

# The Discovery of Oil And The Urgency of The Dutch Indies Mining Act 1899

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## **Abstract**

*This article describes the historical background of the passing of the Dutch Indies Mining Act of or the Indische Mijnwet, the factors that led to the passing of the Act, and the obstacles and the responses of some parties to the act. Various factors that influenced the passing of the act were not separated from the changes within the political situation in The Netherlands and in the archipelago itself regarding the relationship between the Dutch and other powers, such as the British and local authorities, as well as the expansion of markets and production that were carried out by American oil companies in Asia. The American oil companies' efforts to set foot in the Dutch Indies were a threat to the dominance of the oil companies in the Dutch Indies, and the Dutch Indies Mining Act was one legal obstacle for the existence and expansion of American oil companies that sought to dominate oil exploration in the Dutch Indies.*

**Keywords:** *Dutch Indies Mining Act, Indische Mijnwet, American oil companies*

## **Abstraksi**

*Artikel ini menjelaskan tentang latarbelakang sejarah pemberlakuan Undang-Undang Pertambangan Hindia Belanda Indische Mijnwet, yaitu faktor-faktor penyebab, dan hambatan-hambatan serta respon dari beberapa kelompok terhadap adanya Undang-Undang tersebut. Banyaknya faktor yang mempengaruhi pemberlakuan Undang-Undang tersebut tidak terlepas dari perubahan situasi politik di Belanda dan Indonesia yang masih memiliki keterkaitan hubungan antara Belanda dan para penguasa lainnya, seperti pemerintah Inggris dan pemerintahan setempat serta adanya eskpansi pasar dan produksi yang dibawa oleh perusahaan minyak Amerika di Asia. Adanya usaha-usaha perusahaan minyak Amerika untuk melebarkan sayap ke Hindia Belanda menjadi sebuah ancaman terhadap dominasi perusahaan minyak bagi Hindia Belanda sendiri. Dan Undang-Undang Pertambangan Hindia Belanda merupakan salah satu masalah hukum terhadap keberadaan dan ekspansi perusahaan minyak Amerika yang akan mengeksplorasi minyak di Hindia Belanda.*

**Kata Kunci:** *Undang-Undang Pertambangan Hindia Belanda, Perusahaan Minyak Amerika*

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## INTRODUCTION

The Dutch's success in overcoming the resistance of the Indonesian indigenous people, and conquering local kingdoms in the archipelago, was followed by the discovery of various mineral resources, especially oil. The discovery of oil in the Dutch Indies attracted foreign political and economic powers, particularly the United States, as well as foreign oil companies who wanted a role in the Dutch Indies oil industry. However at the same time Royal Dutch, the Dutch company, that later merged with the Shell Transport and Trading Company, developed into one of the biggest oil companies in the world and sought to dominate the oil industry in the Dutch Indies. In addition the Dutch colonial government also wanted to play a bigger role in the Dutch Indies oil industry and also wished to increase state revenue through the mining sector, and in particular through oil exploitation.

Competition between Dutch and foreign oil companies, especially American oil companies, in the Dutch Indies was affected by the capitalism and liberalism that evolved in each country. The discovery of oil and other minerals, as well as the development of technologies used to explore and to produce oil which was found both in the USA and in the Dutch colonies, led to the emergence of individual businesses which evolved into companies that opened up corporate capital investment, from both governments and private parties. For Standard Oil, that had managed to control most of the American domestic oil market, the international oil market was an opportunity to expand their businesses abroad. However their expansion into the overseas market collided with other foreign oil companies' interests,

especially when there were other international oil companies that wanted to expand their markets in the same region. At this point, Standard Oil needed the U.S. Government's support to develop their business in the Dutch Indies because they faced legal obstacles in the Dutch Indies Mining Act, also known as the *Indische Mijnwet*, which could only be solved through the U.S. Government applying political pressure.

Various studies that have dealt with competition among oil companies in Asia, and the U.S. Government's efforts to support American oil companies quest to obtain oil concessions, have offered differing viewpoints and analysis of the Dutch Indies oil case. One work that deserves mention is *Oil: Its Influence on Politics* by Francis Delaisi.<sup>2</sup> Delaisi comprehensively describes the role oil played in relation to industrialization and the competition among industrialized countries to dominate the world's oil sources, in particular Great Britain and the United States. Delaisi shows that industrial development in the first two decades of the 20<sup>th</sup> century still very much depended on the fuel that was used. As Delaisi elaborates, when all the major industries such as the railways, ships, and factories, began using petroleum, dependency on oil became so great that any slight decrease in oil production led to sharp increase in the price of oil. For this reason, competition among industrialized countries, and huge market competition amongst the world's biggest oil companies, was inevitable. Delaisi uses primary sources to support his arguments, such as international agreements and transcripts of world

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<sup>2</sup> Delaisi, Francis, *Oil: Its Influence on Politics*, (London: The Labour Publishing Company Ltd, 1922).

leaders' speeches that deal with oil issues in the world. However, unfortunately he rarely refers to other sources. He does not complete his work with footnotes either and his work at times is a little too subjective. Despite these criticisms, his book helped my research to explore the political map and oil competition in the early 20<sup>th</sup> century.

Stephen D. Krasner's work on the U.S. Government's efforts to obtain raw materials overseas in order to meet the needs of the domestic industry, and the United States national interests national interests, also has a strong connection to my research.<sup>3</sup> His research focused on the efforts and challenges faced by the U.S. Government in their attempts to gain access to sources of raw materials in various countries. He assumes that the U.S. Government applied different strategies to gain access to raw materials and energy sources, and that the United States adapted their strategy depending on the political situation on the country and region they sought access to. Krasner's explanation is supported by primary sources and official publications by the U.S. Government, however he uses the same approach for all the cases he explores and furthermore he addresses them from only the American point of view. In one chapter, he discusses the U.S. Government's efforts to obtain oil concessions in the Dutch Indies, however unfortunately it is not discussed in depth and does not explain the attitude of the Dutch and the Dutch colonial governments towards political maneuvers by the U.S. Government.

Another work that I should mention is *Indisch Oliekartel en*

*Flankerend Overheidsbeleid* by C.M. Bortman.<sup>4</sup> Bortman describes the Dutch colonial government's efforts to centralize the colonial administration and the efforts correlated with the Dutch colonial government's efforts to control the Dutch Indies' natural resources, including their mineral sources. He discusses the role of the Dutch colonial government officers and the oil company managers, through the existence of the oil cartel in the Dutch Indies. He also described the efforts of American oil companies to obtain oil concessions in the Dutch Indies, however unfortunately he does not explore too deeply the U.S. Government's efforts to support American oil companies in the Dutch Indies during 1925-1928. It was during this period that the U.S. Government embarked upon political efforts in their desire to convince the Dutch government to provide oil concessions to NKPM. Despite lacking in areas, his research is very helpful in providing details regarding the decision making process of the Dutch colonial government, and how they went about in their attempts to dominate the Dutch Indies mineral sources, and the Dutch colonial policy with regards to their revisions of the Dutch Indies Mining Act.

### **The Discovery of Oil in the Dutch Indies**

Oil was one of the most important mining products for the Dutch colonial government in the Dutch Indies, especially after Aeilko Jans Zijlker managed to find an oil source in Pangkalan Brandan, East Sumatra. He

<sup>3</sup> Stephen D. Krasner, *Defending the National Interest Raw Materials Investments and U.S. Foreign Policy*, (Princeton, Princeton University Press, 1978).

<sup>4</sup> Boortman, CM, *Indisch Oliekartel en Flankerend Overheidsbeleid; 1904 - 1941 Koninklijke Olie Versus-Etnische Mentaliteit*, (The Hague, 2000).

acquired a license from the local ruler, the Sultan of Langkat, and raised sufficient money to drill his first oil well in 1884. In Java, oil was discovered near Cirebon for the first time in 1860 by Dr. Edouard Henri von Baumhauer, a Dutch scientist who recorded samples of local oil.<sup>5</sup> However, the first oil drilling was undertaken eleven years later by Jan Reerink who had previously visited the United States to collect drilling equipment and learn new skills. He began to drill at Cibodas, West Java, with financial support from *Nederlandsche Handel Maatschappij* in 1871.<sup>6</sup>

For people who lived in the territories of the Sultanate of Langkat, oil was nothing new because in their daily life, especially for activities in the evening or at night, local people used illumination derived from bamboo torches. Those bamboo torches were first dipped into a wallow, where oil was later discovered, and produced a very bright light. It was discovered by a Dutchman, Aeliko Zijlker, who administered one of the tobacco plantations near Pangkalan Brandan, that certain wallows produced a more flammable liquid than others. On one day in 1880, he conducted an inspection of a plantation when suddenly it rained very hard. Together with a plantation overseer, he took shelter in a hut and later on the overseer lit several torches to warm their bodies. Zijlker was stunned to see a torch that shone brighter compared to the other torches. He also asked the foreman who then

explained that before lighting the torch, he dipped the tip of his torch into a liquid wallow which was located at the back of the hut. Zijlker smelled the liquid and he suspected that the liquid was kerosene which in Europe had been known as a liquid used to light outboards or oil lamps. Kerosene itself had been imported into the Dutch Indies, so its existence was widely known. The use of bamboo torches which were dipped into a liquid increased Zijlker's curiosity.

To analyze the content of the liquid, Zijlker took some fluid and sent it to Batavia. Analysis showed that the fluid was kerosene, and that it was of better quality than what the Dutch colonial government imported from Europe. Zijlker was known as a tenacious person in business and had a high entrepreneurial spirit. After the liquid was confirmed as being oil, Zijlker sought to obtain concessions for oil exploration from Sultan Langkat.<sup>7</sup> He obtained money to acquire the oil exploration concessions from some of his friends in The Netherlands. With those funds, he founded *Voorlopige Sumatra Petroleum Maatschappij* and managed to obtain an oil exploration concession and the approval of Sultan Musa on August 8<sup>th</sup>, 1883. Based on this concession, the Sultan would get 30 cents from 1 hectoliter of crude oil and 15 cents from 1 hectoliter of refined oil (1 hectoliter is 100 liters and 1 guilder is 100 cents). At that time, oil wells in Pangkalan Brandan produced 180 barrels per day (1 barrel is 159 liters).<sup>8</sup>

<sup>5</sup> Allen, GC, *Western Enterprise in Indonesia and Malaya A Study in Economic Development*, (London, Routledge, 2003), p. 175.

<sup>6</sup> Gerretson, Frederik Carel, *History of the Royal Dutch Volume One*, (The Hague, Brill Archive, 1958), p. 45.

<sup>7</sup> Ricklefs, M.C., *Sejarah Indonesia Modern 1200 – 2004*, (Jakarta, Serambi, 2001), p. 321.

<sup>8</sup> Majalah Tempo Interaktif, *Minyak dan Al Mujahid*, <http://majalah.tempointeraktif.com/id/arsip/1985/07/20/KL/mbm.19850720.KL39247.iid.html>, (20 Juli 1985).

The ease of obtaining the oil exploration concession from Sultan Langkat was not followed by the discovery of large quantities of oil. The first few years were a struggle for Zijlker with very little oil found until eventually he and his crews of oil miners managed to find sources of oil that were considered potentially large enough to produce substantial quantities of oil in Telaga Tunggal I in Pangkalan Brandan region on June 15, 1885.<sup>9</sup> In addition to these oil wells, more wells were also found in Pangkalan Brandan which made the region well known for its oil sources in the Dutch Indies. However most of the operational costs of oil well drilling had not been covered by the benefits of the operator so the development of oil drilling in Langkat, especially in Pangkalan Brandan, faced financial difficulties. To maintain the activities of oil well drilling in Pangkalan Brandan, the Dutch colonial government, through the mining bureau, participated to help Zijlker and provided additional money to drill several more wells that reached depths of more than 300 meters. Drilling activity was led by a young engineer named Adrian Stoop. At that time, the technology used was still very simple. Modern oil drilling techniques was required in order to be able to obtain large amounts of oil in an economically efficient manner. During this period oil drilling technology had been improved and developed by engineers in the United States, in particular by engineers working for the Standard Oil Company. Dutch engineers therefore traveled to the United States to study petroleum, oil exploration and mining techniques using the modern technology developed by Standard Oil.

<sup>9</sup> Taufiq Ismail (Ed), *Pertamina Dari Puing-puing ke Masa Depan 1957-1997*, (Jakarta, Hupmas Pertamina Publisher, 1997), p. 59.

In August 1886 the Dutch Indies mining bureau sent Adrian Stoop to New York to learn the ins and outs of oil drilling techniques which included the closure of seeping water, control of wild bursts, fire prevention, the selection of the drill bit and the importance of literature studies regarding all aspects related to oil and petroleum. Back in the Indies, Stoop learned more about the development of oil drilling in Pangkalan Brandan and improved the performance of oil drilling in Langkat region because in addition to drilling techniques, he also studied the ways of producing, processing, storing, transporting and exporting oil as well as learning how to prepare oil exploration reports. The techniques and knowledge improved the oil exploration in Langkat especially in Pangkalan Brandan which saw a rapid rise in oil drilling explorations.

Following Stoop's retirement the most prominent oil engineer in Langkat was Reinder Fennema. If Stoop played an important role in improving the performance of drilling and oil exploration management, then Fennema's contribution was to make geological reports describing the potential oil content in the area of Telaga Tunggal. The geological reports were published in the yearbook of the Dutch Indies Mines and Petroleum Bureau in 1895 and also covered by several newspapers. As a result, many investors flocked to Pangkalan Brandan to make a profit from the oil drilling business.<sup>10</sup>

Pangkalan Brandan became as well known as Titusville in Pennsylvania for its oil. The popularity of the town was in line with Zijlker's own popularity and his growing fame as the first person who explored oil in that

<sup>10</sup> Taufiq Ismail (Ed), *Pertamina Dari Puing-puing ke Masa Depan 1957-1997*, p. 59.

particular area. Zijlker's oil exploration and work also had the support of King William III as well as financial assistance and loans from the Central Bank of the Netherlands Indies.<sup>11</sup> With great support from the king of the Netherlands and a loan from the Central Bank, Zijlker was able to build a bigger company named *Koninklijke Nederlandsche Maatschappij tot Exploitatie van Petroleumbronnen in Nederlandsch Indie* or simply the Royal Dutch in 1890. His leadership of Royal Dutch was cut short by his unexpected death in Singapore in December 1890.<sup>12</sup> The concession which he got from Sultan Langkat was submitted to the company and his successor as director of the company, Jean Baptiste August Kessler. The new director was also supported by the king of the Netherlands in his attempts to develop oil exploration in the Dutch Indies. In 1897 the company changed its name into *N.V. Koninklijke Nederlandsch Petroleum Maatschappij*. The existence of the company in the Dutch Indies became more important when other oil fields were discovered in North and South Sumatra, Central and East Java and East Kalimantan at the turn of the century. The company then established refineries in those regions. At that time, there were 18 other companies exploring for or producing oil in the Dutch Indies operating under concession by virtue of the 1889 Dutch Indies Mining Act. Under this act, a concession would be granted which gave the concessionaire the mineral

resources in an area of land defined and the concessionaire had direct control over the resources mined.

Kessler had experience as a businessman but now he faced the difficult task of reorganizing a company that was in trouble due to programs that were undertaken to the detriment of the company following the death of Zijlker. Capital obtained from a variety of loans required the company to make profits in order to improve the company's capital and to expand its business. Kessler was able to work quickly to reverse the situation although it still required additional capital. One of his achievements was to build an oil pipeline along the 6 miles from Pangkalan Brandan to the oil processing unit in River Balaban which was near the Strait of Malacca and which made the transportation of oil by sea easier. The pipeline not only accelerated the delivery of oil but also reduced the cost of transportation. One of the many achievements of Kessler was the improved performance of the company and the increased profit. At once his success provoked the attention of the Standard Oil Company and Russian oil companies that previously controlled the oil market in Asia. Since the initial discovery of oil in Sumatra, the Standard Oil Company and other American oil companies paid close attention to the possibility of the emergence of their competitors in Southeast Asia. The threat was finally becoming a reality when the Royal Dutch began to show signs of potentially threatening the American oil company monopolies.

Competition between American and Dutch oil companies was increasingly fierce along with the influx of capital from Standard Oil to the archipelago. In 1898 Standard Oil took over the operational concession from

<sup>11</sup> Yergin, Daniel, *The Prize The Epic Quest for Oil, Money and Power*, (New York, Touchstone, 1992), p. 73.

<sup>12</sup> The charter of the company was approved by *Koninklijk Besluit* on May 28, 1890. No.20. *Koninklijke Nederlandsche Maatschappij Tot Exploitatie van Petroleumbronnen in Nederlandsch Indie, Verslag Over 1890*, (Leiden, D. Donner, 1891), p. 7.

Moeara Enim Oil Company in South Sumatra. The potency of oil fields in this region attracted the company to expand its operations into South Palembang region. The financially strong position of Standard Oil enabled the company to deliver the highest bid for a concession in the region but at the same time the Royal Dutch Company also wanted the concession. Thanks to the intervention of the Dutch colonial government, the operation permit of Standard Oil in South Palembang was canceled and eventually it was given to the Royal Dutch Company.

In the beginning, competition between the Standard Oil Company and Royal Dutch in the Dutch Indies was an unfair competition. The Standard Oil Company was an American oil giant which controlled the American oil market and the company had developed their overseas markets in Europe and Asia. Particularly in Southeast Asia, Standard Oil was the largest supplier of oil used for lighting that had begun to be widely used in the Dutch Indies in the mid-19<sup>th</sup> century. The Dutch Indies itself imported oil in large quantities from Europe. Thus, in terms of capital and the wide areas of the company's market, Standard Oil's monopoly would be difficult to challenge by any other oil company in the world at that time. The only way that it was possible to prevent the expansion of Standard Oil's market domination in the Dutch Indies was to limit the expansion space of the company with regulation issued by Dutch colonial government. Regulations that were applied in the Dutch Indies themselves had been changing, as well as some political changes that occurred in The Netherlands and in the Dutch Indies.<sup>13</sup>

<sup>13</sup> Significant political change was the open door policy, especially after the abolition of *Cultuur Stelsel* followed by the passing of

### **The Enactment of the Dutch Indies Mining Act**

The decision to centralize the policies related to Dutch Indies mining management, including providing licenses of investigation and exploitation was an appropriate policy if it was associated with efforts to delay competition with foreign companies. If foreign companies were free to invest their capital without restriction they would have dominated the Dutch Indies mining realm. The expropriation powers of the local authorities and their ability to have the final decision over any concessions allowed them to prevent the influx of foreign capital that would have posed a real threat and serious competition to the Dutch companies. At that time Dutch mining companies were still not able to compete with the wealthier foreign companies.

If the centralized authority of mining operations proved beneficial to the Dutch colonial government, conversely the policy was extremely disadvantageous for the indigenous people. Kings or local rulers who previously had the final say regarding the granting of concessions now had to

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1870 Agrarian Law which allowed the entry of foreign capital into the Dutch Indies, especially in the plantation sector. However, foreign companies considered that it also had to be applied in mining sector. The passing of Agrarian Law was inseparable from the victory of Liberal group in the Dutch Parliament over the Conservative group. Meanwhile In the Dutch Indies, there was desire of Dutch and European communities that the Dutch Indies administration started to make efforts to decentralize power because of the increasing number of Europeans in the Dutch Indies. However, decentralization of power would have an impact on the lack of government control of natural resources so that this desire received less feedback, especially from the conservative group in the Dutch Parliament.

seek approval from the Dutch colonial government. The Dutch colonial government was also entitled to take possession of the land if the land owners rejected commercial mining activities on their land.

The Dutch nationalists and conservatives responded positively to the efforts to centralize the authority of the mining business; however the policy received harsh criticism from members of the liberal groups of the Dutch Parliament. The centralization of authority or power over mining areas led to the exploitation of the colonies as well as limited the role of the private sector to carry out mining activities greater than the Dutch colonial government did, especially at the same time, the Dutch attempted to secure peace treaties in some areas that were suspected of storing large mineral reserves.<sup>14</sup>

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<sup>14</sup> The conquest of Lombok was one of the pacification efforts that on the other side also were related to the Dutch colonial government efforts to control a region that was rich of iron ore. Lombok was an area that complied with the authority of the King of Bali and later ruled by kings from Bali who previously had recognized the sovereignty of the Netherlands. The Dutch presence in North Bali to incorporate Lombok into the residency of the East Indies in 1882 provoked a strong reaction from the kings of some Bali kingdoms that were located in the east and south of the island. Since then the Dutch confrontation with several kingdoms in southern and eastern Bali ultimately led to open conflict that made the Dutch managed to master the whole of Bali. Since being an ally of the Dutch colonial power, Lombok had actively weakened the strength of the kingdoms in southern Bali however the Dutch desire to control Lombok was only realized after being provoked to attack Lombok. The rebellion of the Lombok Muslims of the Sasak tribe was the reason for the Dutch attack on Lombok in 1894. Ricklefs, Merle Calvin, *Sejarah Indonesia Modern 1200-2008*, (Jakarta, Penerbit Serambi, 2008), p. 297.

When the liberal groups opposed the government's monopoly of the mining industry in the Dutch Indies, the socialist group that incorporated the *Anti-Revolutionaire Partij* (AR) highlighted the loss of indigenous land rights due to the expansion of mining regulation policy, especially after the issuance of the Mining Act 1899. The increase in the number of studies looking for oil deposits, and the increase in mineral exploration license requests, made the need to issue a mining act to regulate the oil industry increasing urgent. Besides scientific activities, the Dutch colonial government's financial situation was also a consideration for the immediate realization of the Mining Act. Increasing global demand for minerals could be an alternative way to fill government coffers and satisfy the financial requirements of the administration in the Dutch Indies because since 1877 the Dutch government in The Hague did not receive the economic benefit anymore from its colonies while at the same time, the Dutch colonial government budget in Batavia increased.<sup>15</sup>

The draft of the Dutch Indies Mining Act itself had been proposed three times, however, it was also three times rejected before finally the Dutch

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<sup>15</sup> Scholten, Elsbeth Locher, *Sumatran Sultanate and Colonial State: Jambi and the Rise of Dutch Imperialism 1830-1907*, (New York, SEAP Publication, 2004), p. 192. Despite being in a difficult financial situation, the desire to control the oil-rich region made the Dutch keep attacking Aceh. To finance the Aceh War and to create the new railway, the Dutch colonial government raised taxes in the Dutch Indies colonies. Between 1867 and 1897 the Dutch colonial government revenue from taxation sector increased from 33 percent to 58 percent. See: J. Thomas Linblad, "Economic Aspects of the Dutch Expansion in Indonesia, 1870-1914", *Modern Asian Studies* Vol. 23, No. 1 (1989): 1-24. p. 13-14.



Parliament approved it.<sup>16</sup> The Dutch Indies Mining Act 1899 was the first mining act that provided clear regulations regarding the rights of landowners that they did not automatically control the minerals contained in their soil because the party that took control of the natural sources was the colonial government. Centralized authority of the government was getting stronger with some provisions which explained that the Mining Bureau or the Provincial Government was responsible for issuing permission to control the mineral management while mining concessions were granted based on applications submitted to the governor general. Thus, the governor general was the most decisive officer in granting concessions.<sup>17</sup>

Since the beginning of its development both in the United States and in the Dutch Indies, the mining industry required huge amounts of capital, expensive technology and was always a high risk industry. The industry did not, however, require much unskilled labor which meant that the indigenous people who lived around mining explorations were not too involved in the industry.

Through the *Indische Mijnwet 1899* the Dutch colonial government provided opportunities for the private sector to engage in mining activities with a concession system. Based on some provisions of the concession system in the *Indische Mijnwet 1899*, the concession holders were given full

authority to manage their mining operations from the beginning until the end of production process. Thus the government was not involved in the oil mining process but was involved in the marketing activities and sales of mineral products which were produced by a mining company.

The risks associated with the exploration of minerals was entirely the responsibility of the company as the concession holder, however if the company reaped positive outcome from their mining activities, they were obliged to pay royalties, taxes and bonuses to the government. The Dutch colonial government set the royalty as high as 4 percent of gross production and the contractor was obliged to pay land tax for each acre of land concessions and income tax from net income.<sup>18</sup> In general the concession system that was set out in the *Indische Mijnwet 1899* provided some rights to concession holders such as the right to own natural resources or minerals and mining rights to manage the implementation of their mining activities and the ownership right of their assets to some extent.<sup>19</sup>

From all of the provisions in the Dutch Indies Mining Act 1899 there were some rules that complicated the ability of foreign private companies to conduct commercial mining activities in the Dutch Indies, namely the requirements to obtain mining concessions which were seen, by foreign companies, to be discriminatory. According to article 4 of the Dutch Indies Mining Act 1899, concessions could only be granted to Dutch, or Dutch Indies citizens and those companies that were registered in The Netherlands or in the Dutch

<sup>16</sup> Dienst van den Mijnbouw, *Tekst van de Indische Mijnwet (Staatsblad 1899 No. 214 gewijzigd en aangevuld bij de Staatsbladen 1910 No. 588 en 1919 No. 4) en van de Mijnordonnantie (Staatsblad 1906 No. 434 gewijzigd en aangevuld bij de op blz. 21 vermelde Staatsbladen)*, (Weltevreden, Landsdrukkerij, 1924).

<sup>17</sup> *Ibid*, Artikel 13 (1), p. 7.

<sup>18</sup> Dienst van den Mijnbouw, *Op.Cit.*, Artikel 35 (1), p. 13-14.

<sup>19</sup> *Ibid*, Artikel 16 (2), p. 7.

Indies.<sup>20</sup> This provision clearly discriminated against all foreign private companies which had been operating in the Dutch Indies and which could not meet these requirements especially since most foreign companies were registered in the country where they came from and of course the majority owners of the companies were not Dutch.

Among the 46 articles in the Dutch Indies Mining Act 1899, the information that regulated concessions dominated the content of the act with 22 articles (Articles 13-34) concerned with the issue. The concession was an important issue considering the increasing number of discoveries of mineral resources in the Dutch Indies and the readiness of Dutch companies and foreign companies to exploit minerals, while at the same time the Dutch's desire to play a greater role in the Dutch Indies mining sector increased. However just like the requirements for any parties that wanted to get mining concessions, the dominance of the Dutch colonial government over the parties which were granted concessions also remained clearly visible. In addition to some provisions that complicated the existence of foreign companies operations, including the difficulty of obtaining concessions, foreign companies that would operate in the Dutch Indies were also subjected to pay annual dues and other obligations such as some taxes.

The majority of the Dutch parliament supported the issuance of the Dutch Indies Mining Act 1899 but there were also several statements from parliament members that expressed their disapproval of certain provisions, primarily the rights of people who

possessed the lands and those who lived in the vicinity of the mining explorations. For the owners of land that contained mineral deposits, the issuance of the mining law was very harmful because there was a policy of separation between the ownership of mining and land tenancy which was not previously distinguished in the custom laws of most of the archipelago.<sup>21</sup>

Criticism of the Dutch parliament for passing the Act came from not only socialists but also former Dutch officers who served in the Dutch Indies. Former member of the Dutch Indies Supreme Court, Cornelis Marinus Piepers, criticized the Dutch Indies Mining Act 1899 because the act unfairly provided special provisions for the interests of big mining companies who would operate over indigenous lands and landowners. Moreover according to him the term of land owner in The Netherlands itself also meant the owner of the minerals found in it.<sup>22</sup>

Another figure who also launched harsh criticism of the Dutch Indies Mining Act was Henri Hubert van Kol who had worked at the Department of Public Company in the Dutch Indies. He was a prominent Dutch socialist who also criticized the separation of mining and land ownership. Sympathy for indigenous people whose rights were deprived by the Dutch colonial government encouraged him to submit the resolution that suggested 50% of the mining concession revenue sought to be public funds for the benefit of the owners of the land.<sup>23</sup> However his

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<sup>20</sup> *Ibid*, Artikel 4, p. 2.

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<sup>21</sup> Dienst van den Mijnbouw, *Op.Cit.*, Artikel No. 2 (1) and (2), p. 2.

<sup>22</sup> Piepers, Marinus Cornelis., *Het Indische Mijnwet en Het Eigendomsrecht*, Amsterdam, S.L. Van Looy, 1899, p. 10.

<sup>23</sup> Henri Hubert van Kol later also criticized the Dutch colonial government policies that had benefited the Netherlands but had not adequately compensated the natives. In fact,

proposal was rejected by the majority of the Dutch Parliament members.

Regardless of the pros and cons of the Act, and the differing opinions expressed by members of the Dutch parliament, the result of the act was a huge increase in mining exploration and exploitation in the Dutch Indies. Several legal constraints were resolved through the passing of the Act but at the same time the Act raised protests from foreign companies whose interests were harmed. The Dutch government took these problems and the critique of the Act very seriously and worked to amend the Act.

Various mining businesses in the Dutch Indies, especially the oil mining business conducted by the Royal Dutch began to generate a growing income from the production and sale of oil. The profit of Royal Dutch itself increased rapidly even before the issuance of the Dutch Indies Mining Act 1899. Although there was a decrease in the volume due to the capacity of the oil wells in Langkat in 1898, discoveries of new oil sources in South Sumatra provided a new income and an increase of corporate profits between 1901-1910. The possibilities to extract greater profits from the region were increased by the passing of the Act. The Dutch Indies Mining Act gave Dutch companies an advantage in winning concessions to undertake oil exploitation in the areas that were believed to contain the largest oil reserves in the Dutch Indies.

Based on the financial reports of Royal Dutch between 1895–1904 or five years

before and after the issuance of the Dutch Indies Mining Act 1899, there is a clear increase in the company's balance mainly between 1896-1897 and 1902-1903. The significant increase in 1896-1897 was strongly influenced by the high production capacity of the Langkat oil wells and despite in 1898-1899 a decline of balance which was also heavily influenced by the decrease of oil production capacity in the same oil wells, the decline was not significant when compared with the increase the previous year. The company's balance increased again in 1902-1903 along with the company's success to get concessions from a number of oil potential areas in South Sumatra, including the oil fields in Moeara Enim.

### **The *Indisch Mijnwet* and The Local Rulers**

To be able to know the reaction of the authorities and local people related to the issuance of the Dutch Indies Mining Act 1899, it is important to understand the background of their relationship with the Dutch colonial government. The relationship relates whether an area includes direct or indirect controlled area. Direct controlled areas were areas controlled by the Dutch politically and militarily so that the areas were fully under the Dutch colonial government control. In those areas the Dutch colonial government was able to implement all the regulations that considered profitable without having to take into account the interests of other parties. While the definition of indirect controlled areas were areas in which local authorities such as kings or sultans recognize the sovereignty of The Netherlands. It means that the Dutch colonial government gained the recognition of their sovereignty without having to undertake a military conquest.

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he also criticized the ethical policy that the Dutch colonial government undertook because basically it provided additional advantages to the colonial government. Moon, Suzanne, *Technology and Ethical Idealism: A History of Development in the Netherlands East Indies*, Leiden, CNWS Publications, 2007, p. 18.

In some sultanates in East Sumatra, including in the Sultanate of Langkat, the recognition was formalized by a political contract which was signed by the local ruler and the Dutch colonial government. Thus the sovereignty of local rulers actually was an apparent sovereignty because in many cases the sultan had to follow political and economic desires of the Dutch colonial government. Relationship between the two parties was not more as a superior-subordination relationship although economically, the relationship was profitable for local authorities primarily related to Dutch companies investments. The Dutch officials or the *Ambtenaar* who served in the area even evaluated the loyalty of local rulers from their promptness in carrying out all important orders of the central government in Batavia.<sup>24</sup>

Unlike the *Korte Verklaring* which was applied to the Sultanate of Aceh, political contracts (*Lange Politiek Contract*) which were signed by five sultans in East Sumatra (Deli, Langkat, Serdang, Asahan and Siak) contained several provisions that regulated the distribution of rights and powers in each sultanate. Based on the political contract, some sultanates' rights and powers were given to the Dutch colonial government and the rest were retained by the sultanates while in *Korte Verklaring*, the power of Sultan Aceh and their *uleebalang* or district leader had been very limited.<sup>25</sup>

Although having more power than the Sultan of Aceh, however, in practice, *Lange Politiek Contract* still

made the sultans in East Sumatra lose their powers when dealing with the Dutch colonial government. *Lange Politiek Contract* was the first step to change the structure of a sultanate administration before gradually abolishing the sultanate institution. The trick was to slowly remove traditional institutions including the Council of Great People. Sultan usually held meetings to make decisions with the figures of the council. The members of the council and their descendants whom were considered worthy or loyal to the Dutch colonial government subsequently would be appointed to become civil service by the Dutch colonial government just like a regent in Java.

When the Council of Great People was abolished, the sultan was the only single ruler that easily appointed or replaced by the Dutch colonial government. At this point, the government could offer *Korte Verklaring* to limit the sultanate power. However the Dutch real goal was to remove the sultanate system because if it was possible, they would not appoint the next sultan when a sultan died. When the sultanate institution had been abolished, the territory of the former sultanate could be included into the Dutch government territories.

Thus there were two stages to remove a sultanate and its power. First, *Lange Politiek Contract* would slowly turn into a *Korte Verklaring*. The Dutch colonial government would take into account the situation of the sultanate. When it was possible, the government then would turn *Korte Verklaring* into a *Staatsgemeenschap*. The change of *Lange Politiek Contract* status became *Korte Verklaring* even could be undertook if a sultan died and the Dutch colonial government did not want to appoint the next sultan. The government

<sup>24</sup> Reid, Anthony, *Perjuangan Rakyat Revolusi dan Hancurnya Kerajaan di Sumatra*, (Jakarta, Pustaka Sinar Harapan, 1987), p. 87.

<sup>25</sup> Basarshah, Tuanku Luckman Sinar, *Bangun dan Runtuhnya Kerajaan Melayu di Sumatera Timur*, (Medan, Universitas Sumatera Utara Press, 2002), p. 243.

did not want to appoint the next sultan because in economic terms the sultanate was no longer considered to have economic potential. It was applied to the Sultanate of Indragiri.

If a sultanate was successfully changed into a *Staatsgemeenschap*, the influence of the Dutch power could be directly applied to the people in the former sultanate territories. However, to remove sultanates and to make them as *direct ruled gebied* the government needed many government employees. In fact it was difficult for the Dutch colonial government to prepare many government employees in short time. Another consideration was that people in a sultanate still obeyed their sultan. If the sultanate was removed, people would be angry to the Dutch colonial government and it could lead to a chaos situation. In contrast, the sultan could be used to calm his people who refused the Dutch colonial government policy. This is the reason why the sultanate and other native kingdom system were still retained. Some of them even still existed until the Indonesia's independence in 1945.<sup>26</sup>

<sup>26</sup> There were ten small sultanates and kingdoms that one by one signed political contracts with the Dutch colonial government and almost all the political contracts were replaced with "Korte Verklaring". All authorities of the small kingdoms and sultanates were reduced gradually until they lost their authorities at all except Sultanate of Langkat, Deli and Serdang. They did not lose all of their authorities however the Dutch colonial government continued to renew the political contracts with the sultanates to weaken the power of the sultans. Until 1915, small local kingdoms and sultanates that had political contracts and then were included into the East Sumatra Resident were Asahan, Deli, Kualuh, Langkat, Pelalawan (Kampar), Serdang, Siak and Siak Sri Inderapura. See: Basarshah, Tuanku Luckman Sinar, *Bangun dan Runtuhnya Kerajaan Melayu di Sumatera Timur*, (Medan, Universitas Sumatera Utara Press, 2002), p. 256.

All sultans who signed *Lange Politiek Contract* or *Korte Verklaring* followed the Dutch colonial government policies.<sup>27</sup> However it did not mean that some sultans were not aware of the Dutch colonial government efforts to limit their powers and even would remove their powers. However, both internally and externally, to sign a political contract was an option to keep their existences. Externally, Dutch political and military power was more superior and it could not be resisted by the sultanates. Internally, the lack of the sultanate territories control and conflict among the sultanate elites became important factors that ultimately exploited by the Dutch to force the sultan to sign a political contract. Those circumstances that manacled the sultan power encouraged some sultans express their dissatisfaction. The Sultan of

<sup>27</sup> In the early 1860s several sultans and local rulers in the Northeast Sumatra signed political contracts with the Dutch colonial government which contained some provisions that they would not hold diplomatic relations both among themselves and with foreign governments. In addition, they were also prohibited from having soldiers and military infrastructures. The sultans were forbidden to take everything from a stranded or sunken ship. In addition to those restrictions, the sultan was also obliged to quell piracy at sea, to abolish slavery and to promote the development of trade and industry. Every foreigner who wanted to live in their territories had to ask permission from the Dutch government. With those regulations the Dutch colonial government tried to keep the sultanates remain weak and could not unite against the government. They would never get support from foreign governments politically and military. Conversely the burden of government was reduced because the sultans had to extinguish piracy at sea. Economically, the Dutch colonial government and entrepreneurs got benefits because the sultans had to facilitate in providing various business licensing in their territories. See: Perret, Daniel, *Kolonialisme dan Etnisitas Batak dan Melayu di Sumatera Timur Laut*, Jakarta, Kepustakaan Populer Gramedia, 2010, p. 216.

Serdang, Sulaiman Syariful Alamsyah, was the last sultan whom was forced to sign a political contract in 1907. His famous words after he signed the contract were, "That the native kings were tied by The Netherlands with golden chains ". Sultan Siak even found himself was regarded as "cow" by the Dutch colonial government, while Sultan Husin from the Sultanate of Asahan met the King of The Netherlands to protest the existence of the *Lange Politiek Contract* in 1908.

Some Dutch pretensions could be accomplished through the existence of political contract agreement including the transfer of the sultan right to the Dutch colonial government to levy taxes (customs of import and export) at the sultanate port. Instead, the Dutch colonial government provided permanent compensation to the sultan. Apart from that, the Dutch colonial government could also impose tax system and forced labor in the sultanate just like in other *direct ruled gebied*.

Economically the regions in the three important sultanates in East Sumatra could be considered as heaven for the Dutch entrepreneurs in tobacco plantation and oil mining. On the other hand, politically Sultanates of Deli, Langkat and Serdang had recognized the sovereignty of the Dutch colonial government so that when their areas became potential ones for the development of tobacco plantation and oil mining, those three local rulers finally supported the existence of Dutch companies. Supports from local rulers and the business expansion desires of Dutch entrepreneurs was a symbiosis mutualism that on the other hand disserved their own people.

The Dutch planters got favorable business situation in East Sumatra region because of the nature and policies of the local authorities. They

obtained land concessions (for plantation and later oil mining in Langkat region) with very convenient conditions. Local authorities namely the sultan and *datuk* or district lords also helped the provision of labors who would work in tobacco plantations. In fact, the Dutch entrepreneurs obtained a lot of benefits because of the bureaucracy that was formed between them and the local authorities. The percentage system and the bribes that they gave to the elites in the three sultanates were much cheaper than the tax they had to pay to a modern government. The presence of the sultans also served as intermediaries to curb the social structure of the Batak people that were complex and autonomous.<sup>28</sup>

Corruption practices that were committed by the sultanate family were known by educated group among Langkat non-indigenous communities. Some of them even were figures who involved in the Indonesian nationalist movement. To keep this movement not to be widespread, the Dutch colonial government committed rude actions. However, again, the position of sultans could be used as a shield to the rude

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<sup>28</sup> In general, there were two big native ethnics in East Sumatra namely Malay and Batak. Some Batak tribes lived in the territories that were claimed by Malay sultanates although they were not directly under the control of the sultanates. Malay sultans, especially the Sultanate of Deli and Langkat, did not deal directly with Batak people, especially Batak Karo. *Datuk* were the communicators between sultans and Batak Karo people. Generally *datuk* were descendants of the Karo tribe who had converted to Islam and in many ways they run their own policies. Religion had become a hierarchical link between sultans and *datuk* who had converted to Islam. However when the influence of the Dutch colonial government power reached the territories where Batak Karo lived, they put the villages of Karo tribes into the administrative structure of Malay sultanates to expand legal powers of the sultan.

actions to calm the turmoil in their region.

Compared with other four sultanates in East Sumatra, the relationship between the Sultanate of Langkat and the Dutch colonial government was very good since the reign of Sultan Musa. The Sultanate of Langkat even had sought the Dutch protection when the sultanate was fighting with other sultanates before the signing of the Siak Treaty. The Sultanate of Langkat territory was initially under the influence of the Aceh Sultanate. However the conflict among the Aceh Sultanate, the Dutch and the British forces made the Sultanate of Langkat finally decided to recognize the Dutch sovereignty in 1869. In 1887 the Dutch recognized Sultan Musa as the sultan of Langkat with the title of Sultan Al Haji Musa Shah Almahadain. At the same time Tengku Abdul Aziz was set as his successor.

In the Sultanate of Langkat, the relationship among the Dutch entrepreneurs, the Dutch colonial government and local authorities worked well, especially during the reign of Sultan Abdul Aziz Abdul Jalil Al Haj Rakhmatsyah (1873-1927). Financial income during his reign largely derived from oil concessions. The income of sultanate treasury from oil concessions in Lapan area, Langkat, had started during the sultanate was ruled by Sultan Musa (1840-1893).

Before oil was mined in large quantities, the sultanate relied on their income from tobacco concession just like the Sultanate of Deli did. Sultan Musa was the Sultan of Langkat who provided oil concessions to the Dutch businessman Aeilko Zijlker. In 1892 Sultan Musa resigned from his position because of had been old and in 1893 he appointed Tengku Abdul Aziz as his successor. When he was appointed to

replace his father, Sultan Abdul Aziz was still very young. He was only inducted to become the sultan by the Dutch resident in 1896. At the beginning of his reign, Sultan Abdul Aziz was faced with the expansion of oil mining in Pangkalan Brandan area.

When the *Indische Mijnewet 1899* was published, the financial situation of the Royal Dutch Company was not good due to the decrease of oil production from oil wells in Langkat areas. Sultan Abdul Aziz cooperative attitude towards the implementation of the *Indische Mijnewet 1899* could be seen on how he handled Pangkalan Brandan as a regional mainstay of Dutch oil companies. Along with the increase of demand for oil concessions, Pangkalan Brandan region was becoming increasingly important source of the sultanate financial income. To make Pangkalan Brandan as the central area of oil mining in Langkat, Sultan Abdul Aziz made a new *luhak* or district based in Pangkalan Brandan. The cooperative attitude of the sultan influenced the increase of Royal Dutch oil production. The increase of oil production from Langkat areas doubled the company profit between 1902-1903.<sup>29</sup>

The income from the oil sector led two impacts on people who lived in the Sultanate of Langkat. On one side, it had a positive impact not only for the royal family but also for people of the Sultanate Langkat especially the Malay ethnic. Physical development that had been initiated by Sultan Musa was followed by Sultan Abdul Aziz. In religion field, the income from oil concessions was used to build mosques in Pangkalan Brandan, Tanjungpura,

<sup>29</sup> Basarshah, Tuanku Luckman Sinar, *Bangun dan Runtuhnya Kerajaan Melayu di Sumatera Timur*, (Medan, Universitas Sumatera Utara Press, 2002), p. 113.

Stabat, Binjai and Selesai. Besides those mosques, Sultan Abdul Aziz also realized the establishment of religious association called *Al Jamiatul Khairiah Mahmudiah Lithalabil*. He also built Islamic school called *Madrasah Maslurah* in the former palace of Sultan Musa and student dormitories beside the school. In addition to Islamic school, Sultan Abdul Aziz also set up seven year primary school in 1900 which was called *Langkatsche School*. He even invited teacher from The Netherlands named J.F. Itterson to teach at the school. Furthermore he also built a three and five year primary school in several places in Langkat.<sup>30</sup>

The income from oil concession was also used for pioneering the development of air transportation infrastructure such as airfield for civil aviation, construction of water treatment machinery, construction of power generation machinery and construction of highway that connected Tanjungpura with Besitang and Binjai. The sultan also built a city fortress to avoid floods and hospitals in Tanjungpura and Binjai.

Sultan Abdul Aziz not only concerned with physical development but was also known to be very generous sultan as well. When the price of rice was very expensive because of World War I, many people could not afford to buy rice. The sultan provided living cost of his people for those who could not buy rice and just asked them to read Koran at the Mosque Azizi, Tanjungpura.<sup>31</sup>

<sup>30</sup> Hamid, Datuk OK. Abdul, *Sejarah Langkat Mendai Tuah Berseri*, (Medan, Badan Perpustakaan, Arsip dan Dokumentasi Provinsi Sumatera Utara, 2011), p. 104.

<sup>31</sup> *Ibid* 107. The same information was given by one of Langkat Sultanate family members, Drs. H. O.K. Ubaidullah Indra bin Datoek Mahidin (Datoek Indra Perkasa). Interview with Drs. H. O.K. Ubaidullah Indra bin

However on the psychological side, the policies of Sultan Langkat that appeared positive actually affected to his own people adversely especially the Malay ethnic. In the reign of Sultan Abdul Aziz the Malay people was used to living with relaxed. Because of the presence of foreign plantation and Dutch oil Company, they did not need to work hard. The sultanate provided them many life supports. It also influenced the thought of the Malays so that they were not critical related to sultanate policies especially about the political contract with the Dutch colonial government. Economic dependence from the sultanate goodness made the Malay mental was not strong enough to compete with newcomers. Almost all trade sectors in Langkat at that time were controlled by Chinese immigrants.

At this point it appeared that the Dutch political contract in the Sultanate of Langkat affected some matters that were interrelated. Political contracts made the sultanate could not refuse any desires of the Dutch colonial government and Dutch entrepreneurs to invest their capital in plantation and mining sectors. Concessions from both sectors spoiled the sultan family to live in clover. Money from these sectors partly was set aside for the welfare of the people especially the Malays and it was a process of their mental damage.

Personally Sultan Abdul Aziz cooperative attitude could be seen from two sides at once. As a sultan whom was appointed by the Dutch resident, naturally his attitude was to maintain good relations with the Dutch colonial government. On the other hand, in order to perpetuate his reign he had to be favored by his people. For this reason he constructed many public facilities

Datoek Mahidin (Datoek Indra Perkasa), Medan, February 21, 2013.



and provided ease of living for his people especially the Malays. His efforts succeeded to avoid turmoil in Langkat community and kept peaceful to the Dutch entrepreneurs and the Dutch government.

## CONCLUSION

Domination over archipelago which was later known as the Dutch Indies was a process. The final result of the process was a colonial state. The occupation of each area has a different background and the Dutch colonial government mostly managed to implement right strategies for many occupations. Generalization should be avoided in those occupations because we have to consider internal and external factors in any occupations undertaken by the Dutch colonial government.

Almost all territories controlled by the Dutch, directly or indirectly, between 1870-1914 were rich region of mineral resources. The Dutch persistence to occupy these areas is one of important factors which ultimately led to the consolidation of colonial administration in the late 19th century. It is important to note that there were some Dutch companies that later invested their capital in those areas. At this point we can see a strong relationship between territorial expansions conducted by the Dutch colonial government and private company investments primarily oil mining and plantation companies. One of strong relationships between territorial expansion and Dutch private investment was the military expedition conducted by the Dutch colonial government in Aceh and West Papua (Irian Jaya). Between 1907-1915, based on an advice of KNIL officer (*Koninklijke Nederlandsch Indische*

*Leger* or The Royal Netherlands East Indies Army), Anton Hendrikus Colijn, the Dutch government sent four military expeditions to the central Cordillera, West Papua. Those expensive military operations were intended to secure resources and to map the region interior.

Another factor is the opportunity to take control an area due to lack of native kingdom weakness in terms of military and political sides. In general, Dutch military technology was more superior to any native kingdoms in the archipelago; however, the rivalries among local kingdoms or rulers made the Dutch colonial government could play their diplomatic role effectively to support one party by political contract. Both of two factors above existed in almost the same time in the late of 19<sup>th</sup> century. Of course the world market situation that needed more raw materials and new energy sources to run industries in industrial countries as the external factor outside the Dutch Indies also influenced the way of the Dutch colonial administration to manage their colonies.

When the Dutch political alliance defeated the native kingdom that opposed the Dutch power, the next step was to control the entire region, including the region of the party that supported the Dutch. In this case the Dutch got two benefits at once. First they got other native kingdom recognition through political contracts and the ease of private company investment. Secondly, the Dutch got support from the native kingdom that had been tied up in political contract to attack other native kingdoms that opposed them. However, to occupy and to manage the rich region of mineral resources especially oil rich regions, the Dutch colonial government needed to issue regulation to set how those minerals could provide benefit for the

government and The Netherlands. It was also important to consider the desire of foreign private companies that wanted to invest their capital and would become strong competitor for Dutch private companies in the Dutch Indies.

The issuance of the Dutch Indies Mining Act 1899 became a strategic legal effort in facing the development of competition between foreign oil companies and Dutch oil companies in the Dutch Indies. From the Dutch point of view the attempt to issue the mining act was an excellent political and economic strategy and the act was issued at the right time, namely when American oil companies began to develop their oil business in the Dutch Indies. The greater the interest by American oil companies in the Dutch Indies, the greater the threat to the existence of the Dutch oil companies amidst the increase in the global demand for oil. If a liberal approach had been followed, and oil companies were allowed to compete on an equal footing, then the Dutch oil companies would have found it difficult to both compete with the American companies and to maintain their dominant position in the Dutch Indies oil market.

The Dutch Indies Mining Act 1899 provided not only a positive impact on the Dutch oil companies and a negative impact on the foreign oil companies that wanted to operate in the Dutch Indies but also impacted on the Dutch colonial government itself that passed the act and the indigenous people whose living standard was not improved when oil increasingly provided huge profits for Dutch and foreign oil companies.

For the Dutch colonial government the Dutch Indies Mining Act strengthened their control over the Dutch Indies and the Dutch Indies mineral sources because the presence of

Dutch and foreign mining companies that operated in the Dutch Indies became *de facto* reason for the control over various areas which previously could not be reached by colonial activities. It is important to note that different areas which later were known to contain large quantities of minerals geographically were very difficult to reach because they were located in hinterland and geopolitically they remain in territories controlled by a kingdom or a sultanate that had not had good relations with the Dutch colonial government. The Dutch used bad relations with some Sultanates and local rulers to attack and to control the areas. Some areas were situated in the hinterland and the Dutch previously did not notice the areas because usually they were remote and were difficult to reach. That was why there were no colonial activities there. However, then the Dutch knew that the remote areas contained minerals, so they opened the areas for exploitation and for other colonial activities including building infrastructures and forming local governments under the Dutch colonial administration.

Without the possibility of minerals it is unlikely that the colonial government would have paid much attention to the hinterland. In addition to strengthening the control over mineral resources rich areas, the Dutch Indies Mining Act also provided other compensation to the Dutch colonial government namely financial benefits from the concessions which had to be paid by the oil companies. A good, mutual relationship between mining companies and the Dutch colonial government was an important factor of the Dutch Indies Mining Act as several key officials at Royal Dutch were previously key officials in the Dutch colonial government.

A group that suffered from the Dutch Indies Mining Act was the local residents who did not benefit economically from the presence of oil companies in the area where they lived. Even the people who owned the land containing minerals did not have the rights to minerals that were within their land. In fact the mining industry was one of the favorite sectors for Dutch investors because their surplus capital achieved greater profit when invested in the Dutch Indies, especially in mining, agriculture and transportation sectors than when invested in The Netherlands itself. Cheap labor was the main attraction for the Dutch investors including the coolies or laborers imported from Java to work in various commercial mining fields outside Java. Mining operations actually did not involve local people because workers employed in the mining areas actually came from Java as the oil companies were able to pay them a lower wage. Thus from the indigenous peoples point of view there were two categories namely local people who lived in areas around mining exploration including landowners whose lands contained minerals and native workers employed in mining areas. Both parties were impacted negatively by the passing of the Dutch Indies Mining Act.

Despite being politically and military weak compared with other European powers, the Dutch were still a more superior power among indigenous kingdoms in the archipelago. Thus externally or international geopolitically, the Dutch was an inferior power while internally in the archipelago, the Dutch was a superior power. When the Dutch managed to control the areas in the archipelago that were rich in natural resources and minerals, and other countries of Europe and the United States, that were more

superior, wanted to participate in exploiting the minerals in the archipelago, the Dutch struggled to maintain their control and so passed the Dutch Indies Mining Act. The Act allowed the Dutch to control the flow of foreign capital and the influence of foreign companies in the archipelago while at the same time protecting the interests of the Dutch companies.

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