. In October 1946, the National Assembly was renamed the Resistance and Nation Building Assembly. In his appeal 'Patriotic Emulation' (*Thi dua ai quoc*) of June 1948, Ho Chi Minh reiterated his view that these two tasks were inseparable. Political independence should be directly linked to economic independence (Dang Phong & Beresford, 1998: 17).

The demand for '100 per cent Independence' for Indonesia had been voiced by several Indonesian nationalists in the early days following the proclamation of independence. In December 1945, Tan Malaka organized a Popular Front (Volksfront), appealing for the solidarity of all socialists, religious people and nationalists as well as political groups into one *Persatoean Perdjoengan* (Fighting Union). His appeal was warmly received. Following Tan Malaka's spectacular appearance in public at Purwokerto in January 1946, the *Persatoean Perdjoengan* was reported to have gathered members of 141 organization (*Merdeka*, 30 January 1946). The strategic objective of *Persatoean Perdjoengan* was Tan

Malaka's Seven-Point Minimum Programme, centered around '100 per cent *Merdeka*.' Foreign troops had to leave Indonesian soil and waters, and estates and industrial installations belonging to the enemies - Dutch and Japanese - were to be confiscated. In March 1946, the KNIP introduced a Five-Point Programme which included recognition of '100 per cent *Merdeka*' as the chief guideline in negotiations between the Republic and the Netherlands. The government was urged to improve production and distribution and prepare political, military, and economic conditions to defend the Republic (*Kedaulatan Rakjat*, 10 January 1946; *Merdeka*, 30 January 1946; *Antara*, 5 March 1946).

Tan Malaka's perception of '100 per cent *Merdeka*' was never realized. Given the country's shortage of capital and the weakness of indigenous entrepreneurship, leaders of the Republic rejected the idea of confiscating foreign property. More importantly, by respecting the property of foreigners and pursuing a liberal policy on foreign investment, the Republican government hoped to obtain recognition from the world in general and the Netherlands in particular. Aspirations of economic nationalism were therefore subordinated to the demand of nation's independence. In November 1945, the Republican government issued a manifesto on foreign policy stating that foreigners from nations that had recognized the Republic were welcome to set up business in Indonesia. The Dutch were warned that war would be senseless, only damaging their commercial interests in Indonesia. The Republic was also prepared to take over the accumulated public debt of the Netherlands Indies (Sutter, 1959: 311-13). This manifesto became the point of departure for negotiating the terms of transfer of sovereignty.

The Linggajati agreement of 15 November 1946 was the outcome of the pragmatic thinking of the Indonesian leadership. In this agreement, the Indonesian government recognized the claims of foreigners to restitution of their

property in territory controlled by the Republic. In return, the Netherlands recognized the *de facto* authority of the Republic of Indonesia in Java, Madura and Sumatra. The Republic would, together with Kalimantan and the Great East, constitute the United States of the Republic of Indonesia (*Republik Indonesia Serikat*) within a union between the Netherlands and Indonesia (Yong Mun Cheong, 1982: 96).

The Linggajati agreement was inspired by the Accord of 6 March 1946 between the French and Vietnamese. The Dutch Lieutenant-Governor-General H.J. van Mook did use the French-Vietnamese accord as a model for negotiations with the Republic (Yong Mun Cheong, 1982: 76). The 6 March Accord stipulated that France recognized the Democratic Republic of Vietnam as a free state with its own government, parliament, army, and finances and forming part of the Indochinese Federation in the French Union. In return, the Vietnamese acquiesced in the landing of 15,000 French troops in North Vietnam to replace the Kuomintang army which had entered the country on 14 August 1945. The Kuomintang units were scheduled to be gradually replaced over a five-year period by the Vietnamese army. Significantly, the agreement between the French and the Vietnamese did not contain any economic concessions.

Discussions about economic and financial matters between the Vietnamese and the French were planned to take place at the conferences in Dalat in April-May 1946 and later at Fontainebleau in July-September. At the Dalat conference, Jean Bourgoïn, president of the Indochina sub-commission, insisted that Vietnam circulate the same currency as the other members of the Indochinese Federation, a currency issued by the Bank of Indochina. French commodities would not be considered as imports but as domestic products within the French Union. In addition, French firms operating in Vietnam would enjoy special privileges in taxation, employment,

estate management, exports and imports, and consumption of French commodities goods in the Vietnamese market (Hardy, 1998). The Vietnamese delegation led by Trinh Van Binh and later Pham Van Dong, flatly refused these demands. In September 1946, Ho Chi Minh signed a Modus Vivendi recognizing the rights of the French to do business in Vietnam on the same level as Vietnamese. This action, as he repeatedly explained later, however, only served to win time for preparation of an unavoidable war. Despite this agreement, French forces occupied the ports of Hai Phong and Lang Son in November 1946, which, in the words of French historian Georges Chaffard, 'evidently showed that France had decided to use the policy of violence' (Chaffard, 1969: 36).

After the Linggajati Agreement, Indonesians still made great efforts to retain their economic sovereignty. In a proposal sent to the Dutch government on 10 April 1947, the Republican government declared that all public utilities, such as railways, tram companies, and gas and electricity companies in the Republican territory would have to become state property for which compensation would be paid. Foreign private property would be returned to its lawful owners as soon as agreement had been reached concerning wages, labor conditions, and promotion of Indonesians to managerial staff functions, land rent and various other matters. Nevertheless, when the Dutch rejected the proposal and threatened with military action, Prime Minister Amir Sjarifuddin replied that the Republic recognized foreign property rights and their unconditional restoration (Daerah Istimewa Jogjakarta, 1953: 215-19). Despite this conciliatory statement, the Dutch launched a military attack, labeled *Operatie Product*, against Republican territories on 20 July 1947. After the cessation of hostilities, the Renville agreement of 19 January 1948 confirmed Dutch control of West Java, Madura and the Malang region in East Java in accordance with the so-called Van Mook line of demarcation. A second

military action (*Operatie Kraai*) was carried out in December 1948 and January 1949, in which all key leaders of the Republic, including President Soekarno and Vice President Hatta, were taken prisoner (Kahin 1952: 228-9).

In 1947, French troops also organized several military operations against Viet Minh-controlled areas. The first large-scale action was 'Operation LEA' in the fall of 1947, aiming to capture the Viet Minh leaders at their headquarters in Viet Bac. Two more offensives took place in November 1947 against the southern edge of the Viet Bac base. However, the French forces failed to capture the leaders of the Viet Minh government and their tactics of 'swift attack and swift victory' proved fruitless. In 1948, French forces began encircling the Viet Minh in order to break off links with China and local population. In September 1950, the Viet Minh launched the 'Frontier Campaign' against the French garrisons along the Vietnam-China border. Within a month, the Viet Minh had assumed control over the northern border areas opening up the border to China. The Soviet Union and other countries in the socialist camp recognized Ho Chi Minh as the legitimate ruler of Vietnam in 1950 (Davidson, 1986: 47-50, 75-80).

Together with military struggles, the Viet Minh government applied a scorched-earth policy in areas under French occupation. On 20 December 1948, the Viet Minh organized a meeting at Viet Bac to discuss the government's economic policy. At that meeting, it was emphasized that economic sabotage against French rule was particularly important to support the military struggle. The population should adopt a consistent policy of siege, vandalism, and non-cooperation with the French. The most popular slogan during this time was: 'Do not join the French army; do not pay tax to the French; do not sell provisions to the French; do not buy French goods' (Dang Phong, 2002: 470). In cities and towns, sabotage actions were directed against weapons manufacturing, mining, food warehouses, post

offices, bridges and railways. The Vietminh even organized a committee in charge of destroying French plantations targeting in particular the rubber estates in South Vietnam. The sabotage actions by the Vietnamese forced the French to maintain considerable numbers of troops to guard factories, mines, and plantations. French business firms in Vietnam were badly damaged during the first years of the struggle. The Hai Phong Cement Company, for instance, usually produced 250-300,000 tons per year but in 1947 output dropped to 40,000 tons. The Hon Gai Coal Mine Company extracted 26,000 tons in 1947, far less than the annual average in previous years, about 145,000 tons (Dang Phong, 2002: 240). Indonesians also carried out scorched-earth tactics, but were more inclined to target buildings and equipment. As a consequence, the Dutch were able to achieve one of their main aims, resuming control over large quantities of export produce, which had been piling up during the Dutch marine blockade of Java (Kahin, 1979: 214).

Under pressure from the United States in connection with the Marshall Plan aid to the Netherlands, the Dutch reluctantly reinstated the Republican government in early 1949 and agreed to reopen negotiations (Taylor, 1960: 189). Agreement for the transfer of sovereignty was at long last reached at the Round Table Conference in The Hague between late August and early November 1949. By virtue of the Financial and Economic Agreement (*Finec*), the Netherlands recognized the sovereignty of the Republic of Indonesia over the former Netherlands East Indies, with the exception of western New Guinea (West Irian) (Ide Anak Agung Gde Agung, 1990: 65-70). In return, the Indonesian government promised that Dutch firms could continue to operate in Indonesia without hindrance (Dick *et al.*, 2002: 171). A debt of 4.5 billion guilders of the Netherlands Indies government was transferred to the new Indonesian government (Meijer, 1994: 536). As a result, the Dutch continued to

dominate the Indonesian economy also after the transfer of sovereignty. The economic side of the Indonesian revolution only came to an end in 1957-1959 when almost all remaining private Dutch enterprises were seized and subsequently nationalized.

Conclusion

In November 1945, Ho Chi Minh sent a letter to 'the President of the Republic of Indonesia' proposing a joint declaration of solidarity between Indonesia and Vietnam in the shape of a 'Preparatory Commission struggling for a Federation of Free Peoples of Southern Asia'. The letter reached Vice President Hatta and then Prime Minister Soetan Sjahrir, who discussed it with Soedjatmoko Koko, the government's interpreter for foreign correspondents. Sjahrir told Koko that he was not going to reply but preferred to ignore the letter. Sjahrir explained that the Indonesian nationalists were facing the Dutch, who were a weak colonial power that could be defeated quickly. Ho Chi Minh, on the other hand, was confronting the French, who would resist him for a long time. Ho Chi Minh also depended on support by the Communists and this was not the case in Indonesia. In conclusion, Sjahrir stated, 'if we ally ourselves with Ho Chi Minh, we will weaken ourselves and delay independence' (Papanek, 1990). Although Sjahrir's reaction to Ho Chi Minh's proposal was interpreted by Koko as a betrayal of the greater Asian Revolution, history did prove Sjahrir right. Indonesia achieved political sovereignty in late 1945, whereas Vietnam continued its military struggle until 1954 for independence of North Vietnam and until 1975 for the whole country.

Sjahrir had also pointed out one major difference between leadership in Indonesia and Vietnam. Whereas the leaders of the Republican government were mainly nationalists, most members of the Democratic Republic government of Vietnam were revolutionary leaders adhering to Communist ideology. Although several non-

Communist party members had been appointed to important positions in the state apparatus in the early cabinets, the entire system of appointment remained under influence of the Communist party as in later periods (Dang Phong & Beresford, 1998: 16). Since the fifth reorganization of the Coalition government and after the evacuation to Viet Bac in February 1947, the government was increasingly dominated by members of the Communist party and the Viet Minh. One consequence of this difference in leadership composition was that the Republican government in Indonesia could successfully mobilize the most capable nationalists with experience built up during the colonial period. By contrast, only a few members of the Vietnamese government had previous experience of economic management.

Believing that the Dutch was a weak colonial power, the Indonesian strategy was to attain independence by negotiation. Given the concerns of the Dutch about the future of their economic interests in Indonesia, the leaders of the Republican government sought to use economic concessions as the means to achieve the transfer of sovereignty. Economic aspirations were thus separated from the struggle for recognition of independence. This strategy resulted in the agreements reached at the Round Table Conference in late 1949. In Vietnam, however, economic nationalism and the struggle against foreign aggressors were considered inseparable. Concessions made by Ho Chi Minh in the *Modus Vivendi* of September 1946 only served as a tactic to gain time for the preparation of war. The French also did not consider negotiation a feasible option. The landing of French troops in North Vietnam in late 1946, followed by the occupation of Hanoi, demonstrated that France was intent on applying military force against Vietnam.

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