

JAPANESE-CHINESE IMPORT TRADE COMPETITION DURING THE 1930s CRISIS

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Abstract

In the Indonesian historiography, the contest for market between the Chinese and indigenous traders has long attracted much scholarly attention, however this issue was actually only part of the story. This article seeks to elaborate the Japanese and Chinese import trade competition in Java during the 1930s depression. Drawing upon both primary and secondary historical materials, it is argued that instead of creating a time of hardships, the crisis paved the way for Japan's import trade expansion. Benefiting from the creation of large market for cheap products among the customers in Java suffering from a decline in purchasing power and their owned trade networks, a great number of Japan products will soon control the market. The Chinese found that their well-established economic position was seriously threatened. Although Japan's fast rising market domination was eventually removed, it was due to the changing of the socio-political environment that created major obstacles for the Japanese to maintain its position, rather than that of the responses of the Chinese traders.

Keywords: 1930s crisis, Chinese traders, import trade, Japanese traders, Java

1. Introduction

The rebirth of Japan under the Meiji era (1868-1912) had radically changed Japan and its relations with other countries. Japan emerged as a modern powerful state both in military and economic terms and had an equal position to the western colonial powers (van Dijk, 1994). No less important, from 1899 the Japanese received "European status" in the Netherlands Indies (De Graeff, 1945; Fasseur, 1994). The modernization of Japan, however, posed a serious danger to the neighbouring countries because Japan began to demonstrate a strong territorial ambition (Aziz, 1955). This development inevitably placed Japan in a series of conflicts, including with China, one of its major sources of cultural influence. The two powers, for example, competed for a political hegemony over Korea and Formosa in 1894-1895. By the Treaty of Shimonoseki signed on 17 April 1895, Japan established its political control over the two territories (Hane, 1986; Storry, 1963). China was forced further to cede part of her territory, Shantung, which was previously colonized by Germany to Japan in 1919 (Mouw, 1937-1938; Aziz, 1955; Van Dijk, 1994).

The competition between the two powers was not only in the above geographical areas, but also in other places where Chinese communities developed. The article

looks at the Japanese-Chinese competition specifically in import trade. The geographical and temporal settings

of the article are Indonesia's most densely-populated island of Java during the 1930s crisis. It seeks to explain the Japanese import trade expansion in the island and to examine the responses of the Chinese business community. This article argues that Japan's import trade expansion in Java during the crisis was facilitated by combined factors of decline in population's purchasing power, competitive price of Japanese products, organizational and marketing strategies. The deterioration of the Japan's role in import trade market in Java was primarily due to the changing political environment in which Japan's business activities were run, rather than due to the loss of the Japanese in business competition to the Chinese enjoying benefits from the restrictive measures taken by the Dutch colonial government.

2. Methods

The research applies historical method. The choice is based on the fact that the research is categorized as a study of history. Therefore, historical method is the best way to address the subject matter. Historical method basically consists of four stages: 1) *heuristics* (collection of source materials); 2) external criticism (examining the authenticity of historical sources); 3) internal criticism (examining the credibility of

information), and 4) historiography (composing an historical account by synthesising credible historical facts) (Gottschalk, 1986).

This research will draw upon both primary and secondary sources. The primary sources include official and organizational publications. Two major materials in this category are *The Netherlands-Indies*, which was published by the Department of Economic Affairs, and *Economic Bulletin of Netherlands India*, issued by the Department of Agriculture, Industry and Commerce. Equally important are *Indisch Verslag* and *Economisch Weekblad voor Nederlandsch Indië*. They were collected primarily from the National Library of the Republic of Indonesia, Jakarta. The secondary sources include all relevant published and unpublished materials collected from diverse places especially in Jember, Yogyakarta, Jakarta, Canberra, and Singapore.

3. Result and Discussion

3.1 Japan's Import Trade Expansion

The economic penetration of the Japanese in colonial Java had already occurred around the early twentieth century, but only from the late 1920s it intensified. This process reflected three major waves of the Japanese trade development. The first wave primarily consisted of itinerant traders, which was subsequently followed by shop owners. Together they could possibly be grouped under a category of retail traders. In 1914 there were 74 Japanese shop owners and 144 Japanese employed as shop keepers, beside the remaining 56 itinerant traders of the first wave. Before the First World War the Japanese business mostly operated in major urban areas of the island, such as Batavia, Semarang, and Surabaya (Murayama, 1998). A Chinese eyewitness said that they were also found in inland town of East Java, Malang (Tjamboek Berdoeri, 2004). Another major feature was that the Japanese traders still relied largely on the Chinese rather than on Dutch trading firms. The Japanese-Chinese partnership was built, for example, in Surabaya and Batavia with a primary objective to increase commercial relations for the benefits of the two business communities (Post, 2002).

The third wave was formed by Japanese large trading firms. The disruption of import supplies from Europe resulting during the war opened the great opportunity for the Japanese business interests to establish their own trade networks. Among others, the illustrations included Suzuki Shoten, Mitsubishi Trading Co., Nippon Menka, Goshō, and Toyo Menka (Murayama, 1998). This development marked the beginning of a new era of the Japanese trade expansion in colonial Java, as observable elsewhere in Southeast Asia too. There were important events recorded during this new era. One of them was the establishment of the South Seas Association (*Nanyō Kyōkai*) in 1915, a communication forum for influential

businessmen, *zaibatsu* (Japanese conglomerates; Howe, 1996) leaders, and Japanese political elites. Using their influences, this association searched for the government's support in order to protect the overseas Japanese business interests. They believed that with support of the government, the Japanese business groups would be able to challenge Chinese commercial power in colonial Java and elsewhere in Southeast Asia (Post, 2002).

The peak of Japanese import trade expansion came along with the world-wide 1930s depression. The crisis hit very hard the economy of Java and other parts of colonial Indonesia, although it should be mentioned that the level of hardships the events had brought to the Indonesian population varied across regions and social groups. The collapse of commercial agriculture caused a remarkable loss in income and jobs (Boomgaard, 2000). Many people became unemployed with the closure of estates and the decisions of the remaining estate enterprises to cut down their operation (Furnivall, 1939/1967; Elson, 1984). While the land rents paid to the Indonesian farmers in Java were cut down, those who were still employed in the estate enterprises and public offices found that their salaries and wages were drastically reduced (Furnivall, 1939/1967; Nawiyanto, 2000). Unsurprisingly, the 1930s depression was described an economic catastrophe for colonial Indonesia (Dick, 1988). The national income of the population as a whole decreased steeply from 3,478 million guilders to 2,022 million guilders or a decline by 42 per cent (Higgins, 1963). But for Japanese traders, the depression years were a good time for them to strengthen their business operation in colonial Java.

Finding a decline in prosperity and purchasing power, many people in Java were no longer able to afford European-made consumption goods. They were forced to adjust their expenditure by using cheaper products (Odenkirchen, 1936; *Indisch Verslag*, I, 1932/1933). The alternative for this was provided by Japanese traders selling reasonably good and cheap products (Stokhuysen, 1938.; Blokhuis, 1933; Morris-Suzuki, 1984). They often advertised that their products were the world's cheapest ones (Figure 1). The Japanese traders could sell products at a competitive price because costs of labour were lower in Japan than in European and North American countries (Booth, 2000).

In the 1930s the Japanese products became much cheaper for three other major reasons. First, the cost of production was further reduced with the rising productivity stemming from rationalization measure between 1927 and 1931. Second, the devaluation of Japanese yen, which reduced its exchange rate from 113.3 yen per 100 guilders in 1931 to 50.25 guilders in 1933 and to 42.69 guilders in 1935, caused a steep fall in prices of the Japanese products in colonial Java. The

**TOKO JAPAN
OBROL BESAR**

DENGAN COUPON

ANTERO TOKO JAPAN DI SOERABAYA

MOELAI TANGGAL **14** SAMPAI **27** BOELAN INI

Barang Jepang yang paling moerah di ini daerah, dan langganan dapat tambah persen coupon lagi.

Datanglah ke Toko Jepang tersebut diatas !!

Bellah barang-barang boest taheon baros, seboleomaja habis barang yang moerah dan menjenangkan.

<p>Toko Osaka</p> <p>.. K. Ueda</p> <p>.. Matsumoto</p> <p>.. Tokyo</p> <p>.. Musasi</p> <p>.. No. 2</p> <p>.. Hoyo</p> <p>.. Nakano</p> <p>.. Taiyo</p> <p>.. Takamura</p>	<p>Toko Atii</p> <p>.. Tojama</p> <p>.. Usui</p> <p>.. Hajisi</p> <p>.. Taiyo Bazaar</p> <p>.. De Oost</p> <p>.. Nankai</p> <p>.. T. Ueda</p> <p>.. Kongo</p> <p>.. Wafan</p>
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Figure 1. A Full Page Newspaper Advertisement Announcing a Big Sale for Two Weeks by Japan Shops in Surabaya. (Source: *Soeara Oemoem*, 10, 14, 18, and 23 January 1933)

third factor was the decrease in freight rates due to the Japan-Dutch shipping competition. This cut down further the prices of import products from Japan (Shimizu, 1988; Morris-Suzuki, 1984). Moreover, the geographical position of Japan offered more advantages to channel goods to colonial Indonesia than that of European and North American countries (Blokhuys, 1933).

All the above factors made a great contribution to the success of Japan in gaining impressive share of the import market in colonial Java. In a broader context, this achievement placed Indonesia as "Japan's most important trading partner in Southeast Asian countries" (Brown, 1994). Despite the annual fluctuations, the Indonesian import trade with Japan experienced a rising trend (Gongrijp, 1928; Gongrijp, 1967). In 1925 the value of import trade with Japan was 90 millions guilder or 11 percent of the total imports of colonial Indonesia. This figure was much higher than a value of 7 millions guilder (1.7 per cent) recorded in 1913. By 1930, the value of import trade with Japan reached around 100 millions guilder. This figure was impressive too, even though in relative terms, the share remained more or less constant. The largest share was in 1934, reaching to 32 percent (Dick, 1989). Based on a calculation by Lim

Hua Sing, the shares of the import trade of colonial Indonesia with Japan increased at average from 10 per cent between 1925 and 1930 to 19 between 1930 and 1934 (Lim, 1981: Appendix I, in Brown, 1994). Japan's exports grew more rapidly to Indonesia than to the Asian market as a whole. Anne Booth estimates that between 1929 and 1933, Indonesia's imports from Japan, in real terms, became twofold (Booth, 1994). The value of Japan's exports to Indonesia, in absolute terms, was also higher than to any other Asian country (Booth, 1992; *Indisch Verslag*, I, 1933/1934).

In several cases, even the achievement of Japan's import trade in Java was more remarkable. In 1926, for example, Japan already took over the position of United Kingdoms as the largest supplier of textiles to colonial Indonesia (Dick, 1989). Figure 2 demonstrates the share of the values of Java's cotton imports from five major countries. It can be seen that from 1926 imports from Japan accounted for more than 75 per cent of total values of Java's cotton imports. The shares of Japan kept on rising to more than 80 per cent from 1930 onwards. This trend was in contrast to the steep fall in value shares of cotton imports from the Netherlands and United Kingdom, which initially had been the major suppliers (Broek, 1942; Van der Eng, 2007). To a lesser extent, a decrease in values of cotton imports also occurred in the case of the Indonesian import trade with China. Besides textile, Japan gained more than 80 percent of the cement market in Java and Madura (Dick, 1989). In 1934 Japan was also reported to have won a large portion of the import trade in bicycles and canned fish in colonial Indonesia (Blokhuys, 1935).

Apart from the growing share, imports from Japan became more diversified as well. Until around 1920, the imports from Japan consisted primarily of cotton goods (Murayama, 1998; Dick, 1989; *Indisch Verslag*, I, 1935/1936). Several firms concentrating on textile imports especially cotton were the Nihon Menka Kabushiki Gaisha, Toyo Menka Kabushiki Gaisha, and Gosho Kabushiki Gaisha (Stibbe, 1927; Meta, 2008). Other articles were practically negligible. By 1932, however, more articles were imported from Japan, including electric bulbs, sheet iron, cast iron-tubing, galvanized iron roofing, wire, wire nails, electric cables, and accumulators. Also on the list were things like bicycle and spare parts, beer, fish-preserves, sweet, toilet soap, caustic soda, resin, cement, triplex cases, wall tiles, window-glass, paper, glass-ware, earthenware, haberdashery, small iron ware, bicycle tire, and carbide. With all these products, Japan transformed herself as a powerful competitor for European and American industrial producers (Furnivall, 1939/1967). Even in some cases, "European countries have been gradually driven out of the import market in the Netherlands Indies by Japan" ("The Netherlands Indies, 1935).

The success of Japanese traders in penetrating the import market of Java was due to not only the cheap products, but to the adoption of combined strategies. First, unlike the European traders leaving retail trade to the Chinese, the Japanese soon tried to develop their own business network which handled both import activities and distribution system (Liem 1995; Boeke, 1953). As G.N. Carey, British Acting Commercial Agent at Batavia succinctly put it, "the system of importing and distributing Japanese wares, through shipping, transport, wholesale and retail sales organizations, entirely under Japanese control, has become fairly well perfected during the year 1933" (Sugiyama, 1994). Similarly, on Japanese networks, Van Mook wrote: "the rising flood of imports carried Japanese goods from Japanese importers, in Japanese ships, financed by Japanese banks, to Japanese warehouses in the coastal towns of Java, to be sold directly to the consumers through Japanese retailers far in the interior" (Van Mook, 1945; Van Mook, 1944). Meanwhile, a Dutch figure involved in the 1934 Japan-Netherlands Indies trade negotiation, J. van Gelderen, wrote "one Japanese chain ran from Yokohama to the native village" (Van Gelderen, 1939). The strategy of building its own import trade network was employed partly due to the growing risks of relying too much on Chinese network. The Chinese boycotts of Japanese products grew in scale and intensity because of the increasingly tense political relations between the two East Asian countries (Clarence-Smith, 2000).

Second, the Japanese shops in running their business employed indigenous salesmen too. Commenting on Bandung, West Java, J.S. Furnivall noted, "small natives lads were doing a thriving trade for their Japanese employers" (Furnivall, 1939/1967). Third, the Japanese stores sold their goods at fixed prices, strikingly different from common practice among the Asians, including the Chinese (Liem, 1995). Finally, The Japanese traders tried hard to have a close knowledge of the local market and to understand the psychology of the buyers (Van Gelderen, 1939). Commenting on Japanese sales agents, Ernest Hauser noted that they were persistent in winning potential buyers. When finding little interest in their products among shop owners, Japanese sales agent would actively ask what the customers actually wanted. After they observed sample goods provided by a shop owner, the Japanese sales agents would assure that their companies in Japan were able to produce the same articles with a much lower price (Hauser, 1941; Post, 2002). Unsurprisingly, in the western countries the Japanese was popularly described as "cut-rate imitators" (Jones, Frost, & White, 1993).

The statistics of Japanese firms and employers in Java indicated the significance of the Japanese business and their networks in Java. In 1933 there were 424 Japanese

trading firms, consisting of 61 large trading firms and 363 retailers. Of this total number of firms, 58 were in Surabaya, 32 in Jakarta, 27 in Semarang, 15 in Bandung, and 12 in Cirebon. About 20 Japanese shops operated in Kediri, Lumajang, Jember and Banyuwangi (Liem, 1995) George D. Larson noted in Surakarta that there were 27 Japanese shops and small firms (Larson, 1990). Kenichi Goto noted that many Japanese shops were found around the city square, which made the area being alike a Japanese town, and that there a year before the Japanese built a Japanese school (Goto, 1988). A 1935 colonial report revealed that the Japanese shops continued to mushroom across the island (Liem, 1995). A micro study on an East Java district town by an American antropologist, Clifford Geertz corroborates the same trend. Three Japanese shops selling cheap Japanese products were said to have been established (Geertz, 1986).

One of the leading Japanese business networks was Nanyô Shôkai, established in 1909 by Tsutsumibayashi Kazue in Semarang, Central Java. In 1927 the Nanyô Shôkai had 20 branch shops and employed 127 Japanese workers, excluding Indonesians. Its branch shops were found in Batavia and Bandung, and other towns such as Cilacap, Purworejo and Blitar. Another major network spreading to almost all small towns in Central Java was controlled by Kaneko Kenji. His shop was first established in Kutoarjo, but later also in Muntilan, Magelang, Wonosobo, and Purworejo. A number of branch shops were also found in Kebumen, Kroya, Prembun and Karanganyar. Besides the two leading figures, there were other figures ran different Japanese shops. One of them was Sawabe Masao, running the Fuji Yôkô (Fuji Shop), the largest Japanese shop in Yogyakarta (Meta, 2008). Sawabe's Fuji Shop in Surakarta was popular among the local aristocrats (Larson, 1990). Other Japanese shop owners were Otomo Shintarô (Otomo Shôten/Shop, in Tegal), Tamaki Choichi (Daruma Shôkai, Jakarta), Kida Eiji (Kida Shop, Bandung), and Nakagawa Anjiro (Okazaki Shôten, Malang) (Meta, 2008).

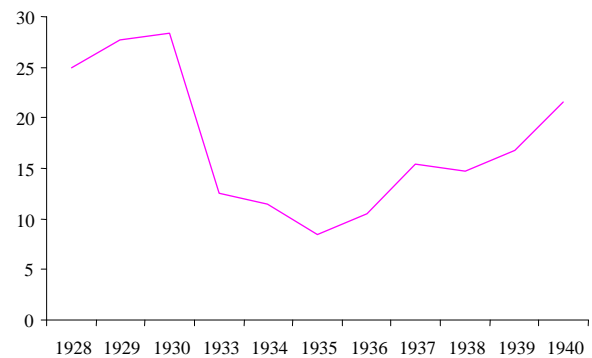
The Japanese business population grew too. In 1919 the Japanese business population in Java was 564 people, including both employers and employees (Murayama, 1998). By 1933 there were 543 Japanese employers in East Java alone, whereas in Central and West Java their numbers were 288 and 260 employers respectively (Sugiyama, 1994). No statistical data on number of Japanese employees are available, but it is very likely that there was an increase resulting from the growing number of Japanese shops in the island. In 1915 the Japanese engaging in trade accounted for 29 percent of the population, and by 1930 it rose to 35 percent. A considerable increase in number of business population was reported to have taken place in Surabaya (Murayama, 1994). Elsewhere in Java, Larson noted

that in 1936 the majority of the Japanese residing in Surakarta, Klaten, Boyolali, Sragen, Wonogiri, and Tawang Sari (Central Java) was shop owners or their workers (Larson, 1990). Shimizu Hajime indicates that there was a rapid increase in the number of Japanese traders in the 1930s, while a newspaper report mentioned that many Japanese played a similar role to the Chinese (Hajime, 1994; Djawa Tengah, 31 January 1931).

3.2 Responses of the Chinese

Unlike the consumers of Java considering cheap Japanese products as mitigating their difficulties stemming from the crisis, for many Chinese traders they posed a big threat (Prince, 1989). Prior to the 1929 crisis the Chinese had played a major role in commercial sector in colonial Java. But there was a significant change from the late 1920s. Together with the depression, the expanding Japanese business was regarded as a serious threat to many Chinese traders. Commenting on Yogyakarta, Governor De Cock described Japanese traders as the major competitor for the long-established Chinese businessmen (Kwartanada, 2002). Meanwhile, Resident of Batavia, L.G.C.A. van der Hoek reported in 1934 that the Japanese traders added an extra difficulty for the Chinese, apart from the declining demands of goods resulting from a drop in people's purchasing power (Kartodirdjo, Hatmosuprobo & Soeroto, 1980). For the Chinese, the Japanese were considered more dangerous competitor than European and indigenous businessmen (Liem, 1995). Unsurprisingly, it was reported that the competition in Java's import trade grew tighter in the 1930s (*Indisch Verslag*, 1933).

One of the consequences of the expanding Japanese import trade could be seen in the case of goods imports from China and Hongkong. The activities in this field were almost exclusively under the control of the Chinese trading houses. Among the list of imported articles, there were textiles, matches, paper, haberdashery, victuals, cigarettes, and canned fruits (Cator, 1936). As can be seen in Figure 1, the imports from China, including Hongkong, between 1930 and 1935 experienced a deterioration. A sharp decline by around 50 percent occurred from 1930 to 1933 and the decline continued to occur in the following years. This process took place, despite the considerable growth of mainland China's economy, including its modern industrial sector during the 1930s (Myers, 1989), and the bigger need of foreign market to sell their products. In 1933 China accounted for 7.5 per cent of the Indonesia's total greys imports, while Japan made up 90 percent of the imports. By 1935 China's share decreased to 0.37 percent, while Japan's share increased to 97 percent. China also suffered from Japan competition in sheeting trade. In 1932 China and Japan made up respectively 51 percent and 49 percent of the trade in



Sources: Cator, 1936: 76-77; for 1936-1940, *Indisch Verslag*, II, 1941: 347.

Figure 2. Value of Colonial Indonesia's Import from China (Including Hongkong) 1928-1940 (in million guilders)

sheeting in Indonesia. But, the share of China decreased steeply to 8 percent in 1935 and that of Japan, by contrast, increased sharply to 91 percent (Wirodihardjo, 1945). A 1934 colonial report revealed that the Chinese also suffered seriously from Japan in crockery trade (*Indisch Verslag*, I, 1934/1935).

The Chinese responded the Japan's import trade penetration into the Javanese market in several ways. Some Chinese showed their hostility to the expanding Japanese business which posed a real threat to their commercial interests. In 1927 there were already reports on anti-Japanese boycotts and terrors against stores selling Japanese products (Kwartanada, 2002 Liem, 1995). In the 1930s anti-Japanese boycott also occurred (Stokhuyzen, 1938). A call for boycotting Japanese products was voiced, for example, by Tjung See Gan, one of the biggest textile importers in Batavia (Twang, 2005). Anti-Japanese boycott was actually not a new phenomenon. Part of the Chinese traders had done the same thing earlier, for example in 1915 (Cator, 1936). Such an action had been quite common among the overseas Chinese living in the South Seas, including Indonesia before the 1929 depression. The actions could be seen as a manifestation of economic nationalism when they were irritated by Japan which undermined their trade position (Akashi, 1968).

There were illustrations indicating a response to Japan threat in the form of terrors occurring during the 1930s. A shop in Yogyakarta was reported to have been blemished by black paint, and in another case, faeces were repeatedly thrown in front of shop door because of selling Japanese goods (Kwartanada, 2002). A similar terror was reported to have occurred to a shop in Besuki owned by Oen Sioe Lok on October 17, 1930 (Keng Po, 25 October 1930). The picture of anti-Japanese goods sentiment developing in the 1930s might have been not

much different from what broke out in big cities of Java, including Surabaya, Semarang, Bandung, Cirebon, and Batavia in the 1920s, as described by Akhasi. In the 1930s the call for closing Japan-related wholesale and retail stores and for using Chinese goods, and the active role of newspapers in demanding public support for the boycotts likely occurred (Akashi, 1968; *Indisch Verslag*, 1938/1939). The unfriendly events, however, did not completely discourage a few Chinese traders in Java from continuing business connections with the Japanese because they were quite profitable (Kwartanada, 2002).

Finally, it is worthwhile noting the response by the China government. For the economy of China, the Japanese import trade expansion in Java and elsewhere in colonial Indonesia meant a loss of important foreign market for its products. As shown in Figure 2, the value of China's exports to colonial Indonesia decreased steeply from 28.4 millions guilder in 1930 to 12.6 millions guilder in 1933 and further to 11.5 millions guilder in 1934. An estimate suggested that in 1934 the value of China's export to colonial Indonesia decreased to one third of the 1929 figure (The Netherlands Indies, 1935). An observation by Djie Ting Liat for the trade situation between 1934 and 1935 suggested a decline in China import trade in colonial Indonesia (Djie, 1935). This decline confirms a general observation by Eric Jones, Lionel Frost, and Colin White that during the 1930s crisis China's overseas market shrunk (Jones, Frost, & White, 1993). Facing the market contraction for its products in colonial Indonesia, the China government sent official delegates to Batavia to negotiate with the Dutch colonial government in order to promote closer commercial relations between the two countries (Cator, 1936). Meanwhile, to achieve this goal the Dutch colonial government established a special body, called the Commission for Advancing Trade Relations with China, which was stipulated by the Decree of the Governor General of July 17, 1935 (The Netherlands Indies 1935). Such an effort was apparently regarded necessary to adjust with a new environment in which business players operated. The next section will elaborate this issue.

3.3 Business in a Changing Environment

There was a crucial development which had serious effects on import trade in colonial Indonesia, marked by the promulgation of Crisis Import Ordinance (*Crisis invoerordonnantie*) in September 1933. This regulation gave the Dutch colonial government the rights to temporarily stop and to impose quota on import of specified articles (Prince, 1989; The Netherlands Indies, 1936). The objectives were to protect Netherlands Indies industry, to promote import trade with those countries constituting the principal buyers of the Netherlands Indies products, and to protect the interests of the existing importing and distributing apparatus in the country (The Netherlands Indies, 1936). In handling

all matters relating regulations on import quota, the Dutch colonial government consulted with its official advisor, the Netherlands Indies Association of Wholesale Importers (*Nederlandsch-Indische Vereeniging van Importeurs-Groothandelaren*, NIVIG), established in 1934 by the main western importers in colonial Indonesia (Lindblad, 2003; Liem, 1995; *Indisch Verslag*, I, 1936/1937). All the restrictive measures taken in the 1930s reflected a shift in colonial economic policy from a free trade and open door orientation that had been set in place from around 1870 to a more government intervention (Booth, 1992; Barber, 1939).

The restrictions impacted differently on Japan-and China-related business interests. Japan's import trade was the first to suffer from the restrictions. Indeed, Japan was the primary target of the regulations. Curtailing the Japanese influence on the colonial Indonesia market was the key argument for the imposition of the restrictive measures (1989; Burger, 1977/1983). The measures were intended to, as G.H.C. Hart put it, "prevent undue economic penetration by Japan" (Hart, 1942) or to counter "the so-called Japanese threat" (Booth, 1994). The Japan government described the measures as "anti-Japanese policy" (van Mook, 1945; Van Mook, 1944) with the issuance of the quota system, the share of cement import from Japan was restricted from 97 per cent in 1932 to 58 per cent in 1936. Quota system was also applied to imports of cambric, sarong, and beer. Consequently, there was a steep decrease in imports of cambric from 81 per cent in 1933 to 43 per cent in 1936. Over the same period, the imports of beer decreased from 62 per cent to 19 per cent, while import of sarongs was especially reserved for the Netherlands. The quota system was also applied to other import articles such as pottery, yarns, electric lamps, bicycle tires, fertilizers and several others (Dick, 1989). All the restrictions led to the decrease in Japan's share of the import trade of colonial Indonesia. A sharp decline in Japan's import shares of the colonial Indonesia occurred between 1934 and 1937. The share of imports dropped from 32.5 per cent to 15 per cent (Dick, 1989) or a decline by more than 50 per cent. Parallel with this development, the freight traffic from Japan to colonial Indonesia declined too (The Netherlands Indies, 1939).

Apart from Japan's declining share in the import market, the Japanese business community in Java and elsewhere in colonial Indonesia found that operating business after 1933 became harder than before. Apart from the quota system, the enforcement of restriction on entering foreigners imposed further pressures on shops operated by the Japanese (Murayama, 1998). On June 1933 the Minister for Colonies, Hendrik Colijn instructed Governor General B.C. de Jonge to arrange a secret system of intelligence report on Japanese people and their activities (Larson, 1990). Among the Dutch

officials, there was a suspicion that the Japanese shops and other forms of Japanese activities were only a mask of espionage (Frederick, 1989). The suspicion grew stronger after 1935 and changed the Dutch view on Japanese community in colonial Indonesia that “they were hard working and quiet immigrants who held aloof from subversive and spying activities and gave the police little trouble” (Netherlands Information Bureau, 1944). The Japanese very likely realized that there were colonial secret agents always spying on them.

Unlike the Japanese, some Chinese were among the gainer of the import restrictions. With the decrease in volumes of goods imports from Japan, many Chinese traders found that part of the commercial pressures resulting from the Japanese competition substantially reduced. Moreover, almost at the same time with the efforts of the China government to improve business relations, the Chinese business community in colonial Indonesia had the opportunity to negotiate a proportional import share for their motherland, China (Cator, 1936). Indeed, unlike imports from Japan, the import trade carried out with China was not considered by the colonial government a real threat requiring immediate actions to tackle. The efforts seem to have given positive results. As indicated in Figure 2, from 1935 to 1940 China’s share in the value of the Indonesia’s import trade tended to increase again, although as a whole they never exceeded the 1930 figure.

Equally important, the restrictions on textile imports from Japan provided the opportunity for the Chinese to strengthen their role in textile production. Moreover, the colonial government took measures to promote domestic textile industry in the country (Palmer & Castles, 1971). In some areas there emerged indigenous textile producers (Wertheim, 1959). But, part of them appeared to have been only short-lived. During the last years of the effective Dutch rule, there was a considerable loss of the Indonesians in the weaving industry to the Chinese (Telkamp, 1981; Van der Eng, 2007). John O. Sutter remarked that the Chinese rapidly took over the weaving licenses issued to the Indonesian textile producers (Sutter, 1959). In 1939, for example, 335 of the 1,500 weaving firms in Majalaya owned by the Indonesians were sold to the Chinese (Sitsen, 1944; Van der Eng, 2007). An investigation into 94 sales of the Indonesian-owned weaving firms in the area indicated that 55 per cent of the sales went to the Chinese (Sutter, 1959). About 30 per cent of the mechanized looms were under the control of the Chinese in 1940 and by 1942 the figure increased to 31.5 per cent (Kroese, 1946; Robison, 1986). In 1937 the Chinese capital also controlled 36 per cent of the handlooms in the same area (Antlöv & Svensson, 1991). In addition, other Chinese business benefited from the adoption of restrictive regulations, including a lamp

bulb factory owned by Tan Tjin Lian in Cirebon (Wirodihardjo, 1945). Unsurprisingly, Booth estimates that from 1935 there was a significant increase in per capita income among the Chinese population in colonial Indonesia (Booth, 1994).

Meanwhile, there were events that posed a further blow to the Japanese in import trade from the late 1930s. The outbreak of the Sino-Japanese war in 1937 and Japan’s focus on war-supporting industry reduced substantially her ability to export. Consequently, Japan’s share of the colonial Indonesia imports decreased to 15 per cent in 1938. In the same year the number of Japanese population for the whole of the colonial Indonesia decreased to around 6,500 people, consisting of 3,300 workers and 3,200 dependents (Sato, 1994). The number of Japanese shops apparently decreased too. In 1939 in Java there were only 213 Japanese shops (Post, 2002). This figure was lower than that of Japanese retailers operating in the island in 1933 as mentioned above. The increasingly tense political relations between Japan and colonial Indonesia and Japan’s appeal to her citizens to go home marked the end of the Japanese import trade expansion in colonial Java. The last ship evacuating Japanese people, *Fuji Maru*, left Indonesia on December 2, 1941 a few days before the Japan-Dutch War was officially declared (Meta, 2008).

4. Conclusion

This article has indicated Japan’s rapidly growing position in the import trade market of Java during the 1930s crisis. Benefiting from the shift in people’s preference to cheap products due to the crisis-led decline in purchasing power, Japan-made goods captured a remarkable share in the import trade market of Java. Even in several cases Japan’s goods were able to become the market leader, replacing the position previously taken by products from western countries. The most illustrative example here was textile products. The success of Japan’s import trade penetration in Java, however, was not only due to the fact that Japan products were cheaper than goods produced by western countries. Also an integral part of the expansion was the establishment of the Japan owned business networks handling import activities and distribution system, the employment of indigenous marketing staff, the close knowledge of the local market and the well understanding of the psychology of the buyers.

The emergence of Japan as the major supplier of the Java’s import and the growing presence of the Japanese traders with their own business networks were immediately felt as a real threat to the Chinese. Many Chinese businessmen found that their long-established position in the import trade market was increasingly undermined the rapidly expanding role of the Japanese traders and their networks. They were badly affected by

the decline in import activities and distribution of goods originating from both western countries and the mainland China, which previously provided them a major source of profits. A relief for the Chinese business was obtained when Japan's role in Java's import trade shrunk with the promulgation of restrictive measures in the late 1930s and eventually ended by the declaration of war between Japan and the Netherlands Indies. But this episode was not the end of the Japanese-Chinese import trade competition in Java. A similar event repeated in the 1990s crisis after Japan succeeded in regaining the major share in the Indonesia's import trade during the New Order period. This issue still needs to be explored further.

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