Logging in East Kalimantan, Indonesia. The Historical Expedience of Illegality
Obidzinski, K.

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CHAPTER 2

ILLEGALITIES IN THE TIMBER ECONOMY OF SOUTHEAST BORNEO BEFORE THE SECOND WORLD WAR

This chapter is the first in the series of four (Chapters 2, 3, 4 and 5) that are designed to show with an increasing degree of specificity how the system of governance based on patronage and clientelism evolved and functioned over time in the province of East Kalimantan, and how fueling the development of the illegal logging sector. A province-level focus is intended to show how off-budget financing developed into an economically crucial lifeline for institutions and individual stakeholders and how timber became one of key sources of such unofficial financing and, associated with it, political interactions.

In order to understand illegal logging practices, my analysis goes beyond the acts of rural resistance, organized crime or national-level elite power plays and turns to grass root level of East Kalimantan: there a combination of political interests, subsistence concerns and greed have been the most important causes of the illegal forestry sector to become a deeply engrained and functionally important force.

This chapter opens the discussion by tracing the development of illegalities in timber extraction and trade in the colonial period. These are related to the politics of indirect rule whereby sultanates,
in return for acting as colonial government proxies, temporarily retained a degree of control over some natural resources, particularly forests. With most of the important income-generating minerals under Dutch control, forests became the abolver with which to reinforce vestiges of the traditional authority.

However, subsequent intensification and speculative nature of timber exploitation led, in 1934, to the centralization of colonial forest policy that banned logging based on agreements with sultans. The increasingly regulated and costly environment of timber ventures in Southeast Borneo in the mid-and late 1930s prompted widespread a reliance on sub contracting, which helped to preserve small-scale logging methods, despite their being banned.

While the limited demand for tropical timber on world markets proved to be a restrictive factor to both legal and illegal logging operations, the Japanese occupation of Southeast Borneo between 1942 and 1945, laid the groundwork for the emergence of timber as an important source of income for economic survival primarily because it caused the impoverishment and destruction of other (economic) sectors.

2.1 Shifting economic and political dynamics of the native states in Southeast Borneo and the rising significance of forests

As a result of the residency of Southeast Borneo, the area that forms present-day East Kalimantan came into direct administrative contact with the Netherlands East Indies for the first time in 1853,
when J. Zwager was appointed as a district officer in Samarinda with the responsibility of monitoring the developments in the sultanate of Kutai (Von Dewall 1855; Zwagger 1866; Broersma 1927a:156). Kutai was at that time by far the largest and most powerful kingdom in East Kalimantan, exercising tributary control over the vast Mahakam River basin (Tromp 1889; Knappert 1905). To the north, there were a number of smaller, self-governing entities. The sultan of Sambaliung occupied the area between Cape Mangkalihat and the Kelai River, whereas the Segah River basin was the domain of Sambaliung’s greatest rival, the sultan of Gunung Tabur. The combined area of both sultanates was commonly referred to as Berau. Beyond Berau, there was one other independent entity called Bulungan. The Bulungan sultanate had its center in Tanjung Palas, located near the estuary of the Kayan River, and it claimed sovereignty over the vast interior regions of Apo Kayan in the west and Tidung Lands in the north, both of which bordered the British territories of Sarawak and North Borneo.

The extension of Dutch supervision and eventual control over these areas was driven primarily by the colonial government’s need for political and economic normalization. In the late nineteenth century, conditions in most of Southeast Borneo were said to be appalling, for “[Dutch] officials sent on tours of inspection spoke of anarchy in Pasir, corruption in Kutai, overt slave trade in Berau and lawlessness in Bulungan” (Lindblad 1988:124-123). An additional and equally important reason for greater Dutch intervention into sultanates’ affairs was that interacted with various
western adventurers and traders, thereby arousing the suspicions within the Dutch colonial administration that there could be "white rajas" with pro-British inclinations (such as the Brooks in Sarawak) establishing themselves in Southeast Borneo (e.g. Tromp 1889; Knappert 1905; Broersma 1927a; Lapian 1974; Black 1985).

Therefore, all sultanates in Southeast Borneo were compelled to sign alliance contracts with the Netherlands in quick succession, thereby, transferring to the colonial rulers all political, and most economic, powers (Kutai did so in 1863 and other sultanates in 1878). Despite that by signing such contracts, sultans in effect became Dutch fiefs, they were nevertheless to continue to function as leaders of autonomous entities and to run their own affairs independently. Such remaining authority, however, was, gradually yet steadily, reduced. At the turn of the century, indigenous control over such strategic resources as customs duties, was eliminated, and their monopolies on salt and opium and authority over mining concessions was ended (Lindblad 1988:124-127). Soon after, all sultanates in Southeast Borneo had to sign the Korte Verklaring, or "short declaration", that brought the transfer of effective authority to the Dutch administration to completion²¹.

Inspite of Korte Verklaring policy's placing all decision-making powers into the hands of Dutch government officials, the idea

²¹ In 1899, the Dutch offered the sultanate of Kutai, the largest and richest in East Kalimantan, an "exclusive contract" instead of the Korte Verklaring in order to spare it the embarrassment. The other kingdoms signed the Korte Verklaring directly. Bulungan did in 1906, and Sambaliung and Gunung Tabur followed in 1909.
behind it was those powers, in as much as possible, would be exercised indirectly through the existing sultanate structures (Metz and Beretta 1937:113-119). This approach, clearly inspired by then-popular Ethical Policy towards indigenous peoples under Dutch jurisdiction, resulted in overlaps and dualisms that had important implications for the involvement of sultanate administrations with utilization and management of natural, particularly forest, resources.

One of the most visible and tangible of such dualisms was an administrative overlap. Initially, direct control by Dutch authorities was imposed only on the most troublesome regions, such as Upper Mahakam and Apo Kayan, both of which were infamous for tribal warfare and headhunting (Grijzen 1925; Broersma 1927a:155-222, 235-241; Haga 1941; Black 1985). The Upper Mahakam area was officially taken away from the jurisdiction of the sultan of Kutai in 1908 and became a launching pad for the pacification of Apo Kayan, which was accomplished in 1921. The more accessible areas, on the other hand, were incorporated into the official administrative system of Southeast Borneo residency in the form of departments (afdelingen) and (after 1900) districts (onderafdelingen), with the number of the latter increasing as a result of several administrative reorganizations before the Second World War. In 1935, the area of present-day East-Kalimantan was divided into two departments (Samarinda and Bulungan/Berau) that
consisted of five districts each\(^{22}\) (Lindblad 1988:127-130; Cribb 2000:118, 129).

an assistant resident headed each department and he collected information and exercised power through *controleurs* (controllers) stationed in the districts. Assistant residents, in turn, reported to the resident for Southeast Borneo based in Banjarmasin. With such system in place, the sultanates were still considered important entities complementing the official colonial administration. The sultanates, although divided or combined into districts, continued to exist as self-governing bodies (*zelfbestuurlandschappen*) in which administrative, economic, and to a lesser degree, political measures were applied through established structures of traditional governance (Lulofs 1913; Kielstra 1919; Verbeek 1919). Within this context, sultans were expected to continue to function as "lords of the domain", although in close coordination with *controleurs* and their superiors (Peluso 1983a; Magenda 1991).

The ambivalent position of sultanates in Southeast Borneo, resulting from their limited administrative powers and the simultaneous need to function as self-governing bodies, was sharpened by their equally ambiguous economic and financial standing (Lulofs 1913; Verbeek 1919). Before Dutch intervention, the sultans of East Kalimantan generated most of their income from various export *cukai* fees imposed on the goods produced annually in their respective domains. With the deepening penetration of Dutch administration in the late 19\(^{th}\) century, strategic resources

\(^{22}\) The department of Samarinda comprised the districts of Pasir, Balikpapan, East Kutai, West Kutai and Upper Mahakam. Bulungan/Berau included the districts of Berau, Bulungan, Apo Kayan, Tidung Lands and Tarakan.
such as coal and oil fell under direct Dutch control in exchange for annual concession/land rents and production fees. In time, annual rents of this kind were not paid directly to the sultans, but to the authorities in Batavia who would then partially reimburse the local traditional rulers.

In principle, the financial resources available to sultanates were substantial. This was particularly so in the case of Kutai and Bulungan, both of which possessed coal and oil deposits and were thus entitled to fees on these resources. However, the liquidity of the proceeds from coal and oil was often limited, as most of them were locked in either government bonds or real estate (Lindblad 1988:152). What sultans, their courts and indigenous district staff had immediate access to were annual salaries paid by the Dutch officials as well as proceeds from agricultural and forest resources.

The system of tribute payments and the collection by Sultanates of various *cukai* tariffs on agricultural and forest lasted until the end of colonial rule in Southeast Borneo, despite suggestions by Dutch officials to have it abolished in favor of a unified and modern taxation system (Lulofs 1913; Gent van 1919; Lindblad 1988:138). Similar to the duality in the administrative structure, the parallel financial systems were also intended to preserve elements of the sultans’ authority and power. The significant difference, however, was that the sultans’ appearance of legitimacy and strength, despite their effectively ceremonial role, was increasingly difficult uphold, because the available resources needed to secure loyalties, build coalitions and generate popular support were diminishing.
With the decrease of the financial resources necessary for reinforcing the remnants of their effective control, the sultans sought to generate more income from the forestry sector, which was still in their hands to a considerable degree. This was expected to change fundamentally after the formulation of the 1924 forest regulation for the Outer Provinces (including Borneo). The regulation would classify forests into two categories: a) “forest reserves” destined for conservation and b) “unclassified forests” that were to be opened to controlled exploitation (Potter 1988a:139). The unclassified forest, constituting most of the forested area, was to be made available to commercial enterprise by means of licenses issued by regional administration. All relevant forest product taxes and levies were also to be paid to district officials. However, due to legal disputes associated with land ownership in the Outer Islands, the implementation of the 1924 forestry regulation was postponed indefinitely. This turn of events allowed the sultans in Southeast Borneo to continue to generate more independent income and strengthen the remnants of their power through forest resources. However, in order for them to be able to tap more extensively into forest resources, particularly timber, problems of corporate interest and investment had to be solved. Increasing regulation of the forestry sector in the neighboring British North Borneo, resulting in comparatively more favorable working conditions in the Dutch territory, would help generate such interest.
2.1.1 The British North Borneo timber sector in the late nineteenth and early twentieth centuries and its impact on the development of timber exploitation in Dutch Southeast Borneo

While in British North Borneo, plantation and forestry enterprises boomed as early as 1880s, the Dutch territories south of the border constituted a comparative backwater. The territory of British North Borneo (henceforth North Borneo) occupied an area of about 76,000 km$^2$ on the northern tip of the island. Even though it was dominated by rugged and mountainous interior, its western, northern and eastern flanks were accessible by sea, thus enabling easy transportation. Then Northern part of Dutch Southeast Borneo, on the other hand, presented a different picture. Access was possible only from the eastern coast, which dominated by the marshy deltas of the Sesayap, Sembakung and Sebuku Rivers, that in their upper reaches were difficult to navigate due to rapids. The relatively undeveloped state of Dutch territories like Bulungan, Tidung Lands (Tidoengsche Landen), and Berau vis-à-vis British North Borneo and the minimal regulation of entrepreneurial activities based on the extraction of forest resources in these areas attracted both domestic and foreign companies in the early 1900s.

A border agreement between Britain and the Netherlands specifying the territorial control of both countries in northern Borneo was signed in 1892. Even before this, however, the British North Borneo Chartered Company (henceforth BNBCC), which governed the northern tip of Borneo, enjoyed the economic boom in its territory (Tregoning 1960, 1967; Sullivan and Leong 1981).
The boom was initiated by growth in the tobacco plantation sector. In the early 1880s. By 1890 there were more than 60 tobacco estates scattered throughout the eastern part of the territory, from Tawau to Sandakan, rendering tobacco the primary export commodity and the main revenue earner\(^{23}\) (Kaur 1994). This was in large part made possible by the presence of a relatively well-established marine transportation system that connected most of the coastal production centers in North Borneo with the main buyer markets in Singapore and Hong Kong (Kaur:10-11). With such a transportation system in place, North Borneo was able to withstand the collapse of the tobacco economy in the 1890s by replacing tobacco exports with timber and rubber from Sandakan, Lahan Datu and Tawau (Kaur:16).

The exploitation of timber in North Borneo was already an activity of considerable antiquity at that time, but it increased markedly towards the end of the nineteenth century, as a result of the expansion of railway networks in China, which raised the demand for ironwood sleepers\(^{24}\) (John 1974:57). The valuable ironwood timber was cut and (squared if necessary) by the indigenous people and Chinese workers and hauled by buffaloes or by manual means to the rivers where it was rafted to Sandakan Bay to be exported

\(^{23}\) Interestingly, during the initial years of the boom, most of the tobacco exports were destined for the Dutch market in Amsterdam. The destination for export’s products then diversified to include other European countries and the United States (ibid:13-14).

\(^{24}\) North Borneo timber (and other forest products) were extracted primarily for the Chinese market at that time. For a comparative case study of the antiquity of timber trade in other parts of the Southeast Asian archipelago (Sumatra), see William Ascher (1998).
If, in 1883, there was only one large timber company in the territory, “by 1886 there were five concerns involved in the timber trade” (John 1974:57). It was during those early years of the increased demand for ironwood that Sandakan emerged as an important timber center in North Borneo.

As the production of timber for export, primarily to China and Hong Kong, continued to rise, the BNBCC authorities began to consider ways to exercise more effective control over, and derive more income from, the emergent timber industry. Since the onset of the ironwood export in the late 1880s, a system of timber exploitation taxes and export duties was already in place. However, collection of these fees was carried out on the basis of voluntary declaration of production, rendering it susceptible to fraud (John:58-59). In order to reduce instances of fraudulent declarations, the British colonial government in North Borneo in 1916 passed a legislation stipulating that timber royalty fees and export duty would be “assessed before the logs left the forest” (John:61). This regulation was crucial in the process of centralizing the exploitation of forests for timber in North Borneo in the early twentieth century.

In addition to a stricter taxation policy on timber, BNBCC also planned to undertake other steps towards greater a consolidation of and efficiency in timber industries in the territory. The BNBCC faced serious difficulties in achieving these goals, however, because all logging was still done manually through the kuda-kuda system whereby logs, or squared blocks of timber, were hauled out
of the forest manually on wooden rail tracks to the riverbank for rafting downstream. With demand for Borneo hardwoods in Hong Kong rising, a multitude of small timber enterprises emerged, eager to profit from favorable business conditions, thus making the task of consolidation difficult. The growth of manual logging was particularly dynamic in the Tawau area where, towards the end of the nineteenth century Japanese emigrants began establishing agricultural colonies (Fujio 1990; Shimamoto 1990; Osman 1998; Tze-Ken 2001). As early as 1904, for instance, the BNBCC granted a logging concession to the Japanese company Asahu Shokai on the British side of Sebatik Island\(^{25}\) (Osman 1998:26).

Despite being faced with difficulties, the company pressed on with consolidation plans by offering preferential treatment (in the form of reduced export duties and royalty fees) to those producers able to increase their output and, most importantly, process timber in sawmills before export\(^{26}\). Very few entrepreneurs possessed the necessary capital to engage in such expansion and many were wary of the risks associated with untested mechanization. Most medium size and small timber firms (operated mostly by the Chinese) continued to log using the kuda-kuda system which was well-tested and dependable. The China-Borneo Company and North Borneo Trading Company (NBTC), with the latter being the largest forest concession holder in the territory, were the only timber companies

\(^{25}\) This particular concession never came into production, however, because the leader of the enterprise and a substantial part of the Japanese labor force succumbed to tropical diseases.

\(^{26}\) In 1910s and early 1920s, nearly all timber exported from North Borneo was in the form of logs (John 1974:65).
that attempted mechanization on an operational basis, but with little success.

With NBTC not showing the kind of progress in timber production that was expected, BNBCC created in 1920 a state timber behemoth called British Borneo Timber Company (BBTC) which was granted exclusive control over “all unalienated State Land” in the hope of quicker modernization and an intensification in production (John 1974:69-70). This placed the remaining smaller timber companies in a position of considerable disadvantage, because they were deprived of access to the best logging areas and relegated to operating on the fringes. Responding to protests by small timber operators, BNBCC limited somewhat BBTC’s exclusive mandate over forest estate by making available annual logging plots to smaller firms. Nevertheless, this still was a rigid and highly-regulated space within which to operate. Therefore, most smaller timber operators adjusted to these conditions in a twofold manner. First, many of them began to work for the few dominant companies as contractors. Second, many became interested in exploring business opportunities in the less regulate Dutch territory to the south.

2.1.2 First timber enterprises in Dutch Southeastern Borneo

The area to the south of was the sultanate of Bulungan which became officially incorporated into the Netherlands East Indies after the 1878 contract between the sultan in Tanjung Palas and the Dutch resident in Southeastern Borneo (Broersma 1927a:235-241;
Israël 1935). In 1907, the Sultan of Bulungan signed the *Korte Verklaring* which transferred political, and most economic” powers to the Dutch in exchange for a salary and a share of revenues from natural resources (Black 1985; Lindblad 1988). Subsequently in 1927, Bulungan became a self-governing district (*zelfbestuur landschap*).

Despite early contracts, considerable parts of Bulungan remained outside the effective control of Dutch authorities (some well into the 1920s). One such area was the northern part of the Bulungan sultanate known as Tidung Lands (*Tidoengsche Landen*). Stretching from the Kerayan highlands near Sarawak in the west to the marshy deltas of the Sembakung and Sebuku Rivers in the east, Tidung Lands were inhabited by scattered Dayak groups and saw only sporadic visits by Dutch *controleurs* or sultan envoys. In the late nineteenth and early twentieth centuries, government administration in Tidung Lands was almost exclusively in the form of military patrols that beginning in 1907, began departing regularly from the town of Malinau for surveys in the countryside (Rijkmans 1916:9; *Militaire Memories van de Tidoeng Landen* 1931). The main task of such patrols was to eliminate tribal warfare and stop headhunting raids that continued to occur in the area as late as 1915 (Becking 1919). In addition, patrol officers were also supposed to collect taxes.

While political control in the interior was slowly being established, intensification of economic development in the coastal areas in 1899 was stimulated by the discovery of oil on the island of
Tarakan (Broersma 1927a:242-247). In short order, the Tarakan Oil Company (Tarakan Petroleum Maatschappij) was formed in 1902 to develop the newly discovered deposits. The Tarakan Oil Company was eventually taken over by the much larger and better-capitalized BPM (Bataafsche Petroleum Maatschappij) that proceeded to expand production (Lindblad 1988). In 1924, drilling for oil began on the neighboring island of Bunyu by the Nederlandsch-Indisch Aardolie Maatschappij. In the same year, the total oil production for the Tarakan area had already reached nearly one million tons (Broersma 1927a:245). Along with these developments offshore, surveys for oil deposits were also intensified in the interior (De Jongh 1913; Broersma 1927a:239). Oil drilling eventually propelled Tarakan to become the economic, political and military center of the northern part of Dutch Southeast Borneo (Broersma 1927a:241; Feldbrugge 1939:36). Timber necessary for development and for the infrastructure came from BPM concessions that covered Tarakan and Bunyu islands (Militaire Memorie van Tarakan en Boenjoe 1931).

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27 This company was later also taken over by BPM.
28 In the early 1920s, the Nederland Koloniale Petroleum Maatschappij began drilling for oil in Sadjau (southeast of Tanjung Selor) and in the deltas of the Sesayap and Sembakung Rivers.
29 Until 1920, the main military posts in northern Dutch Borneo were in Malinau and Tanjung Selor, with two and four troop brigades, respectively (Hens 1921:14). With the rise of Tarakan as the oil center, some forces from these two garrisons were transferred to Tarakan to guard the expanding oil production. While the Tanjung Selor garrison remained very small after this reorganization, the other two military posts in Malinau and Tarakan were reinforced in 1935 with the 7th infantry battalion (Magelang) and the 3rd company of coastal artillery. In 1938, a new military hospital was built in Tarakan. Also in the same year, military detachments in Berau and Malinau were strengthened (Feldbrugge 1939:37).
For sultan Kasimudin of Bulungan, the growth of the oil industry proved to be a mixed blessing. During the first years, he did enjoy a substantial income, particularly from his production share and concession rents. However, these rights had been gradually whittled away, and were eventually reduced, in 1924, to an annual salary of 8,000 guilders, a land rent on oil concessions of 2,600 guilders and a share in oil production that, in the same year, totaled 20,000 guilders (Broersma 1927a:237). Such reductions were indicative of the fact that “the incessant court intrigues and impressive pomp at Tanjung Seilor [Bulungan] had ever less bearing on the actual exercise of authority” (Lindblad 1988:127). Nevertheless, both before to and after Bulungan became a self-governing territory in 1927, the sultanate court continued as an important proxy for colonial governance. This required that independent sources of income for the purposes of accumulation and distribution of wealth be maintained in order to reinforce the remnants of a royal aura (see De Vos 1931). Forest resources were a natural choice for generating wealth, because the revenue from forest products was substantial and at the same time was not scrutinized by Dutch officials. In 1924, for instance, the total revenue from the sale of forest products in Bulungan reached nearly 364,000 guilders. This sum generated a 10 percent cukai fee for the sultan to the amount of 36,400 guilders – a total equal in value to all his personal oil-based income, but with far fewer strings attached\(^3\). The potential was clearly there to generate even greater wealth.

\(^3\) The actual value of these figures can be better appreciated if one considers
The drive by sultan Kasimudin (who died in 1924) and his successor Jalaludin to boost the forest products trade (and thereby income from it) coincided with increased interest among timber traders from North Borneo. As the best logging areas in North Borneo became subject to increasingly stringent production and taxation measures, and their availability became limited due to BBTC monopoly rights, timber operators from North Borneo began exploring the possibility of working elsewhere.

Attractive alternatives, the islands of Sebatik and Nunukan offered rich stands of ironwood trees and favorable transportation conditions (Israël 1935). In 1901, the firm of J. Macdonald Cameron was the first to request timber concessions from the sultan of Bulungan\textsuperscript{31}. It was given an area of 100 square miles for an annual payment of 1200 guilders (Tectona 1916:408). In 1904 the Dutch, in a bid to balance the British presence, hastily established *Houtexploitatie Maatschappij Noenoekan* (Nunukan Timber Company) which was granted concessions on the island of Nunukan as well as in the Simengaris River basin (Van Braam 1914:619). Finally, in 1911 the *Oost-Borneo Cultuur-, Handels- en Mijnbouw Maatschappij* (East Borneo Plantation, Trade and Mining Company) was granted 156,000 ha of forest by the sultan in exchange for a land rent of 15 cents per hectar and 10 percent of the production. However, all these enterprises never materialized.

\textsuperscript{31} Other sources date this concession at around 1910 (e.g. Van Braam 1914).
essentially due to the lack of working capital (Tectona 1916:409). Under-capitalization was to continue to be the leading cause of business failures in the forestry sector in Dutch Borneo in later decades as well.

For the sultan of Bulungan, the failure of these new enterprises was disappointing. However, he continued to encourage more, and new, investment in the hope that some would eventually succeed.

Even with the initial lack of success, in 1924 nearly 80 percent of the sultanate's forest-based revenue was generated from timber (Broersma 1927a:237). In 1928, it seemed that this revenue would increase even further as the American Timber Trade Company (ATTC) from the Philippines began intensive surveys in the area in order to undertake ironwood production (De Boer 1937a:422-423; Tectona 1928). However, this enterprise also did not proceed beyond initial surveys.

These high-profile setbacks notwithstanding, trade in forest resources was growing steadily (Broersma 1927a:236). In 1921, for instance, the Resident of Southeast Borneo, Hens, observed that timber extraction and trade were developing particularly intensively in the Sesayap-Sembakung River area, just south of the border with North Borneo (Hens 1921:14). The development took place despite serious transportation limitations, as the only means of accessing the area was by boats and small steamers operated

32 The value of timber extracted in Bulungan in that year was estimated at 285,000 guilders.
irregularly by individual entrepreneurs and small trading companies. Before 1930, regular steamer transportation did not extend beyond Tarakan and Tanjung Selor\textsuperscript{33}. In 1930, a new Tarakan-Tawau leg was added, stimulating traffic in goods and people between British and Dutch territories (Deeleman 1934). Chinese traders based in Tarakan were reported to have been going on business trips as far as Hong Kong (Deeleman 1934), although visits across the border to Tawau and Sandakan, which were often associated with opium smuggling were far more common (Sorak 1932:3). With transportation links improving, timber enterprises in Bulungan were an intriguing and increasingly feasible possibility for timber operators both in British and Dutch Borneo.

2.1.3 Buy-up schemes and subcontracting as the main forces behind the timber trade

In the 1920s, the forest product trade, including timber, in East Borneo was based on an opkoop systeem (buying-up system), also known as bevolkingskap (logging by locals) (Nandika 1937). This was a form of specialized exchange relations between upriver Dayak (or Malay) and downstream trading communities (Peluso 1983a; Healy 1985). Such exchange transactions usually involved town-based timber exporters (houthandelaren-exporteurs), middlemen (tussenhandelaren) and contracted lumberjacks (kapploegen). The parties involved were interlinked by a system of

\textsuperscript{33} KPM (Koninklijke Paketvaart Maatschappij, Royal Shipping Company) as well as BPM oil vessels provided regular transportation. In 1930, the KPM lines of Surabaya-Tarakan and Banjarmasin-Samarinda-Tarakan were extended to include Tawau in British North Borneo (Deeleman 1934: Linblad 1988).
advance payment, either in kind or in cash for deliveries of timber within an agreed period of time – usually three months (Het Bosch 1935a; De Boer 1937a:411; Ensing 1938:74). This manner of timber extraction was essentially identical to the *kuda-kuda* logging practised in North Borneo and *panglong* in eastern Sumatra\(^{34}\).

Within such system, locally influential individuals and firms, who had both the connections and the finances necessary for launching and sustaining logging ventures, occupied top positions. In Bulungan in the 1920s and 1930s, such individuals were found among indigenous entrepreneurs and traders who were customarily denoted as *hajis*. The most important among them were Tarakan-based *Haji* Ali, *Haji* Saleh and Abdullah. They first emerged as major players in the area’s business by trading rotan and bird’s-nests on the sultan’s licenses. Later, as BPM began expanding oil production in Tarakan, they became involved in supplying the company with timber.

*Hajis* in Tarakan and Bulungan were of mixed descent, that is they were locally-born Melayu (*Orang Bulungan*), often with an admixture of Bugis blood. They ran the timber business by subcontracting it to Chinese traders who acted as middlemen. In the 1920s and 1930s, locally-born (*peranakan*) Chinese traders in northern East Kalimantan were few and far between. Instead, it was

\(^{34}\) For more on the *panglong* system of logging in East Sumatra during the colonial period, see Kerbert (1913); *Koloniaal Tijdschrift* 1915; Olivier (1915); *Tectona* (1917); Schnepper (1923); Fruin (1929); *Tijdschrift voor Economische Geographie* (1930); and Erman (1994). For timber trade in pre-colonial Sumatra, see Barnard (1998).
the more recent immigrants from China came to dominate the trade. In 1925, for instance, shops in Tanjung Selor (Bulungan) owned by *peranakan* amounted to only 30 percent, with whereas the remaining 70 percent being start-ups by recent emigrants from mainland China, who came mostly from the vicinity of Canton (Bertling 1925:4). In Tarakan, on the other hand, most of the Chinese worked as craftsmen (*tukang*) or coolies in the oil industry, with much smaller number of them pursuing trade and business (*Militaire Memories van de Tidoeng Landen* 1931; *The Siauw Giap* 1989:179). The Tarakan based *haji* patrons put the timber business into the hands of locally-established Chinese (largely *peranakans*) who, in turn, relied for a labor force mostly on recent Chinese migrants as well as Bulungan Malays and Dayaks.

The *Peranakan* constituted a small minority in shop-keeping activities in other parts of East Kalimantan. In 1925 in Berau, locally-born Chinese owned only ... of ... the shops, with the majority of newcomers coming from Canton and areas east of Hong Kong (Bertling 1925:4). Similarly, in Samarinda, only 7 out of 127 shops belonged to *peranakan*, as the town was bustling with Hokien migrants. However, the superior organization, cooperation and communal cohesion of the Chinese emigrants steered them in the direction of business and trade, gradually reducing the numbers of those working as coolies. They attained this by organizing trade associations (*handelsvereeniging*) which offered various support

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35 *Peranakan* is a term used to refer to the Chinese born in Indonesia as opposed to the emigrants from China.
schemes for business start-ups and by establishing Chinese schools\textsuperscript{36}.

Shopkeeping was inextricably tied to trade in forest resources, among which timber was becoming an increasingly significant, and the predominance of Chinese-owned shops was a visible sign of their increasing domination. The increasing economic importance Chinese migrants resulted in mounting, although still largely muted, resentment among non-Chinese town dwellers. This sentiment is discernible on the pages of \textit{Sorak (Semangat Rakjat Kalimantan, Strength of Kalimantan People)}, a mildly nationalistic newspaper that appeared twice a week in Samarinda in the 1920s and 1930s. This paper often carried editorials discussing, in an ostensibly analytical and inquisitive tone, Chinese cultural, educational and business practices. However, in such discussions the Chinese were at all times referred to as \textit{warga bangsa asing itu} (this foreign group) that was firmly established and profiting from trade as middlemen (\textit{tussenhandelaren}). This stood in stark contrast to local Melayu traders (\textit{hajis}) who were presented as \textit{bumiputra} (lit. son of the soil). Beginning in 1932, \textit{peranakan} of East Kalimantan began regularly publishing a small section (\textit{Tiong Hua rubriek}) in \textit{Sorak} in order to dispel some of the negative imagery associated with their business and to differentiate between the types of Chinese living in East Kalimantan and their history.

\textsuperscript{36} Tarakan, Berau and Samarinda had such schools.
Nevertheless, the popular negative perception of Chinese economic dominance in East Kalimantan was strong, and it was reinforced further by their increasingly crucial participation in timber business. While in Tarakan and Bulungan local bumiputras such as Haji Ali, Haji Saleh and Abdullah retained a dominant position in timber trade and worked with Chinese middlemen through leasing and subcontracting, the situation was different in Berau, Samarinda, Balikpapan and Pasir. There, Chinese, Japanese and also European participation was strong (Nandika 1937:5). In Berau, the newly settled Chinese quickly came to dominate local timber extraction for local consumption (mainly by Steenkolen Maatschappij Parappatan, or SMP, a coal mining company) and for export by hiring mostly Javanese and Chinese coolies, although there was also a significant contribution in this regard from the European-Japanese partnership of the V.A. Cools firm and Borneo Produce Company of the Japanese national Yamaka.

In Samarinda in the late 1920s and 1930s, the “godfather” figure in the timber trade was still a bumiputra, in other words, Haji Abdulgani. Like his peers in Tarakan, he was a local Melayu from Kutai (Orang Kutai) who made his fortune first with non-timber forest products such as bird’s-nests, rotan and incense wood (gaharu) before moving into timber. The core of his business was the log trade, the production of sawn timber, for which he operated a sawmill near Samarinda, and the manufacturing ironwood
shingles (De Boer 1937a: 417). Like in Tarakan, Chinese subcontractors did most of the actual logging and shipping, although Haji Abdulgani employed a considerable number of Samarinda bumiputras of lesser stature as well. However, unlike in Tarakan and Bulungan, he was the only bumiputra "big man" in the timber business in Samarinda, finding himself surrounded by such "alien" kingpins as Tan Kong Lian and Ui Hu Siu (Israël 1938). These were long-established peranakans who operated through, as well as alongside, a multitude of smaller Chinese timber operators. Yamaka’s Borneo Produce Company (BPC) also ranked as a major player in timber production in the Samarinda and Mahakam areas. However, BPC’s operational strategy differed in that it did not employ the services of Chinese middlemen. Instead, in a fashion typical of Japanese timber entrepreneurs of that time, Yamaka preferred to deal directly with Malay and Dayak lumberjacks without intermediaries (Post 1991; Post 1993). Likewise, his fellow-countryman Yukimoto operated in Pasir, south of Balikpapan in much the same way. Finally, timber production in the vicinity of Balikpapan was dominated largely by European firms such as BPM and Botex (Borneo Teak Export Company) that, following the Samarinda and Berau models, passed most of the production activities to Chinese subcontractors.

37 In the late 1930s, there were two steam-driven (i.e. mechanically-operated) sawmills near Samarinda. One was operated by a Dutch company N.V. Handel and Industrie Maatschappij, whereas the other belonged to a Chinese entrepreneur (Israël 1938:33). In addition, there were numerous manual sawmills.
Regardless of whether bumiputra, peranakan, new-and-upcoming Chinese traders or Europeans were working through middlemen, the most important key feature of timber business, one that even made the headlines in the local press (e.g., Sorak, 11 July 1932) was that it relied on indentured labor relations (utang dulu) in order to generate highly unpredictable production. Dutch government officials complained about this system on numerous occasions. They reported other problems with such a system of forest exploitation, the greatest being wastefulness and lack of controls (Haan 1929; Suchtelen 1933:179). However, no abrupt changes were envisioned because “the timber trade, like all trade in the region, formed an integral part of the economic domain of the local sultans” (Post 1993:155). In addition, since forests in East Borneo at that time were far from being threatened by the inefficient logging practices, and since such practices were the only feasible
means of exploiting the forest, the system was allowed to continue with the hope that it would gradually intensify\(^\text{38}\) (Post 1991:285).

### 2.2 Intensification of the opkoop system and the 1934 ban

The intensification of the buy-up schemes in the early 1930s came primarily in the form of foreign financed operations with a simultaneously increasing uncontrollability of the opkoop system. The principal force behind such intensification was the presence and activities of the Japanese company *Nanyo Ringyo Kabushiki Kaisha* (hereafter NRKK) in Bulungan under the leadership of Ide Seiji, as well as other both foreign and domestic timber enterprises\(^\text{39}\).

The history of the economic expansion and the changing fortunes of the Japanese timber operations in Dutch Borneo, especially those of NRKK, have been treated at length by Peter Post (1991:279-307; 1993), Lesley Potter (1988a) and Thomas Lindblad (1988). Here, I

\(^{38}\) It is interesting to note, however, that as early as the middle 1930s the opkoop system of timber exploitation in Southeast Borneo began noticing a shortage in quality timber in the accessible areas of the Mahakam basin. In some areas of the Kutai district, for instance, loggers had to haul timber from as far away as one kilometer from the bank of the river (*Het Bosch* 1935:172).

\(^{39}\) Thomas Lindblad (1988:104) explains that in the early 1930s, calls for more stringent forestry regulation in East Kalimantan came as a result of "a series of embarrassing incidents in the northeast [of Borneo]. The Japanese Ide concern had begun large-scale logging along the Sesajap and Sebatak Rivers in Bulungan in 1932, thereby employing more than 1000 coolies. When reproached for not possessing any concessionary rights, the managing director, Seiji Ide, calmly asserted that he was just buying up timber from indigenous producers. Sultan Jalaludin of Bulungan and his associates were rumored to have coerced local Dayaks into signing up with Ide. Vast quantities of ironwood left Bulungan for Japan without any customs formalities tasking place. At length the Dutch admiralty forbade shipments from the mouth of Sesajap".
would like to bring up a few details from the relatively lesser-known formative period of NRKK operations in Bulungan, before the company was forced to move to the Sangkulirang concession near Samarinda\textsuperscript{40}. In 1930, Mr. Seiji, acting on behalf of Tokyo-based Oriental Development Company Ltd., had taken over the Japanese company Sumatra Lumber Exporting Co. in the \textit{panglong} area of eastern Sumatra, and in the following year relocated it to the northern part of Dutch Borneo\textsuperscript{41} (Post 1991:286). Ide himself was based in Tarakan where he established a log pond in the village of Lingkas. However, most of his logging activities were carried out along the Sesayap River where, with the sultan’s help, he eventually employed over a thousand loggers\textsuperscript{42}. Similar to other Japanese timber businessmen in Kalimantan, Ide’s \textit{opkoop} arrangements were such that he dealt with the Dayak loggers directly, without Chinese middlemen. Also, as surveys for later Dutch timber enterprises would show, his selection of forest areas for logging was excellent. Thus, production proceeded apace, reaching nearly 20,000 m\textsuperscript{3} a year (De Boer 1937a:420). Since Japanese ships were not allowed to dock in the port of Tarakan, local vessels were used to ferry timber onto large ships anchored in open seas. The extra step in the transport of timber raised costs, but also fragmented the visibility of the output, allowing a large portion of it to leave Dutch territory without taxation.

\textsuperscript{40} On the NRKK operations in the Sangkulirang concession, see Fluyt (1935).

\textsuperscript{41} All timber cutters in the \textit{panglong} area of Sumatra, owing to their export orientation toward Singapore, were dependent on timber demand driven by Singaporean economy. Once the depression took hold in 1930, many of the \textit{panglong} loggers either went bankrupt or had to suspend operations.

\textsuperscript{42} The sultan of Bulungan was entitled to the customary tariff of 10 percent of timber value (De Boer 1937a:410).
The loss of government revenue from the more intensive form of *opkoop-bevolkingskap* was the principal factor behind a campaign by Dutch authorities to impose stricter regulations on “logging by natives” and eventually abolish it as the main form of timber exploitation. Whereas previously logging by the natives was generally viewed as a small-time economic affair left to the discretion of sultans, it became apparent that, if maximized, it could generate substantial wealth. Political and military considerations of Japanese operations precariously close to vital oil installations in Tarakan were significant. Two additional reasons for the anti-*opkoop* policy were the extreme inefficiency of the system, its wastefulness and use of indentured labor (van Suchtelen 1933:181; *Het Bosch* 1935a; De Boer 1937a:411). All of this despite the fact that, at least initially, some Dutch observers were positively inclined to Japanese logging activities in northern East Borneo, noting that these activities constituted an important economic investment in the area (Plasschaert 1934). It was estimated, for instance, that NRKK injected nearly 100,000 guilders into the Bulungan economy in labor fees alone\(^4\) *(Economisch Weekblad 1933)*.

However, such positive factors were eclipsed by negative revelations about the “imperialistic” labor policies of Ide, conducted with tacit approval by the sultan of Bulungan (Economisch Weekblad 1993; Lindblad 1988:104). In 1933, Ide tried to counteract this increasingly negative sentiment by applying

\(^4\) See footnotes 29 and 31 for a comparative value of this sum.

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officially for forest concessions (kappercelen) in Bulungan and by trying to ensure that there were no land or labor disputes\(^44\) (Veling 1933). Despite a positive technical evaluation, NRKK concession requests in Bulungan were denied. The company was offered a choice between acquiring a larger concession in Sangkulirang (about 150 km north of Samarinda) or no timber business at all. Ide chose to move south to the suggested concession area, which he eventually developed into the leading timber producing and exporting area in East Borneo for the remainder of the pre-war period (Fluyt 1935; Van Dijk 1936; Economisch Weekblad 1937; Potter 1988a).

At the same time that NRKK was applying for concessions in Bulungan, another large-scale timber operator, the BBTC, was active in the area (Heteren van 1934). In contrast to NRKK, BBTC was granted an extensive concession of more than 220,000 ha along the Tikung and Simengaris Rivers, tributaries of the Sebuku River near the border with British North Borneo (Israël 1935; Moggenstorm 1937:257). Even though the company was officially a concessionary, its logging activities in Dutch territories were largely carried out through an elaborate system of subcontracting. This, in turn, relied heavily on the *opkoop*. In the mid-and late 1930’s subcontracting of this kind to Chinese operators became the preferred manner of conducting timber business not only for the BBTC, but also other major companies and traders in the timber

\(^{44}\) He applied for concessions ranging from 1,000 to 3,000 ha along the Ran, Salak, Malinau, Betuan and Bongara Rivers – all within the Sesayap drainage (Veling 1933).
industry. As efforts to mechanize in the depression period of the early 1930s in North Borneo floundered, subcontracting emerged as the most cost-effective way to operate. By factoring exploitation expenses into a contract covering a certain period of time, the BBTC placed itself in the an enviable position of receiving timber from contractors at loading points in Tawau at a flat rate, thus being minimally exposed to price fluctuations (John 1974:74). Such a system not only provided protection from price variation, but also enabled the company to make considerable savings, since most of the direct costs associated with logging were borne by the contractors themselves. As a result, the company “worked with lower overhead costs, employing a smaller European staff in relation to the scale of output, [as] [t]he whole of the direction of production was in the hands of the contractors [that] appear to have been allowed a large degree of latitude in the commercial relationship, for they arranged sub-contracts and profit sharing arrangements on their own initiative” (John 1974:74).

This kind of logging system worked well in North Borneo and therefore it was also applied in BBTC concessions in Dutch territory, where it was the system of choice by bumiputra and Chinese traders. From the operational standpoint, the extraction of timber was spatially confined. This was because the kuda-kuda transportation system did not penetrate further than 1.5 miles from the waterways. Only the most accessible and timber-rich areas were exploited (i.e. at least 4 commercial trees per acre). Finally,
Chinese subcontractors were directly responsible for troublesome labor conflicts\(45\) (Van Dijk 1938:442-514; Lundqvist 1957).

*Kuda-kuda* logging in North Borneo relied on various sources of labor. Among them in the 1930s there were about 10,000 registered coolies from the Netherlands East Indies and many more who worked without documents (Kahin 1947:54). Since the three-year contract labor agreement was not renewed by the Dutch after 1930, by 1933 the official number of Indonesian laborers in North Borneo dropped significantly (Kahin 1947:58). Some of these workers went back to Dutch territory in order to work for the BBTC in its concession area. Another pool of human resource that contractors could draw upon was North Borneo Chinese migrants and natives who moved south in the 1920s in order to avoid mandatory work on the bridle-paths\(46\) (Kaur 1994:33). Finally, local Dayaks were also involved as laborers. All lumberjacks were employed according to on the system of advance payments (*pajar*), the value of which was subsequently deducted from generated production.

In addition to *pajar*, one other important mechanism that sustained subcontracting as a functioning mechanism was opium, used as a commodity for advance payments or part of remuneration. According to Feldbrugge (1939:42), opium was available in Tarakan and was bought by timber companies, particularly for

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\(45\) In principle, the matters of employment were also subject to the supervision by the colonial labor officials (ibid).

\(46\) Indentured labor was officially abolished in North Borneo in 1933 (Kahin 1947:59).
Chinese coolies\textsuperscript{47}. Also subcontractors and timber laborers on leave often smuggled this narcotic from Tawau (Lundqvist 1956; Lundqvist 1957:149-150).

In 1934 largely as a result of NRKK affairs in Bulungan, the four self-governing territories in Southeast Borneo (Kutai, Bulungan, Gunung Tabur and Sambaliung) were induced to issue regulations banning *opkoop* logging in favor of a stricter concession policy. This regulation, known as the *Houtaankap-reglement* of 17 July 1934, required all prospective loggers to apply for official concessions (*houtaankapconcessies*) or logging plots (*kappercelen*). It also imposed much higher taxes on extracted timber and required a minimum production quota, introduced a timetable for operations and established specific penalties for violations\textsuperscript{48} (Anonymous 1934; Hahmann 1937; Soepardi-Wardi 1956:80-82). As a result of the new regulation, timber operators (particularly in Kutai) rushed to register logging plots and concessions rather than risk legal reprisals and confiscations (Potter 1988a:141-2). The increase of both logging plots and concessions in East Borneo in the second half of the 1930s was considerable (see Appendix 1). It was added further by the improvement in

\textsuperscript{47} For the marketing framework of opium in the Dutch East Indies, see Van Ours (1995).

\textsuperscript{48} *Kappercelen* (or logging plots) were the main target of this legislation, as it was anticipated that they would attract most interest. A logging plot was not to exceed 5,000 ha and it could be issued for a maximum period of ten years. The authority to issue such licenses officially rested with the autonomous regions (*zelfbestuur landschappen*) and therefore sultans, but in practice any such licenses also had to be reviewed by the relevant assistant resident and/or resident. Logging plots had to be activated within months of the licenses being issued. In 1939, additional labor guidelines and contributions to local *adat* communities were imposed (Soepardi-Wardi 1956:80-82).
consumer markets, particularly in Asia, where Japan and China (both key importers of tropical timber) were increasingly interested in Bornean hardwoods (such as *meranti* and *keruing*) in addition to the dominant ironwood\(^49\). However, a deteriorating political climate, due to Sino-Japanese war, halted gradual diversification of consumer choices for timber. Such mounting difficulties in timber marketing rendered the 1934 forestry regulation a considerable burden, especially for smaller companies, because they faced serious difficulties in meeting predetermined production targets and tax obligations. In spite of these difficulties, as illustrated by the table below, Dutch Southeast Borneo recorded a steady increase in timber production and export:

**Table 1. Timber production and export from Dutch Southeast Borneo between 1931 and 1939 (in cubic meters).**

<table>
<thead>
<tr>
<th>Year</th>
<th>NRKK</th>
<th>Other concessions</th>
<th>Logging Plots</th>
<th>Total Output</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1931</td>
<td></td>
<td>50,000</td>
<td>83,100</td>
<td>147,000</td>
<td>31,200</td>
</tr>
<tr>
<td>1932</td>
<td></td>
<td></td>
<td>145,000</td>
<td>20,500</td>
<td></td>
</tr>
<tr>
<td>1933</td>
<td></td>
<td></td>
<td>170,000</td>
<td>41,700</td>
<td></td>
</tr>
<tr>
<td>1934</td>
<td>121,100</td>
<td>171,300</td>
<td>102,100</td>
<td>394,000</td>
<td>115,400</td>
</tr>
<tr>
<td>1935</td>
<td>63,700</td>
<td>125,400</td>
<td>104,100</td>
<td>293,200</td>
<td>121,100</td>
</tr>
<tr>
<td>1936</td>
<td>72,500</td>
<td>108,400</td>
<td>191,000</td>
<td>372,000</td>
<td>141,000</td>
</tr>
<tr>
<td>1937</td>
<td>86,900</td>
<td></td>
<td>121,100</td>
<td>121,100</td>
<td></td>
</tr>
<tr>
<td>1938</td>
<td>92,400</td>
<td>113,000</td>
<td>167,600</td>
<td>373,000</td>
<td>125,900</td>
</tr>
</tbody>
</table>

\(^{49}\) As early as 1931, timber producers in Samarinda (e.g. *Yzerhouthandel Keramat* & Co.) offered a range of products from *bangkirai* and *lanan* species, in addition to ironwood (*Sorak*, 13 August 1931).
In addition to the aforementioned NRKK and BBTC, two other sizable timber companies became active in East Borneo in the early 1930s. These were *N.V. Houtaankap Maatschappij Noenoekan* (Nunukan Timber Company) and the Cutch Corporation from the Philippines\(^ {50} \). Both firms aimed to establish intensive production and, especially in the case of Nunukan, seek export markets. The Nunukan Timber Company was a joint venture between KPM (*Koninklijke Paketvaart Maatschappij*, Royal Shipping Company), NISHM (*Nederlansch-Indische Steenkolen Handel Maatschappij*, Netherlands Indies Coal Trading Company), Java-China-Japan shipping company, VJHM (*Vereenigde Javasche Houthandel Maatschappijen*) and the sultan of Bulungan (Van Heteren 1934:2). It had a considerable starting initial capital of 600,000 guilders of which 500,000 was contributed by Dutch companies and the remainder by the sultan Jalaludin of Bulungan (Hahmann 1936). Initially, the undertaking showed promise. It covered an area of about 50,000 ha of prime concession forest, which was subject to intensive surveys and planning\(^ {51} \). The concessions consisted of several logging plots that possessed rich and easily-accessible

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\(^ {50} \) Cutch is “an extract from mangrove bark used for tanning and preservation of fishing nets” (Sullivan and Leong 1981:217). Following the introduction of nylon fishing nets in the mid-1960s, cutch lost its commercial significance.

\(^ {51} \) The first forestry surveys in Bulungan were undertaken by Van der Zwaan (1927a). This work was continued by Richard (1933) and a Swedish forester Eric Lundqvist. Lundqvist would become one of most important managers of the Nunukan enterprise in 1934.
stands of commercial timber\textsuperscript{52} (\textit{Het Bosch} 1935b:146-49). Nevertheless, the Nunukan Timber Company struggled to meet the monthly goal of 4,000 m\textsuperscript{3}, attaining only about half this volume during the first few years\textsuperscript{53}. Their inability to meet production demands was largely due to excessive overhead costs and the erroneous decision to open a large sawmill in Nunukan for which the machinery had to be imported from Sweden (Lindblad 1988:119). The main markets of Japan and China were interested in logs only, whereas the emerging demand for sawn timber in Europe and South Africa was still very limited.

While the sawmill struggled, Eric Lundqvist - Nunukan’s chief forester and the officer in charge of operations – did his best to employ a subcontracting system to boost efficiency and profitability. Lundqvist traveled frequently to the neighboring Tawau in British North Borneo for supplies, to hire new laborers and to buy opium for his laborer\textsuperscript{54} (Lundqvist 1957). Through Singapore buyers of \textit{panglong} timber, he also contracted a group of loggers from the Indragiri area in eastern Sumatra (Hahmann 1936; Lundqvist 1957). Log production eventually attained a certain level

\textsuperscript{52} The areas in question were as follows: the island of Nunukan (22,000 ha), a belt of land 2 km wide running along the coast of the Sebatik island to the border with British North Borneo (5,600 ha), Sembakung and Malinau Rivers (22,400 ha) (Feldbrugge 1939:44; Gonggrijp 1939:732).

\textsuperscript{53} This was in addition to about 1,500 m\textsuperscript{3}, of sawn timber produced since 1937. The initial optimistic projections of 10,000 m\textsuperscript{3} per month proved impossible (Hahmann 1936).

\textsuperscript{54} Most supplies were ferried a considerable distance away from Tarakan, which often caused delays. Also in Tarakan, Lundqvist obtained an official supply of opium in to amount of 1.5 kg per month (Feldbrugge 1939:42). However, this was insufficient, necessitating cross-border trips to Tawau for additional purchases.
of consistency, totaling 40,000 m$^3$ and 45,000 m$^3$ of timber in 1937 and 1938, respectively (Feldbrugge 1939:44). As with BBTC concessions west of Nunukan, this production was chiefly the result of a decentralized subcontracting system in which mainly Chinese managers had production areas and labor units under their direct supervision. In his 1940 report, Lundqvist made the strongest case yet for decentralized manner of managing timber exploitation in Dutch Southeast Borneo (Lundqvist 1940). He suggested that logging in Borneo would fare best if it was based on subcontracting, if it accepted a system of partial/advance payments for logging as inevitable, focused on raw log production instead of sawmills, and was labor intensive instead of trying to mechanize. Thus, most timber operators in Dutch Southeast Borneo relied extensively on subcontracting, thus sustaining a considerable amount of *opkoop* activities with Dayak communities and other freelance loggers.

In contrast to the Nunukan model, the *Philippine Cutch Corporation* (PCC) tried to use its own organizational scheme for the exploitation of timber. In 1936, the company was given an area of about 12,000 ha of mangrove forest stretching from the Sebuku River in the south to the border with British North Borneo (De Boer 1937a:422-423; Moggenstorm 1937:257). The company, based in Zamboanga in the southeastern Philippines, had a cutch factory, and a year earlier, it had begun looking for new supplies of mangrove timber in North Borneo. The PCC wanted to avoid involvement with local labor relations by relying exclusively on Moro workers brought from Mindanao. Upon arrival, such contract
workers were divided into groups headed by mandoers, or foremen. However, numerous problems arose with Moro workers, the main one being their relatively short contracts of three to four months, which necessitated frequent and costly labor rotation\textsuperscript{55}. This more “professional” system of direct employment and controlled production without subcontracting proved inefficient and was not feasible in the long run. Monthly production reached only 1,000 tons, which was not even enough to cover the company’s tax obligations\textsuperscript{56}. As a result, PCC closed its operations in Dutch Borneo in 1938.

While most of the large companies above continued inasmuch as possible to rely on opkoop for production, it was the small-scale producers operating through logging plots (kappercelen) that contributed most significantly to the continuation of the banned system. By the late 1930s, such logging plots covered nearly 90 percent of the total forest area under concession (see Appendix 1).

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\textsuperscript{55} Moros were transported into the PCC concession area, at the company’s cost, through North Borneo, with Tawau as the main point of entry (Hahmann 1936).
\textsuperscript{56} PCC had to pay royalty fees ranging from 45 cents to 5 guilders per ton of timber, depending on its diameter (Hahmann 1936). In 1936, the company’s production reached 8,000 tons (De Boer 1937a:424).
Table 2 Key participants in timber exploitation by concession type and area

<table>
<thead>
<tr>
<th>Timber enterprises</th>
<th>Concessions (ha)</th>
<th>Small logging plots (ha)</th>
<th>Total (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japanese</td>
<td>49,511</td>
<td>385,000?</td>
<td>434,511</td>
</tr>
<tr>
<td>Malay (bumiputra)</td>
<td>None</td>
<td>231,736</td>
<td>231,736</td>
</tr>
<tr>
<td>European</td>
<td>18,045</td>
<td>44,345</td>
<td>62,390</td>
</tr>
<tr>
<td>Chinese</td>
<td>None</td>
<td>30,172</td>
<td>30,172</td>
</tr>
<tr>
<td></td>
<td>(Subtotal 67,556)</td>
<td>(Subtotal 691,253)</td>
<td>758,809</td>
</tr>
</tbody>
</table>

**Sources:** Van Suchtelen (1933), Moggenstorm (1937) and Israël (1938).

Since timber entrepreneurs nearly always experienced shortages of capital, they resorted to subcontracting as a means to reduce the risk and facilitate savings. In Berau, for instance, the SMP company (*Steenkolen Maatschappij Parapatan*, Parapatan Coal Company) acquired a 15,000 ha concession in 1935, for a period of ten years, with which to fulfill the need for construction timber (De Boer 1937a:416-17). However, the company never engaged directly in logging. Instead, it carved the concession into plots for *houtaannemers*, or timber suppliers, who acted as contractors and actually carried out logging operations (Ensing 1938:97). The men who were employed as timber contractors had previously been buying up timber from groups of villagers hired to cut trees in the

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The area of small logging plots operated by the Japanese is uncertain because the sources seem unsure about the size of *kapperceel* areas operated by H. Yamaka. One such logging plot in the Telen River area is said to be 262.800 ha, far more than even the largest industrial concession (see Appendix 1).
forest. As illustrated by Figure 2 below, the contractors adopted this system in a virtually unchanged form for the purposes of working on the SMP and other concessions. Both traders and subcontractors relied on, what visiting foresters and administrators indicated, were loopholes in the implementation of the 1934 forestry legislature (*Het Bosch* 1935a, b). Such loopholes occurred, for instance, because communities were free to cut trees for their own use without taxation. As a result, subcontractors and traders continued contracting the natives to cut logs, and if the latter encountered visiting forestry or police officers, they would claim that the timber they were cutting was for subsistence use. It appears that, traders became very adept at circumventing the officers (Emanuel 1935:40).

**Figure 2. Timber exploitation in southeast Borneo following the 1934 ban on opkoop logging**

Despite the manipulation of the 1934 forestry regulation that banned *opkoop*, this decree was generally relatively effective because it struck a balance between generating timber revenues for
the central government and allowing native rulers and their associates to derive benefits. Although such benefits were derived by illegal means, their overall scope was limited as a result of existing market constrains for tropical timber trade. Despite the fact that demand for Borneo hardwoods was increasing not only in China and Japan, but also in Europe, Australia and South Africa, the shadow of imminent war made securing sustained markets for timber a major challenge. In addition, prices for timber, although improving, were by no means high once the risks and necessary investment for logging operations in relatively isolated areas were factored in. Therefore, even though the sultanates in Southeast Borneo were eager to profit economically and politically from forest resources insofar as possible, the limitations were considerable.

2.3 The Japanese interregnum of 1942-1945

The Japanese invasion of the Netherlands East Indies occurred primarily as a result of the Japanese desire for continued access to vital natural resources such as oil, coal, timber and rubber, necessary to sustain the war effort in the Pacific (Kanahele 1967:20). Southeast Borneo was a region where such resources were found in large quantities. Therefore, as soon the Japanese consolidated their positions in the southern Philippines, they moved south to capture Tarakan in late 1941 (Nortier 1992).

The first Japanese air raids against the Dutch forces in Tarakan began in late December 1941. However, they would not be
sufficient to dislodge the Dutch, as Tarakan, being of high strategic significance due to its oil deposits and industrial installations, was, after Balikpapan, the most tightly-guarded area in Southeast Borneo (Van Den Hoogenband and Schotborgh 1957). The Dutch garrison in Tarakan, headed by Lieut. Col. S. de Wall, was composed of 1,300 troops organized into motorized detachments, artillery batteries, coastal artillery detachments, etc. It also had significant naval and air forces. Nevertheless, KNIL (royal dutch indies army) forces in Tarakan were no match for full-fledged Japanese invasion that commenced on January 10, 1945 (Van Heekeren 1969:11-23; Boer 1987:134-163; Nortier 1992:89-127). Three days, later the island fell, and with the fall, more than 800 KNIL soldiers became prisoners of war (POWs). Although the retreating Dutch inflicted heavy damage on oil installations in Tarakan, the Japanese repaired them quickly and resumed production.

Balikpapan was next to fall into Japanese hands in late January 1942 (Boer 1987:169-200; Nortier 1992:128-163). On February 3, 1945, the Japanese forces entered Samarinda. However, well before seizing Samarinda, the Japanese made numerous reconnaissance flights over the town and surroundings, suspecting considerable Dutch military presence. Such suspicions were based on the fact that in preparation for the to Japanese invasion, the KNIL engaged in a program of frantic military preparations throughout the country (Kanahele 1967:19). In the Samarinda area, this translated into the construction of the “secret” Samarinda II airfield, where military hardware was to be stashed operations behind the front line and
acounteroffensive (Boer 1987:91-114, 147-163; Nortier 1992:164-184). The Samarinda II airstrip was constructed far in the interior, on the upper Mahakam River between the villages of Melak and Long Iram and it was manned by the KNIL air force unit of 500 men under the command of Maj. L.C.A. van Dam.

The Japanese discovered the airfield on January 28, 1945 and bombed it, destroying most of the installations and supplies. Still, the KNIL unit did not disperse, because they falsely believed that American relief and supplies would be coming soon. As a result, the Japanese ground forces captured most of the military personnel. Some KNIL soldiers who evaded capture moved up the Mahakam River in order to reach the remotest government post in Long Nawang (Apo Kayan), where they hoped to join forces with civilian and military staff retreating from other coastal areas (Van Heekeren 1969:138-144) A few others tried to hold out in the Mahakam area by organizing guerilla units involving local Dayaks. However, as the economic situation worsened, the local population turned over most KNIL guerilla fighters to the Japanese for a reward.

While the Japanese forces showed a considerable amount of restraint and even tolerance towards the native rulers in Southeast Borneo, their treatment of the detained Dutch (and other Europeans) was harsh (Soetoen 1975:195; Nur et al. 1986:16-17). While most of higher-ranking Dutch government officials and private-sector employees evacuated Samarinda before the Japanese takeover, some lower-level functionaries stayed behind and were
executed (Van Heekeren 1969:108-169). The POWs from the Samarinda II airfield were sent to Balikpapan to be interned. Only a few people with technical knowledge of OBM (Oost Borneo Maatschappij, east borneo company) coalmines near Samarinda were retained. However, like in Berau, these mines proved inoperable.

The group of high-ranking government officials and their families, who escaped Samarinda, traveled by river and over land to the Apo Kayan district in the center of Borneo where they thought they could safely wait out the war (Van Heekeren 1969:91-100). In addition to its extreme remoteness, the area also had a military garrison in the village of Long Nawang that, before the war, had the task of eliminating tribal warfare and headhunting. The group settled in Long Nawang, feeling isolated, and therefore safe, from the outside world. The hopeful atmosphere was raised by the arrival of other groups of refugees from Tarakan, Bulungan, Nunukan and Sangkulirang. There were also, a few groups of British officials from nearby Sarawak joined. The false sense of security and underestimation of Japanese resolve ended tragically. Despite repeated reports by Dayak scouts of advancing Japanese, the Dutch and British in Apo Kayan dismissed them as unfounded hearsay. They paid for it dearly, for in late August 1942, the Japanese raided Long Nawan and killed most of the refugees58.

58 A similar drama took place in West Borneo. As the KNIL forces in the town of Pontianak surrendered to the Japanese at the beginning of February 1942, a number of Dutch troops were cut off in the remote village of Putussibau on the upper Kapuas River. They held out in Putussibau until June when, upon hearing about an advancing party of 200 Japanese troops, they fled over the watershed to
Once the seizure of Southeast Borneo by the Japanese was complete, the seat of the Japanese navy official overseeing the area was located in Balikpapan. Below, there were officers of lower rank administering districts (called guncho), such as Samarinda, and sub-districts (fuko guncho). The focus of their activities was securing the production of raw materials for the war effort and maintaining loyalty and discipline among the local population. However, accomplishing these objectives produced mixed results.

The locals followed the Japanese command more out of fear than loyalty. Economic hardships caused by a breakdown in transportation and shortages of food and other basic consumer goods could hardly be expected to endear the Japanese to the local population (cf. Kurosawa-Inomata 1996; Yoshimasa 1996). This was compounded by the fact that local villagers were subject to forced deliveries of rice exacted by native government officials from Seinendan – a paramilitary organization for civil servants. They were aided in this by Heiho paramilitary youth organization that operated in Samarinda under the leadership of A.B. Sulaiman – son of Pangeran Sosnonegoro, one of the most important aides of the sultan of Kutai (Nur et al. 1986:16-18).

the Mahakam River in East Borneo hoping to reach Samarinda, which they (falsely) hoped would be unoccupied. Once they learned that Samarinda was in Japanese hands as well, they moved back to West Borneo and camped in the forest until October, when local Dayaks turned them in to the Japanese for a reward (Van Heekeren 1968:136, 150-156).
Through such repressive means, which, by 1944, also included the search by the feared secret police Kampetai for Dutch spies and collaborators, the Japanese held the local population in check. Economically, however, the Japanese were not making much progress. Despite oil production in Balikpapan and Tarakan having resumed fairly quickly after the invasion, with the reliance on extensive forced/slave labor (romusha) largely from Java, it was subject to constant stoppages due to allied air raids that began as early as 1943 (Nur et al. 1986:27). Coal production ground to a near total halt as well, as the retreating Dutch flooded the mines beyond repair.

The only sector that showed substantial growth was forestry. If in 1942 at the initial stages of Japanese occupation, only about 6,400 m³ of timber were produced for export in Southeast Borneo, by 1944 this figure rose to 114,300 m³ (Fernandes 1946:57). All Japanese firms and traders active in Borneo before the outbreak of the war intensified their operations, taking over Dutch and British logging enterprises and producing timber for export to Japan to support its war effort. The medium and small-scale local timber traders mostly ceased operating, because under the command structure of the wartime economy, they had to meet timber quotas for little or no compensation.

2.4 Summary

Before the Second World War, it was the subtleties of indirect rule by the Dutch government requiring the continuation of the
appearances of native states' authority that resulted in illegalities in the extraction and trade of timber in the form of continued utilization of the buying-up system (*opkoop*), despite the 1934 ban.

Until the early 1930s, the sultanates were free to engage in logging ventures of any kind as forests constituted the exclusive economic and political domain of the sultans. The exploitation that was undertaken at that time was primarily through buying-up (*opkoop*) of timber from native loggers (*bevolkingskap*). At the top of the trade network were large-scale traders and firms that secured a profit-sharing agreement with the sultans. Chinese and Malay middlemen implemented the logging contracts by hiring native loggers to cut quantities of timber in the forest. In 1934, the Dutch government, dissatisfied with the perceived social and economic abuses within the *opkoop* system, curtailed sultans' authority over forest resources by requiring all prospective loggers to acquire official concessions. By the end of the year, nearly 800,000 ha of concessions were registered. However, more than 90 percent of those concessions had an area of less than 10,000 ha and operated under small-scale enterprises that sought to minimize costs by sub-contracting. Subcontractors, in turn, relied on the well-tested *opkoop*. European firms frequently resorted to sub-contracting as well.

Thus, the outlawed system of *opkoop* logging continued, despite the government regulations forbidding it. The exigencies of indirect rule in the late colonial period caused illegal logging activities of this kind to be tolerated for the sake of native powerholders'
prestige. Economically, it was a win-win situation, primarily because government taxes on timber were effectively collected. Thus, the both local rulers and the central government achieved their objectives by deriving benefits from a logging industry that showed signs of marked growth. However, the Japanese rule between 1942 and 1945 ushered in a period of prolonged crisis that would redefine the economic and political value of timber.