

Chapter 4

The Chinese Trading Company in European Law in the Netherlands Indies: A Case Study of the Sugar Merchants in Semarang

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Introduction

Society in the Netherlands Indies was known as a plural society that comprised Europeans, natives, and Foreign Orientals (*Vreemde Oosterlingen*) such as the Chinese or Arabs with each group observing its own religion, culture and language, ideas, and lifestyle. The Chinese, who were the largest ethnic group, belonged to the category of Foreign Orientals. They maintained their own economic spheres and played an intermediary role between Europeans and natives.¹ Some of the wealthy Chinese, however, expanded their economic activities into the European sphere and competed aggressively against each other. One typical area in which the Chinese entered was importing and exporting international commodities. This trend was quite noticeable in the sugar and rice trade, an area into which they expanded rapidly from the beginning of the twentieth century [Kudō 2018].

This chapter aims to show how the Chinese merchants developed their business, focusing on those merchants in Semarang, through the use of the limited liability companies (*naamlooze vennootschap*) that they established based on western law. Semarang was the third largest city in the Netherlands Indies after Batavia and Surabaya, located on the northern coast of Java. Chinese merchants in Semarang were known as sugar traders who often influenced market prices. Their transactions were usually done through limited liability companies and they received huge amounts of credit from Dutch banks during the sugar boom period [Kudō 2018]. It could be said that the limited liability company was one of the factors that led to their success in trading international commodities.

Chinese economic activity in the Netherlands Indies was basically operated by the Chinese using their traditional firms, called *kongsi*. The colonial government stipulated the regulation of the *kongsi* as a legal entity in the colonial legal system [Vleming 1926: 57–70]. Despite the existence of such a system that acknowledged the *kongsi*, that many

¹ For the Chinese economic role during the colonial era see [Cator 1936; Furnivall 1939; The Siauw Giap 1989].

Chinese preferred to employ limited liability companies instead of the *kongsi* was a significant indicator demonstrating how their business activities were changing and how they would overcome barriers in that plural society.

Vleming's classic study of the Chinese *kongsi* and limited liability companies pointed out dishonest practices by Chinese who made use of limited liability companies [Vleming 1926: 74–86]. In his analysis, however, it is not clear how business operations based on limited liability companies contributed to the development of trading enterprises. For this reason, this paper clarifies the relationship between the background of the establishment of the limited liability companies and the expansion of the scale of the business by pursuing three themes. First, I analyze the process of applying colonial corporate law to Chinese merchants. Second, I reveal the characteristics of Chinese limited liability companies in each large city through the use of statistical company data. Finally, I explain how companies were established, based on Chinese orientation toward the international trade, using the case of the Chinese in Semarang.

1. The Limited Liability Company in the Netherlands Indies

1. 1. *Limited Liability Companies and Kongsi Defined in the Commercial Code*

The system of the limited liability company provided an opportunity for the Chinese in 1855 when the Commercial Code (*Wetboek van Koophande*) was revised. The details of the regulations for limited liability companies were defined by Articles 35 through 56 of the Commercial Code that went into effect in 1848. Initially, the Commercial Code was applied only to Europeans, because Chinese and other groups were classified as having the same status as natives in the colonial legal system.² There were, however, many disputes that occurred between Europeans and Chinese in the course of commercial transactions. As a result, there were an increasing number of requests for the Chinese to be able to operate under the same commercial regulations as Europeans in order to guarantee the legal binding force in transactions. For that reason, the Civil and Commercial Codes, except family and inheritance law, came to be applied to Foreign Orientals beginning in 1855. This amendatory decree was called the *Staatsblad* 1855 No. 79, or Foreign Oriental Act [Vleming 1926: 64–65; Cator 1936: 48–49; Tjiiook-Liem 2009: 137–138; Mahy 2012: 9–11].

With the enactment of the *Staatsblad* 1855 No. 79, the road to being able to operate in either one of two kinds of business entities was opened to the Chinese. One of these was

² As for the legal status of the Chinese, see [Cator 1936; Coppel 2002; Tjiiook-Liem 2009; Mahy 2012].

the *kongsi*, a Chinese traditional business entity. The other was the limited liability company regulated by the Commercial Code.

The *kongsi* was an intermediate and mixed form of incorporation in the Netherlands Indies based on the concept of Chinese traditional business organizations. The term *kongsi* itself was not a term that was originally restricted to a commercial company, but also included organizations of family numbers or vocational groups [Negishi 1943: 547]. In Southeast Asia, ancestral foundations, mutual aid organizations, revenue farming groups, or mining organizations are well known as typical forms of *kongsi*.³ In the Netherlands Indies, many *kongsi* were organized for the non-commercial purposes mentioned above. When they existed as a business entity, however, *kongsi* were regulated by article 6 of the *Staatsblad* 1855 No. 79, as a Chinese business organization of any form that contained more than one person. Further, once a *kongsi* was registered, the members' rights and obligations were to be effective for both members and third parties. In other words, the *kongsi* had a legal existence similar to that of a limited liability company upon registration [Vleming 1926: 64–71].⁴

After the amendment of the *Staatsblad* 1855 No. 79 in 1919, the *kongsi* were considered to be the same as firms that operated under the Commercial Code, and were required to register.⁵ There were not, however, many companies that actually registered. Ultimately, the form of the *kongsi* became legally ineffective in 1929 [Vleming 1926: 65–74]. By that time, the most powerful Chinese merchants tended to choose the limited liability company over their customary style of *kongsi* to operate their businesses.

1. 2. The Limited Liability Company

In the background of the decision by the Chinese to use the limited liability company, it is thought that the demand for modern business organization increased among the Chinese along with the spread of European-style education. In addition, the recognition of the company as a viable way of doing business became common [Vleming 1926: 74]. Before discussing the Chinese company in detail, we will discuss the limited liability company in the colonial setting, comparing it to European practices in terms of size.

Until the mid-nineteenth century, limited liability companies in the Netherlands Indies were almost completely dominated by Dutch capital companies related to the Cultivation System (*Cultuurstelsel*) such as the Netherlands Trading Society

³ For various types of *kongsi*, see [Vleming 1926; Trocki 1997].

⁴ In this paper, the term of the *kongsi* is limited to a customary business organization formed by the Chinese, that was regulated in the *Staatsblad* 1855 No. 79.

⁵ The regulation was amended by *Staatsblad* 1919 No. 29 enacted on 1 May, 1919.

(*Nederlandsche Handel-Maatschappij*). There were only 31 such companies in 1870: 23 financial companies such as banks and insurance companies and eight transportation businesses [Campo 1995: 46]. Establishment of new companies gained momentum as a result of the large-scale influx of private capital that began in 1870. Dozens of companies were established and, after 1896, the pace accelerated to more than 100 companies annually. The peak of registration occurred in 1910. In that single year, more than 326 companies were recorded [Campo 1995: 46–49]. The total number of companies reached 2,400 in 1914 with a total of 3,700 in 1920. The number decreased, however, to 2,800 in 1930 after the beginning of the Great Depression, and further decreased to 2,200 in 1940 [Lindblad 2008: 22].

According to the analysis by Lindblad, of the 2,800 corporations operating in 1930, approximately 80% were headquartered in Java. A breakdown of the founders shows 65.8% for European companies and 24.3% for Chinese. The number of Chinese companies accounted for about a quarter of the total. The size of these companies' capital was relatively small compared with European companies. Among European companies, Dutch entities had the largest share in term of numbers and capital, 23.0% and 60% of the total [Lindblad 1993: 704–710].

2. Foundation of the Chinese Limited Liability Company

In this section, we will take a closer look at Chinese companies in detail. We will review those founded from the end of the nineteenth century to the 1920s in terms of the date of their establishment and size of capital resources considering both the business sector and area characteristics.

In general, a newly established limited liability company submitted its articles of incorporation, prepared by a notary, to the colonial government's Governor General. After approval, the articles were registered in the district court. The new company's registration was publicly announced along with the articles of incorporation in the gazette, *de Javanese Courant* [Ministry of Foreign Affairs 1915: 336–337]. In order to understand, in a quantitative sense, the Chinese companies, company names have been taken from the company directory, *Handboek voor Cultuur- en Handelsondernemingen in Nederlandsch-Indië* (*Handboek*) where company registration information was posted.⁶ In the *Handboek*, all companies were divided into one of three sectors: Commercial, Agriculture, and Others. In this analysis I basically follow these three categories. Extraction of Chinese companies was based on whether the company name was Chinese and if the majority of the directors

⁶ The *Handboek* was published annually. To collect data for this study, I used the editions published every five years: 1900, 1905, 1910, 1915, 1920, and 1925.

were Chinese.⁷

2. 1. Number of the Chinese Companies and the Scale of Capital

From 1887 to 1923, a period of 36 years, the number of newly established Chinese companies totaled 1,144. As shown in Figure 1, the appearance of newly established companies accelerated from the beginning of the twentieth century onwards. The year 1920 recorded the largest number with 124 companies. The number declined sharply after 1921, however, with no new establishment after 1924.

Focusing on each business category (Figure 1), the commercial sector accounted for the largest number of establishments, a total of 731 companies, accounting for 64% of the total. Many of these companies registered under the name of the representative person and *handel maatschappij*, or trading company in Dutch. In the agricultural sector, there were

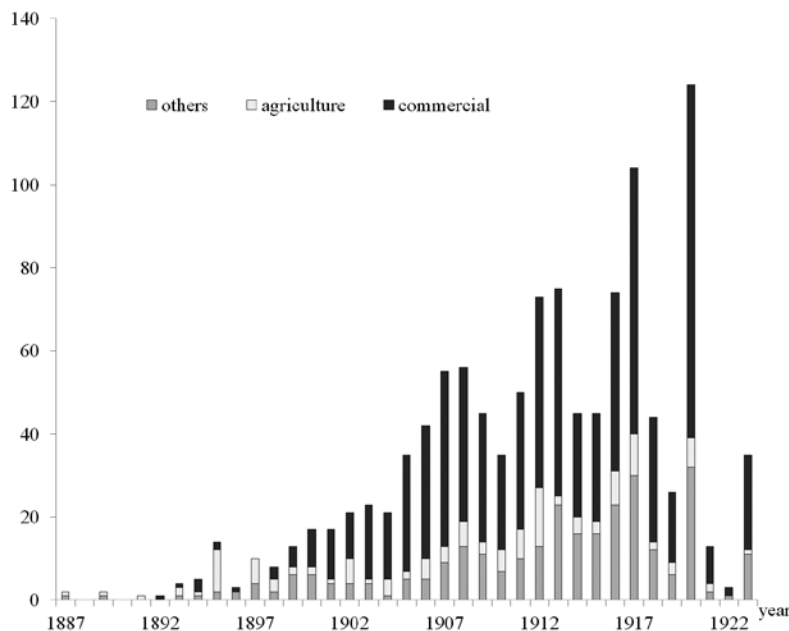


Figure 1 Number of the Establishment of the Chinese Company

Source: *Handboek voor Cultuur- en Handelsondernemingen in Nederlandsch-Indië*, 1900, 1905, 1910, 1915, 1920, 1925.

⁷ Banks are also listed in the commercial sector in the *Handboek*. They are excluded from this analysis because there is a significant difference in the nature of the business or in the amount of capital. For companies listed in different departments according to the published edition, I made adjustments based on the main business area.

129 companies, about 10% of the total. In this category, besides the plantation companies that produced sugar, tapioca, copra, tobacco, or tea, we find some transferred their private land (*particuliere landrijen*) ownership into a stock company. Those transfers occurred mainly in the vicinity of Batavia.⁸ The number of companies that belonged to the others category totaled 258, about 20% of the total. These companies operated various types of businesses. Almost half of them, 106 companies, were involved in construction and real estate. Some of these companies converted their private land into stocks just as was the case in the agricultural sector. The rest were engaged in manufacturing, milling rice, printing, the hotel industry, etc.

Regarding the scale of capital in these companies (Table 1), approximately half (51%) of the companies had less than 100,000 guilders. Only 15% of the Chinese companies invested more than 300,000 guilders. While companies with capital less than 100,000 guilders are in the majority in the commercial and others sectors, the capital scale in the agricultural sector was relatively large, with 43% having more than 300,000 guilders.

There were ten companies with capital exceeding 1,000,000 guilders in each category. The owners of these large companies were officers appointed by the colonial government such as Medan's Mayor, Tjong A Fie, Surabaya's Han family and The Tik Gwan, Semarang's Oei Tiong Ham, Sukaraja's Kho Joe Seng, and so on.⁹

Table 1 The Chinese Company per Capital Size

capital (guilder)	commercial		agriculture		others		total	
–100,000	406	56%	28	22%	155	55%	589	51%
100,000–290,000	260	36%	46	36%	83	29%	389	34%
300,000–490,000	22	3%	23	18%	20	7%	65	6%
500,000–990,000	26	4%	22	17%	14	5%	62	5%
1,000,000–	10	1%	10	8%	10	4%	30	3%
unknown	7	1%	–	–	2	1%	9	1%
total	731		129		284		1,144	
average of capital (guilder)	122,261		675,202		186,680		200,961	

Source: *Handboek voor Cultuur- en Handelsondernemingen in Nederlandsch-Indië*, 1900, 1905, 1910, 1915 1920, 1925.

⁸ Private land was the land that allowed ownership and privileges including the right to collect taxes. Since the mid-eighteenth century the Chinese invested in private lands that were located mostly in the western part of the Cimanuk river in West Java [Lohanda 2002: 30].

⁹ As for the prominent Chinese officers, see [Yoshihara 1989; Salmon 1991; Haryono 2017]. The Han family was known as the largest landowner in East Java and assumed the post of *Kong Koan* Surabaya.

2. 2. *Regional Characteristics*

Considering the locations where companies were established, over 80% were situated in Java. The remaining 20% were on the outer islands and there were a few in the region east of Bali. Within Java, the concentration of companies in the urban area was remarkable and accounted for 65% in three large cities: 264 in Batavia, 196 in Surabaya, and 145 in Semarang. The number of companies in each city was proportional to the Chinese population. Concerning the characteristics of these three major cities, we will examine the details in each category in terms of the types of businesses, the date of establishment, and the scale of capital.

(1) Commercial Sector

One of the most prominent features in the commercial sector is the emergence of large companies in Semarang from the 1890s to the beginning of the twentieth century. Six companies, with an average capital of 550,000 guilders, were established in that time frame, a scale of capital that was not seen in other cities up to that time or anywhere after 1901. This high average was due to two companies: *Handel Maatschappij Kian Gwan*, founded in 1893, and *Handel Maatschappij The Ing Tjiang*, founded in 1899, with capital of 1,400,000 and 1,300,000 guilders, respectively. The scale of both companies was more than 10 times greater than the average company in the commercial sector, that is, 120,000 guilders.

In the three cities, as a whole, the establishment of companies peaked in the 1910s, but declined sharply in the 1920s (Table 2). The trading company in Semarang was larger in capital size than in the other two cities until the 1910s. In Batavia, there was a boom in the establishment of relatively small companies from 1906 to 1915, and the capital scale expanded in the latter half of the 1910s. In Surabaya the number of newly established companies rose sharply during the 1910s.

(2) Agricultural Sector

Regarding the agricultural sector, the number of large companies in Batavia is remarkable from the end of the nineteenth century to the beginning of the twentieth century (Table 3). Twenty companies had been established by 1900; most were agricultural companies (*cultuur maatschappij*) that ran their operations on their private land. The number of the private land was 433 in Java, of which 339 were located in Batavia and its surrounding areas, west of the Cimanuk river.¹⁰

On the other hand, few agricultural companies converted from the private land in

¹⁰ *Koloniaal Verslag*, 1901–1902; *Regeerings Almanak van Nederlandsch- Indië*, 1901, pp. 426–432.

Table 2 Commercial (average capital: guilder)

	Batavia		Surabaya		Semarang	
	company	ave. capital	company	ave. capital	company	ave. capital
–1900	5	180,000	3	95,333	6	550,000
1901–1905	13	64,000	20	124,750	9	178,333
1906–1910	44	87,807	18	62,500	21	114,286
1911–1915	41	93,850	26	71,031	17	121,250
1916–1920	36	242,076	52	189,904	39	128,462
1921–1925	5	48,000	10	163,000	4	256,250
	144	147,722	129	171,214	96	214,227

Table 3 Agriculture (average capital: guilder)

	Batavia		Surabaya		Semarang	
	company	ave. capital	company	ave. capital	company	ave. capital
–1900	20	311,200	1	30,000	3	325,000
1901–1905	5	234,000	0	–	4	500,000
1906–1910	6	169,167	3	76,667	2	800,000
1911–1915	7	277,143	1	900,000	0	–
1916–1920	6	378,333	4	390,000	1	40,000,000
1921–1925	2	575,000	0	–	0	–
	46	299,326	9	302,222	10	44,575,000

Table 4 Others: real estate (average capital: guilder)

	Batavia		Surabaya		Semarang	
	company	ave. capital	company	ave. capital	company	ave. capital
–1900	14	317,357	1	100,000	2	525,000
1901–1905	3	103,000	0	–	1	50,000
1906–1910	11	169,455	2	275,000	2	1,200,000
1911–1915	12	134,167	7	307,143	4	162,500
1916–1920	7	202,857	23	220,227	7	192,857
1921–1925	1	10,000	3	208,333	1	400,000
	48	201,167	36	236,286	17	347,059

Table 5 Others: industry (average capital: guilder)

	Batavia		Surabaya		Semarang	
	company	ave. capital	company	ave. capital	company	ave. capital
–1900	3	433,333	0	–	1	67,500
1901–1905	2	85,000	1	30,000	7	44,000
1906–1910	7	44,286	1	100,000	4	72,500
1911–1915	8	32,500	9	59,444	4	36,250
1916–1920	6	55,500	8	64,375	6	314,167
1921–1925	0	–	3	20,000	0	–
	26	91,269	22	56,364	22	122,523

Source for Tables 2–5: *Handboek voor Cultuur- en Handelsondernemingen in Nederlandsch-Indië*, 1900, 1905, 1910, 1915, 1920, 1925.

Surabaya and Semarang. Instead, there were many companies related to sugar production owned by the prominent Chinese. In Surabaya, a sugar factory, *Suikerfabriek Soekoredjo*, was the largest. It was established jointly by two Chinese officers, Han Tjiong Khing and The Toan Ing in 1912.¹¹ Han and The families were known as opium firming group in Kediri, East Java. They expanded their business to include not only sugar production but also real estate in the area around Surabaya [Salmon 1991: 74–77]. In Semarang, eight out of the ten companies in this sector were managed by Oei Tiong Ham, who ran five sugar factories. The average amount of capital from 1916 to 1920 reached 40,000,000 guilders because Oei integrated the five sugar factories and established a holding company.

It is obvious from the differences among the three cities in Java, that the Chinese elite group in Batavia established the limited liability company to manage their private land. In Surabaya and Semarang the purpose behind establishing a company was mainly to enter the sugar industry.

(3) Others

For the businesses sector in the category others, I have conducted my analysis in two parts: one for real estate-related projects and the other as “industry” because the range of the business areas varied widely (Table 4 and 5). The real estate business category contains some projects in development and operation of private land similar to those in the agricultural sector. That situation was especially true in Batavia where 14 companies related to the development and operation of private land were established with large capital before 1900.

In Semarang, a few companies with a large scale of capital were established before 1900 and during the latter half of the 1900s. These were real estate companies that were operated by some prominent families—Tan, Liem, or Oei, famous officers who came from the elite of *Kong Koan* or the Chinese Council.¹² In Surabaya, the emergence of new companies came later than in Batavia and Semarang, with an establishment boom that began in the mid-1910s.

Businesses other than real estate such as manufacturing, rice milling, printing, the service industry, etc. were generally small in capital size and there were fewer of them. Large investments for the cement industry and rice mills, however, were made before 1900 in Batavia. In Semarang, a prominent Chinese individual, Kwa Wan Hong, operated several projects such as an ice-making factory and lime production despite having a small amount of capital.¹³ It could be said that it was through these new enterprises that the

¹¹ *De Javasche Courant*, 19 Mar. 1912; *Handboek*, 1915, p. 768; *Bataviaasch Nieuwsblad*, 19 Jun. 1917.

¹² They had a relationship based on marriage. See [Haryono 2017].

¹³ He was an executive member of several Chinese organizations, the Chinese Association (*Tiong*

Chinese entered the industrial sector.

To summarize the discussion so far, Chinese companies were engaged mainly in the commercial sector with small and medium scales of capital. From the end of the nineteenth century to the beginning of the twentieth century, there was a movement to invest large amounts of capital in some sectors. These investments were mainly in commercial, real estate, and sugar and were managed by wealthy Chinese such as officers of *Kong Koan*. From the 1910s onwards, it can be seen that a large number of firms with smaller amounts of capital were established, and the Chinese limited liability company spread to all of the cities. The rapid increase in the number of small to medium sized trading companies seemed to be linked to the revitalization of commercial activities in the Netherlands Indies.

Three major cities in Java each had their own characteristics. In Batavia, the movement of Chinese to manage private land with a stock company spread from the late 1880s. Most of these companies were named for agricultural or real estate development companies and the owners were the same individuals who were officers of the *Kong Koan*. On the other hand, Surabaya's and Semarang's officers invested their assets mainly in businesses related to agriculture, real estate, or sugar. Furthermore, the size of the capital possessed by these companies in the commercial sector in Semarang before 1900 was much larger than that in other cities, even when compared to the later era. Thus, there were already several major merchants who had incorporated limited liability companies by the end of the nineteenth century.

3. The Chinese Company in Semarang

3. 1. *Business Styles of Major Chinese Companies*

Table 6 lists 22 Chinese companies founded by 1915 with capital exceeding 200,000 guilders in Semarang. Eight companies were managed or owned by Oei Tiong Ham (No. 1, 6, 8, 9, 10, 12, 14, and 15), a prominent mayor of Semarang. His companies operated in the trading, shipping, sugar factory, and real estate areas. The second largest, a trading company called *Handel Maatschappij The Ing Tjiang* (No. 5), was founded by The Ing Tjiang, who was the first president of *Siang Hwee* (the Chinese Chamber of Commerce in Semarang). Gan Kang Sioe, who established the second oldest trading house (No. 3), also served as an executive of *Siang Hwee*. These large companies mentioned above were established by the end of the nineteenth century and were managed by leaders of Chinese

Hoa Hwee Koan: THHK) or Chinese Chamber of Commerce (*Siang Hwee*), in Semarang. The companies he managed totaled eight including ice, printing, brick, lime, and poultry industries [*Handboek*, 1900–1920].

Table 6 Chinese Companies with Capital Exceeding 200,000 Guilders in Semarang (1893–1915)

	company	line of business	established year	capital (guilder)	director	commissioner
1	HM Kian Gwan	trading (sugar, rice)	1893	1,400,000	Tjioe Ping Hie	Oei Tjie Sien, Oei Tiong Ham, Oei Tiong Bhing
2	BM Liem Kim Ling	real estate	1897	750,000	Liem Tjing Kang, Liem Tjing Soey	
3	HM Gan Kang Sioe	trading (sugar, rice)	1898	250,000	Gan Kang Sioe	Gan Bien Soen
4	M tot Exploitatie van Landerijen en Andere Vastigheden Tan King Koeij	real estate	1898	300,000	Tan King Koeij	
5	HM The Ing Tjiang	trading (sugar, rice)	1899	1,300,000	The Ing Tjiang	The Pik Hong, The Oen Hiang, The Pik Pin
6	Semarang Stoomvaart	shipping	1901	500,000	HM Kian Gwan	Oei Tiong Ham, Oei Tiong Bhing
7	Land en Niveheidsm de Moeria	industry	1902	200,000	Tan Goan Soeij	
8	Suikerfabriek Redjo Agoeng	sugar factory	1902	600,000	C.W. Baron van Heeckeren	Ko Djie Soei, Tjioe Ping Hi
9	Suikerfabriek Tanggoel Angin	sugar factory	1902	600,000	A.W. Hartman	Ko Djie Soei, Oei Tiong Ham
10	Suikerfabriek Pakkies	sugar factory	1904	600,000	A.W. Hartman	Oei Tiong Ham, Ko Djie Soei, Liem Tjoe Ie
11	HM Liem Kiem Ling	trading (cotton)	1905	500,000	Liem Tjing Kang, Liem Bwan Tjioe	
12	BM Randoesari	real estate	1906	2,000,000	H.J. Boelen	Oei Tiong Ham, Tjoen Hoei Oei
13	HM Tan Gee Tjiang	trading	1907	350,000	Tan Gee Tjiauw, Tan Hing Djien, Tan Hing Gie	
14	Suikerfabriek Krebet	sugar factory	1908	1,000,000	A.W. Hartman	Oei Tiong Ham, Ko Djie Soei, T.H. Oei
15	Suikerfabriek Ponon	sugar factory	1908	600,000	A.W. Hartman, Chr.P. van Wijngaarden	Oei Tiong Ham, Ko Djie Soei, T.H. Oei
16	HM Oei Tjoe	trading (sugar, rice, coffee)	1910	400,000	Oei Ik Tjoe	Kho Cjoen Liong, Oei Yok Kie
17	Semarang Houthandel	timber	1910	300,000	Tjan Blauw Djan	Th.L. Kan, Liem Tjoe Ie
18	BM The Pik To	real estate	1910	400,000	The Pik Pien	The Pik Hong, Siek Djwee Kioe
19	HM Oei Wan Kie	trading, real estate, finance	1911	400,000	Oei Wan Kie	Ko Djie Soei, Oei Tjiauw Sie
20	HM Goei Keh Sioe	trading (sugar, rice, coffee), real estate	1912	600,000	Goei Keh Sioe	
21	BM Boeloe	real estate	1912	300,000	Goei Keh Sjang	Goei Keh Sioe, Goei Ing Toen
22	BM Goo Boon Quan	real estate	1914	200,000	Go Boon Quan, The Pik Hong	

Note 1: HM: *Handel Maatschappij* (trading company), BM: *Bouw Maatschappij* (building, construction company).

Note 2: The name of the director and commissioner is at the time of establishment.

Note 3: Three sugar factories that were run by Oei Tiong Ham (no. 9, 10, 15) were registered at Semarang, although their factories were located in East Java.

Source: *Handboek voor Cultuur- en Handelsondernemingen in Nederlandsch-Indië*, 1900, 1905, 1910, 1915, 1920, 1925.

organizations. Concerning how they exercised the business management of these companies, which led the Chinese enterprises of Semarang after the twentieth century, we will discuss in terms of shareholders and capital investments that can be determined by an examination of the articles of incorporation.

(1) Oei Tiong Ham and “*Kian Gwan*”

The most prominent position in the Chinese business community in Semarang was held by Oei Tiong Ham who had established eight companies by 1915. It is obvious that the main sector of his business was the sugar industry that exported products to China, India, and Europe. For that reason, he was often called the “Sugar King of Java.” He also established a bank in 1906, not included in the list above, and formed the largest Chinese conglomerates in Southeast Asia [Yoshihara 1989; Dick 1993].

Oei Tiong Ham’s first company, *Handel Maatschappij Kian Gwan*, was passed on to him by his father, Oei Tjie Sien, who immigrated to Java in 1858. At first, Oei Tjie Sien engaged in the trade of Chinese goods such as the herbal medicine, silk, dried fish, and local products in Java like rice, sugar, gambir, and so on [Dick 1993: 272–273]. After Oei Tiong Ham began opium farming in the 1880s, he also formed a presence in the sugar business and expanded rapidly.

One business purpose of *Kian Gwan*, according to the articles of incorporation, was to take over the business handled by Oei Tjie Sien in Semarang, Surabaya, Yogyakarta, and Kebumen.¹⁴ Stock capital totaled 1,400,000 guilders and was divided into 140 shares. Of the total, 125 shares were allocated to Oei Tjie Sien and the remaining 15 shares were allocated to his two sons. Oei Tiong Ham received ten shares, and Oei Tiong Bhing received five shares. Oei Tjie Sien’s 125 shares were paid in the form of actual investment in 38 pieces of real estate located in the Semarang Chinese district.¹⁵ These property assets had been acquired by Oei Tjie Sien from 1862 to 1890. Thus, he accumulated the assets shortly after arriving from China. After his death, the main trading business of *Kian Gwan* was taken over by Oei Tiong Ham and responsibility for the real estate businesses was assumed by Oei Tiong Bhing [Dick 1993: 276].

In the 1900s, Oei Tiong Ham registered five sugar factories as limited liability companies in central and eastern Java with capital of 500,000 to 1,000,000 guilders each. For these companies, some Europeans and another Chinese family were also listed as shareholders.¹⁶ This kind of membership system was rarely seen in other Chinese companies which usually were owned only by family members. One shareholder of Oei

¹⁴ *De Javasche Courant*, 3 Oct. 1893.

¹⁵ The properties were land, buildings, and warehouses in the Chinese district acquired from 1862 to 1892.

¹⁶ *De Javasche Courant*, 28 Feb. 1902, 4 Mar. 1902, 18 Feb. 1908, 21 Feb. 1908.

Tiong Ham's companies, C. W. Heeckeren, was a Dutch legal consultant who had engaged in the Colonial Government and various plantation companies. He had collaborated with Oei Tiong Ham since the 1890s, and founded an agricultural concern, *Cultuur Maatschappij Koetosari* as a joint venture company in 1893 [Feldwick 1917: 1071–1075].¹⁷ One year later, he took a post as a commissioner of a sugar factory in Pati, Central Java that had been bought by Oei Tiong Ham.¹⁸

The recruitment of Europeans is also seen in the field of management. Two European specialists, Hartman and Wijngaarden, were entrusted as directors of the sugar factory.¹⁹ Oei seems to have hired European experts in order to acquire modern technology, to receive financing from European banks, and to manage the land for sugarcane cultivation. These are factors leading to his success in expanding his sugar business aggressively in the twentieth century.

(2) The Ing Tjiang and “Kong Seng”

The Ing Tjiang established the second largest Chinese trading company in Semarang next to *Kian Gwan*, *Handel Maatschappij The Ing Tjiang* in 1899. As was the case with *Kian Gwan*, this company also aimed to inherit the trading business that had existed in Java using the trademark “Kong Seng.” Its articles of incorporation also stated that the company would take over the real estate that the company possessed and develop.²⁰

The company's capital was 1,300,000 guilders, invested by The Ing Tjiang for 235 shares. The company's remaining 15 shares were owned by his son, The Pik Hong, and two nephews The Oen Hiang and The Pik Pin, acquired five shares each in cash. The total shares owned by The Ing Tjiang amounted to 1,225,000 guilders that were capitalized by his own real estate in 41 locations. These properties were land, buildings, and warehouses acquired by the family from 1874 to 1899 in Semarang, Surakarta, and Yogyakarta.²¹ Thus, his business was very active, not only in trading but in developing real estate.

The Ing Tjiang started his career around 1860 in Semarang, mainly by conducting trade between Java and China. By the early twentieth century, he had become a famous businessman whose dealings in sugar exceeded 1,000,000 guilders. He opened branches in Surabaya, Singapore, and Amoy to export products from Java to British India, China, and Siam [Wright 1909: 509–512].

¹⁷ The capital of the company totaled 75,000 guilders, invested by Heeckeren, Oei Tiong Ham, and a Dutch lawyer. The company was engaged in the estate that produced rice and indigo [*De Javasche Courant*, 28 Apr. 1893].

¹⁸ *De Javasche Courant*, 5 Jan. 1894.

¹⁹ *De Javasche Courant*, 28 Feb. 1902, 4 Mar. 1902, 18 Feb. 1908, 21 Feb. 1908.

²⁰ *De Javasche Courant*, 20 Jun. 1899.

²¹ *De Javasche Courant*, 20 Jun. 1899.

The Pik Hong, The Ing Tjiang's oldest son took up his post as an officer of *Kong Koan* in 1892.²² The manner in which he achieved an honorable position for his son through the use of financial power and reputation was very similar to that employed by the Oei family. As mentioned above, The Ing Tjiang was selected as the first chairman of *Siang Hwee* Semarang and exercised great influence in Semarang until the First World War [Kudō 2018].

(3) Gan Kang Sioe and “*Hap Tjang*”

The second oldest trading company in Semarang was *Handel Maatschappij Gan Kang Sioe*. The owner, Gan Kang Sioe, also took over the trademark, “*Hap Tjang*,” from his *kongsi* that he operated before then. He also expanded his business in trading and real estate. The company's capital consisted of 100 shares with 250,000 guilders (2,500 guilders/share). Of the total shares, 98 were converted from 11 property assets owned by himself. The remaining two shares were paid for in cash by his son, Gan Hong Tik. The real estate holdings appropriated for capital were land and buildings spread throughout the Chinese district in Semarang which had been acquired from 1887 to 1895.²³

Gan Kang Sioe was also involved in *Handel Maatschappij Gan Bien Soen* that was established in the same year. The major shareholder, Gan Bien Soen, considered to be a relative of Gan Kang Sioe, invested 48 shares with seven real estate holdings and Gan Kang Sioe invested two shares with two real estate holdings. According to the articles of incorporation, the company's purpose was not only to continue trading but also to develop the real estate they owned.²⁴

Gan Kang Sioe came from Amoy to Java in 1868 and began his trading business between China, the Straits Settlements, and Java just after his arrival at Semarang. At the beginning of the twentieth century his reputation had already been established as one of the most prominent Chinese traders [Wright 1909: 512]. As is clear from the amount of real estate holdings that were invested as shares, the Gan family had also accumulated the capital through their real estate business while conducting the trading business.

Interestingly, Gan Kang Sioe became a Japanese subject as a Taiwanese, called *Taiwan Sekimin* in Japanese.²⁵ At that time, the Taiwanese were regarded as Japanese subjects and could enjoy the European status that allowed benefits such as tax incentives and exemption of the pass system that was imposed on the Chinese. His business seems to have further developed after obtaining the status of a Japanese subject as a sugar trader [Kudō 2005].

²² According to the *Regeerings Almanak*, he received the title of Lieutenant in 1892.

²³ *De Javasche Courant*, 15 Nov. 1898.

²⁴ *De Javasche Courant*, 18 Nov. 1898.

²⁵ As for *Taiwan Sekimin* see [Nakamura 1980; Kudō 2005].

We can find some commonality in the three companies discussed above. First, they started businesses in Semarang in the 1860s and converted them into stock companies by the end of the nineteenth century inheriting the existing business which had operated as a *kongsi*. In addition, each company invested major shares using real estate in their possession. They acquired real estate holdings in the city of Semarang using profits from the trading business, making the property assets backing the stock for the limited liability company.

Much of the real estate incorporated into the capital of these companies was acquired after 1870. According to the Land Act of 1870, all land in which ownership could not be verified was to be regarded as state land (*staatsdomein*). Land within a city's limits was not subject to that regulation.

Unlike the situation in Batavia, there was little privately held land in the area surrounding Semarang. As a result, land ownership for the Chinese in Semarang was naturally concentrated in urban areas such as the Chinese district. In this way three companies accumulated land in urban areas. They were traders and landlords as well.

3. 2. *Expansion to International Trading Business*

The next question is to determine the purpose of these Chinese-established limited liability companies. As far as the Chinese in Semarang were concerned, it is thought that the conversion into limited liability companies from *kongsi* would correspond to the international trade which had expanded rapidly since the end of the nineteenth century. Both had warehouses for rice and sugar in the Pudamarian district at the western end of the Chinese district at the beginning of the twentieth century.²⁶ That means that they had already entered into the trade of international commodities such as rice and sugar in large quantities in addition to the traditional trade conducted between China and Java. Rice was usually imported from Saigon, Siam, Burma, or the Straits Settlements. Sugar was exported to India, China, or the Straits Settlements.

To expand the trade of international goods, Chinese merchants needed to strengthen their ability to obtain credit from colonial authorities, financial institutions, or other sources of European capital. Along with the increase in intra-Asian trade since the end of the nineteenth century, overseas business partners diversified. Handling large quantities of international commodities also required huge capital and loans from banks. Transactions using letters of credit, bills of lading, and warehouse securities also increased. For example, for direct imports of rice from the production area, which increased since the beginning of

²⁶ *De Locomotief*, 27 Sep. 1902.

the twentieth century, importers required transaction via brokers and credibility with banks [Vleming 1926: 141–142]. Therefore, importing rice was limited to those certain Chinese who possessed great capital strength and creditability and who could get the payment guarantees from banks. In order to gain such a guarantee from the bank, it is thought that the organizational form of the *kongsi* was insufficient, and required modern management system just as would be found in a Dutch company. That requirement led to the establishment of the limited liability company. Through converting real estate that accumulated into company stock, transactions with sources of European capital would be possible and proceed more smoothly.

Actually, those Chinese who established limited liability companies had had close relations with European banks since the end of the nineteenth century. *De Javasche Bank*, which had been doing credit business, is known for its care in dealing with the Chinese but its Semarang branch, as of 1900, gave a sugar credit to only two companies, The Ing Tjiang and Gan Kang Sioe.²⁷ In other words, both companies enjoyed credit from the most powerful Dutch bank with the lowest interest rates, and could purchase the sugar from the Dutch sugar mills and export large quantities. The relationship between *de Javasche Bank* and these major Chinese traders continued until the mid-1910s when sugar trade increased sharply and the credit facility from various banks was further increased along with the Chinese company's increasing capital. By the end of the 1910s, The Ing Tjiang had increased its capital to 2,000,000 guilders and Gan Kang Sioe to 1,000,000 guilders.²⁸ Such a substantial scale of business and expansion of creditworthiness were recognized in the Chinese community, and they were appointed as chairman or executives of the *Siang Hwee* that were established in 1907.

However, most large companies established by the Chinese were private or family-owned companies whose few members held the majority of shares. Looking at the shareholder composition we find two types of company. First is the company in which the founder held major shares with the remainder handed over to clan members or business partners. Second was the company in which shares were allocated almost equally within a circle of relatives or friends. In the case of Semarang, the former type was more popular than the latter. These kinds of companies were established to increase their creditworthiness with the European Banks rather than to collect funds from various investors to do business jointly.

²⁷ DJB: 4841, Semarang Branch Annual Report 1900.

²⁸ *Handboek*, 1920, pp. 1079, 1284.

Conclusion

The Chinese in the Netherlands Indies had been allowed to do business under the form of the limited liability company in addition to the form of *kongsi*, based on the Commercial Code. Since the end of the nineteenth century the movement of the limited liability company accelerated especially in the large cities. Although most limited liability companies were small- to medium-capital companies and similar to the *kongsi*, some companies that emerged at the end of the nineteenth century had large-scale capital resources. The purpose of establishing a company varied greatly from city to city. Wealthy Chinese in Batavia tended to invest capital in the management of their private land. In Semarang and Surabaya, companies that focused on sugar production and the commercial sector were more popular. In Semarang in particular, wealthy officers of *Kong Koan* invested their real estate assets into new companies for trading.

These Chinese had purchased property in the city through trading and accumulated capital since the mid-nineteenth century. Based on their assets, they established limited liability companies and launched new trade activities that were developing in the Netherlands Indies. The purpose of establishing the limited liability companies was to raise creditworthiness in order to be able to conduct international trade. Actual management of the companies, however, seen from the articles of incorporation, was so-called family businesses operated by a limited number of shareholders. In that way they were not significantly different from the *kongsi*. In the other words, application of the European Commercial Code to the Chinese was requirement imposed by Europeans seeking guarantees in transactions. Meanwhile the Chinese actively made use of the limited liability company system that had been regulated in the law.

Major Chinese traders who succeeded in the international trading became leaders of the Chinese society after the twentieth century and crossed the boundary of the plural society using the European system.

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