

**Challenging Dual Economics:
Japanese business strategies in colonial Indonesia:
A case study of Nomura East Indies**

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By Yoko Hayashi (Rikkyo University, Tokyo, Japan)

Introduction

In this paper I look at the infiltration of Nomura East Indies into the native and Chinese rubber networks of prewar Southeast Borneo.¹ In doing so, I critically re-examine the usefulness of the ‘dual economy’ approach present in most works on Indonesia’s modern economic history.²

Nomura *zaibatsu*, a security giant nowadays, invested heavily in the agricultural sector in the Netherlands East Indies before the Pacific War and was one of the largest Japanese investors in prewar Indonesia. Nomura has attracted much attention of Japanese business historians. However, these historians exclusively focus on the company development itself both inside and outside Japan and compare its failures and successes to that of other prewar Japanese *zaibatsu*, generally reaching negative conclusions about the competitive performance of Nomura.³ These scholars however overlooked that Nomura

¹ Research for this paper was supported by the Netherlands Institute for War Documentation (NIOD) in Amsterdam. I would like to thank Dr. Peter Post of the NIOD and Prof. Masashi Hirose of Rikkyo University for their comments and suggestions.

² The rubber sector in prewar Indonesia is divided into Western and Asian modes of production and the Japanese companies are given a marginal role in the Western mode. See studies; Lindblad, J. Thomas, *Between Dayak and Dutch: The economic history of Southeast Kalimantan 1880-1942*, KITLV, Leiden, 1988, Touwen, Jeroen, *Extremes in the archipelago: Trade and economic development in the Outer Islands of Indonesia, 1900-1942*, Leiden University, 1997

³ Yoshihara, Kunio, ‘Nomura zaibatsu no nanpō jigyō’, *Tōnan Ajia Kenkyū*, no. 19-3, Kyoto University Southeast Asian Research Center, December of 1981, Mishima, Yasuo, *Hanshin Zaibatsu: Nomura, Yamaguchi and Kawasaki*, Nipponkeizaishinbun-sha, 1984. Yoshimasa Shibata examines the development of Nomura East Indies in his recent work *Nan’yō Nikkei Saibai Gaisha no Jidai (The Period of the Japanese Cultural Businesses in the South)*, Nipponkeizaishinbun-sha, 2005. In addition, Al Alletzhauer describes the Nomura family business dynasty by before and after the war in his book *The House of Nomura: The inside story of the world's most powerful company*, London, Bloomsbury, 1990. My research is based on their works on Nomura, Japanese business history and Borneo’s socio-economic history.

East Indies had a tremendous impact on regional economic developments in prewar Southeast Borneo and that its success in the rubber sector compared favourably to Western and Chinese rubber companies in the area and prewar Southeast Asia as a whole.

Taking advantage of Japan's southward advance policy, Nomura made inroads into Dutch Borneo in the late 1910s to set up rubber plantations in a region where native small-scale cultivators overwhelmed Western rubber companies. Most native rubber products in the Netherlands East Indies were brought to the Singaporean rubber re-milling factories run by overseas Chinese. The Chinese entrepreneurs manufactured rubber goods and exported them into Asian countries. This network was inviolable for Western entrepreneurs. Nomura challenged these Chinese networks by purchasing the native products directly, re-milling them in its own factories and shipping them directly to USA and Japan through its own trading firm.

On the other hand, Nomura failed to get full labor control in its initial years of operations and had a great difficulty with the Dutch colonial bureaucracy. The rubber plantations and factories depended on the immigrant workers from over-populated Java. The Dutch ethical policy and changing labor laws confused Nomura's administrators. In the end Nomura failed to gain a complete managerial control.

Nevertheless, Nomura had developed into the most influential rubber company in Dutch Borneo and survived the great depression. Meanwhile Singaporean Chinese entrepreneurs made inroads into the re-milling business in the Netherlands East Indies and entered into rivalry with Nomura. In the 1930s the Japanese rubber manufactured goods from western Japan, especially rubber foot ware, gradually surpassed the Chinese goods and became dominant in the world market. Nomura financed the Japanese rubber shoes manufacturers in Japan as well as Chinese rubber dealers in Singapore.

The success of Nomura's activities lie precisely in the direct linkages it created with the local indigenous networks and its accommodation to the native economy. The study on Nomura therefore shows that the dual economy model with its strict division in a Western and native economic rubber sector is hardly suitable to explaining these regional economic dynamics.

I will first touch upon the background of Nomura's inroads into Dutch Borneo. Secondly I will examine Nomura's encounter with local Chinese and native social networks and how Nomura tried to overcome its dependency on these networks. In the third section, labor issues in Nomura East Indies will be focused. Finally I will trace how Nomura transformed itself during and after the war, concluding Nomura's 30 years activities in colonial Indonesia.

Nomura's inroads into Southeast Asia and its background

In April 1916, Osaka Steamship Company (Ōsaka Shōsen Kabushikigaisha) closely connected with the Taiwanese Government General and subsidized by her established a line in order to cover the South Seas (Japanese word *Nan'yō*⁴). As an opening ceremony as well as an advertisement, it organized an educational round trip over the South Seas for two months with its steamship 'Niitaka-maru' in which about 60 Japanese consisting of politicians, academics, entrepreneurs and journalists took part. Tomoé Takagi, a medical scientist running the Taiwanese Government General Research Center led the group, and a famous educator and opinion leader Inazō Nitobe, the former consul general of Batavia Gōji Ukita and Baron Shimazu⁵ were in the group as an adviser. Tokushichi Nomura, the founder of Nomura *zaibatsu*, was one of participants. Tokushichi groping for a possibility to start a plantation business elsewhere in the South Seas was deeply impressed by this trip, and shortly after the homecoming he wrote a book named 'Rubber and Palm'.⁶

This round trip was not a sightseeing of Japanese celebrities but the embarkation of southward advance policy of Taisho Japan (Taisho era: 1912-1926) with its center in colonial Taiwan.

In August 1914, the First World War broke out in Europe. Not to miss a good opportunity, imperial Japan proclaimed war upon Germany on 23 August. Germany, to be isolated in Asia, was no match for Japan. The Japanese army reduced German Quingdao in coastal China within a few weeks, while the Japanese navy occupied German Micronesia (Mariana, Caroline and Marshall islands), which was called 'the inner South Seas (*Uchi-nan'yō*)' in Japan.⁷ In short, Japan obtained the whole German territories in Asia.

⁴ Hajime Shimizu examined in his article about how the concept of Southeast Asia had been formed in Japan. An ambiguous regional concept 'Soto-nan'yō' (the outer South Seas) had been more or less equivalent to present-day Southeast Asia through the First World War. Shimizu, H., 'Southeast Asia as a regional concept in modern Japan: An analysis of geography textbooks,' *The Japanese in colonial Southeast Asia*, edited by Saya Shiraishi and Takashi Shiraishi, Cornell University, 1993

⁵ Shimazu family of Satsuma clan played an important role in the Meiji Restoration. After the restoration, the main family had been created duke and the branch families had been created baron. Baron Shimazu here must be one of them.

⁶ Nomura, Tokushichi, *Gomu to yashi*, introduction, Ōsakakokubun-sha, 1916, Mishima, op.cit., pp. 79-81, Yoshihara, op.cit., p.347

⁷ *Uchi-nan'yō* (or *Ura-nan'yō*) and *Soto-nan'yō* (or *Omote-nan'yō*) are the terms used in pre-war Japan. German Micronesia (Mariana, Caroline and Marshall islands), which Japan occupied during the First World War, had been called *Uchi-nan'yō*, and south of the *Uchi-nan'yō*, Philippines, Sulawesi, Borneo, Sumatra and Java, had been called *Soto-nan'yō*.

The League of Nations formed by the Treaty of Versailles in 1919 after the war declared the German Micronesia ‘C-category mandated territories’ and appointed Japan the mandatory by the victory of the Japanese navy. It is said Japan claimed an equal opportunity in trade and commerce equivalent to ‘B-category’ in order to pave a way for commercial inroads into ‘the outer South Seas (*Soto-nan’yō*)’, south from German Micronesia, namely Philippines, Celebes (now Sulawesi), Borneo, Sumatra and Java. The occupation of German Micronesia encouraged the Japanese leaders to make a further southward advance as the next step, which had an influence on the roll of colonial Taiwan.⁸

The idea that Taiwan is the foothold of the Japan’s southward policy did not emerge suddenly with the First World War. At a time when Japan appropriated Taiwan at the Japan-China Treaty in 1895, the Japanese leaders had already blueprinted it.⁹ In those days the Taiwanese Government General finished a national census of households and lands, which boosted tax revenues. The two main industries in Taiwan, rice and sugar, made progress so rapidly that the Taiwanese Government General needed no financial support from Japan.¹⁰ As the government had terrorized Taiwanese persistent resistance against the Japanese regime since the occupation, the resistance nearly ceased around 1915. The armed resistance gradually turned into political movement from then on. The establishment of public order through severe oppression of the Taiwanese made it possible to put the economic plans into practice. In such circumstances the South Seas Association (*Nan’yō Kyōkai*) to research inexhaustible natural resources in the South Seas was set up in 1915.

The Taiwanese Government General invested more and more in the South Seas projects during the time of Hiroshi Shimomura. The 1916 voyage around the South Seas, in which Tokushichi Nomura participated, was said to be a Shimomura’s idea. Shimomura set up the research department in the Taiwanese Government General to develop the studies on the western colonial administration and regional economy in the South Seas.¹¹

Before the First World War, there were no Japanese liners to cover the whole South Seas areas but only tramps. With the occupation of German Micronesia, there was a sudden demand for the Japanese products substitute for the German ones. Under such circumstances,

⁸ Hatano, Sumio, ‘Nippon kaigun to nanshin’, *Ryōtaisenki nihon tōnanajia kankei no shosō*, edited by Hajime Shimizu, Kyoto University, Southeast Asian Research Center, 1986, p.213

⁹ The second governor-general Tarō Katsura stated firmly that governing Taiwan was a part of Japan’s southward policy covering Taiwan, southern China and the South Seas. The successors, the fourth governor-general Gentarō Kodama and the governor of civil affairs Shinpei Gotō made this point much more clear. Nakamura, Takashi, ‘Taiwan to nanshi nan’yō’, *Nihon no nanpō kanyo to Taiwan*, edited by Takashi Nakamura, Tenrikyōdōyū-sha, 1988, pp.6-7

¹⁰ *ibid.*, pp.14-15

¹¹ *ibid.*, *op.cit.*, pp.15-18

Osaka Steamship Company set up a packet line ‘South Seas Line’ covering the major ports of the South Seas in April 1916.¹²

Tokushichi Nomura, rising as a stockbroker in Osaka, bulled even in a pessimistic mood of the Osaka Stock Exchange after the outbreak of the First World War. Tokushichi took advantage of the information about the war and economic situations in Europe, which his younger brother Motogorō studying in England gave to him. The next year, when Japan’s export exceeded her import in quantity, Tokushichi began to buy shipping stocks. The Japanese ships were unharmed and the quantity of the Japanese cargos tripled. To seize the moment, Tokushichi heavily bought shares in Osaka Steamship Company and Japan Mail Steamship Company. In 1915, the stock price of Osaka Steamship Company frantically went up. Tokushichi Nomura made over 700,000 yen in the rally of 1915.¹³ It is not too much to say that the shipping stocks during the First World War made Nomura a *zaibatsu*.

After the trip of 1916, Tokushichi asked educator Inazō Nitobe to introduce someone specializing in tropical agriculture and got the name of Inohachi Yazaki, an engineer of the Agriculture Department of the Imperial Household Ministry. Yazaki soon left for the South Seas in August to do research upon plantation business. Meanwhile Tokushichi happened to get information from a shop owner of Singapore Eikichi Okazaki that a German rubber plantation Danau Salak in Dutch Borneo was for sale.¹⁴ There was a Japanese journeyman named Hisamatsu Kaneko working for this plantation for 8 years. He used to work for Okazaki and willing to mediate between his German boss and the prominent Japanese entrepreneur. Upon hearing the news, Tokushichi asked Yazaki conducting research then in Sumatra to immediately sail to Borneo for a feasibility study.¹⁵

In Southeast Borneo (the south-east residency of Dutch Borneo) in the early 20th century, there had been already three big rubber plantations invested by German entrepreneurs, Hayup, Tanah Intan and Danau Salak.¹⁶ As well as the Western planters, the native people promptly responded to the world market demand and grew rubber with its center Hulu Sungai district. The first rubber products were reportedly exported from port Banjarmasin in 1913. Danau Salak is an estate that a German entrepreneur obtained a concession of 3,500 acre from the Dutch colonial government in August of 1908 and had run rubber plantation over 10 years. When Nomura was treating with the owner to buy out

¹² Ōsaka Shōsen Kabushikigaisha, *Ōsaka Shōsen Kabushikigaisha 50nen -shi (The 50 years’ history of Osaka Steamship Company)*, 1934, pp.284-287

¹³ Alletzhauser, op.cit., pp.59-60

¹⁴ Mishima, op.cit., pp.81-82, Yoshihara, op.cit., p. 347

¹⁵ Jagatara tomonokai, *Jagatara kanwa*, 1978, pp.50-51

¹⁶ Lindblad, op.cit., pp. 58-59.

the estate, about 300 acre out of 450 acre planted was harvestable. Nomura negotiated with due reverence by involving some Japanese politicians and diplomats because the purchase from a German could clash with the regulation prohibiting trade with an enemy country during the First World War. Both parties finally reached an agreement with the price of 310,000 guilders on the condition that the vendor would never invest this money in the German armaments.¹⁷

Nomura closed the contract on 6 July of 1917.¹⁸ On 24 September the Japanese staffs, manager Yazaki, sub-manager Minoru Yamanouchi (Tokushichi's nephew) and the other six Nomura men arrived at Danau Salak. Kaneko, entreated by Tokushichi, decided to work for Danau Salak for another two years and to mentor Yazaki and Yamanouchi lacking experiences in running rubber plantations. Kaneko mediated another two Japanese employees, Masao Fujita and Takejūrō Satō, to join the Nomura plantations. In March 1923 Nomura incorporated the Dutch Borneo Rubber Industry Company, which took over the business of rubber plantations Danau Salak, Atayo and Zeeland.¹⁹ Subsequently Nomura purchased an oil-palm plantation Karang Inoue in 1923 and a coffee plantation Bukit Tusam in 1926 in Aceh of northern Sumatra.²⁰ In December 1929, the Dutch Borneo Rubber Industry changed to a Dutch legal entity, Nomura Oost-Indische Cultuur Maatschappij (Nomura East Indies), which Tokushichi himself took the presidential position.²¹

Shortly after the takeover of Danau Salak, Nomura planned to clear another 5,000 acre and purchased 40,000 rubber seeds from Java and British Malaya. In July 1918, the headquarters dispatched 18 Japanese employees consisting of engineers, supervisors and clerks to Borneo. Although Nomura took a false step on coolie labor control, it succeeded in clearance of a primeval forest of 1,920 ha by 1926. When the rubber price had dramatically fallen with the impact of the 1929 world crisis, Nomura tackled to cut down the production costs and conducted shakeout by repatriating 'bad' coolies to Java. Thanks to all the efforts, Nomura survived the crisis.²²

Apart from cultivation, Nomura set up a refinery in Banjarmasin, urban center of Southeast Borneo, in 1920. According to Nomura, this was the first rubber re-milling

¹⁷ Shibata, Yoshimasa, 'Nikkei gomu saibaijigyō no bōkkō to daiichiji sekai taisen no kakuchō', Daito Bunka University *Transactions*, no. 39 Social Science, March 2001, p.48

¹⁸ Jagatara Tomonokai, *Jagatara kanwa*, p.51

¹⁹ Mishima, op.cit., p. 82

²⁰ Yoshihara, op.cit., p.348, Mishima, op.cit., pp.86-89

²¹ Mishima, op.cit., pp. 84, 95

²² Mishima, op.cit., pp. 82-83

factory in the Netherlands East Indies.²³ Nomura expanded the re-milling operation in Klua (1926), Barabai (1927) and Haliau (1931) in the upper reaches of Negara River.²⁴ These Nomura refineries held an advantageous location where river transport was indispensable as means of communication. The Banjarmasin refinery was located near a pier of Martapura River, which made it easy to receive raw material rubber from the upper reaches of inlands and to export the products made by the Nomura refineries.²⁵

The rubber sheets produced in the western plantations had a good quality to contain less water and dross. On the other hand, the natives without better equipments coagulated latex with alum and produced so-called 'wet slabs' which contains much water and dross. At a time when Nomura bought Danau Salak, the natives in Jambi and Palembang of Sumatra, Southeast Borneo, West Borneo and Riau islands in the Netherlands East Indies began to trade their rubber products, catching up with the production of the western plantations with its center in East Sumatra. In Southeast Borneo for example, the native (small holder) production and the estate (company) production were nearly even in 1918 (442 ton and 411 ton respectively). In 1919, the native production of 14,354 ton far surpassed the company production of 628 ton of Hayup, Tanah Intan, Danau Salak and others. The rubber production in Southeast Borneo had almost continuously increased and reached 30,000 ton of dry rubber equivalent in 1938, of which the native production made up 90 %.²⁶

The plantation rubber cargos were transported from Java to the United States, the largest rubber consuming land. The native products of less quality were through Chinese or Banjarese (Malay) middlemen shipped to Singapore, where the native 'wet slabs' were re-milled by Chinese owned refineries. In Banjarmasin, there were 8 Chinese entrepreneurs competing with each other, among whom Fujian Chinese Tan Kah Kee was most successful. He owned refineries in Singapore and purchased the native 'wet slabs' through a branch in Banjarmasin.²⁷ The native rubber products in the Netherlands East Indies mostly fell in the hands of the Singapore Chinese. This was what the Dutch could not neglect. In 1926, an initiative of KPM (Royal Packet Shipping Company) led to the establishment of the Rubber Union of capital 7 million guilders by uniting the rubber related companies. The Rubber

²³ 'Verzoek van Kichiji Endo, om oprichting van een rubberverwerkingsfabriek', Algemene Secretarie no. 14155, 26-05-1937, p.2, Indische Collectie [Arsip Nasional/Jakarta]

²⁴ Mishima, op.cit., p. 84-85

²⁵ Kanan Ginkō, 'Ranryō Tōnan Boruneo ni okeru hōjin jigyō, no. 2, Nomura Tōindo Saibai Kabushikigaisha', 1930, pp. 24-25 [The National Diet Library/Tokyo]

²⁶ Lindblad, op.cit., pp.232-233.

²⁷ Pekelharing, N.R., *De bevolkingsrubbercultuur in Nederlandsch-Indie, 1925*, Zuider- en Oosterafdeling van Borneo, p. 18

Union built up four refineries in Sumatra and Southeast Borneo in order to bypass the Chinese networks.²⁸ In retrospect Nomura challenged the Chinese networks 5 years earlier than the Rubber Union.

Nomura's infiltration into local networks

Around 1930 the Nomura plantations had become an acknowledged plantation company consisting of 30 Japanese employees and 1,640 coolies in Southeast Borneo. Nomura equipped an office, a clinic, a Japanese elementary school, an elementary school for coolie children, a tennis court, a club house and employees' houses to compare favorably with that of the European companies.²⁹

The production of Nomura had rapidly increased in the late 1920s. In 1929, the Nomura plantations produced rubber of 567 ton, about one third of the total estate production (1,441 ton) in Southeast Borneo. With the world crisis of 1929 the rubber price began to fall, resulting in shutdown or closure of the rubber plantations. Although the total rubber production of Southeast Borneo between 1930 and 1932 had stagnated, the output of the Nomura plantations had nearly tripled.³⁰ Nomura tried to right-size since 1931 by cutting down the overhead expenses, lowering the wages and discharging the labor contracts. As a result, the cost per kilo rubber had decreased from 57.6 cent in 1929 to 15.4 cent in 1933.³¹ Nomura also declined to prolong the contracts of 1,300 coolies of Danau Salak.³² In 1930-38, Nomura claimed almost 50 % of the total estate production in Southeast Borneo.³³

The Nomura rubber refineries had expanded in its production. Nomura purchased rubber scraps³⁴ from the natives to process them into rubber blanket, which had been traded as Nomura Blanket in Singapore. Nomura paid much attention to purchase and re-milling of

²⁸ Touwen, op.cit., p. 181

²⁹ Kanan Ginkō, 'Ranryō Tōnan Boruneo ni okeru hōjin jigyō, no 2, Nomura Tōindo Saibai Kabushikigaisha', 1930, pp. 20 [The National Diet Library/Tokyo]

A photo picturing a tennis competition with the Dutch celebrities held on the Nomura tennis courts in 1936 demonstrates the status of Nomura in the Dutch Borneo society Jagatara Tomonokai, *Shashin de tsuzuru Ran'in seikatsu hanseiki: Senzenki Indoneshiya no nihonjin shakai*, 1987, p.182

³⁰ Kanan Ginkō, op.cit., p. 16, Lindblad, op.cit., pp. 73, 232-233

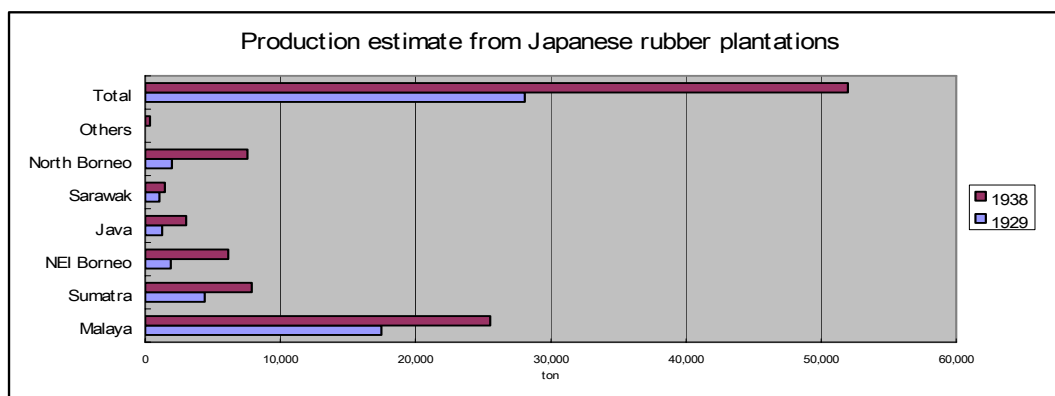
³¹ Mishima, op.cit., p. 83

³² Lindblad, op.cit., p. 73.

³³ Post, P., *Japanse Bedrijvigheid in Indonesië 1868-1942: Structuele elementen van Japan's economische expansie in Zuidoost Azië*, dissertation, 1991, p.226

³⁴ Rubber sap thickening on the trunk of the tree was called 'scraps'. They collected even sap spilling on the ground, which was called 'earth rubber'. Such low quality rubber was processed into rubber crêpe. Touwen, op.cit., pp. 156-158.

low quality rubber. It is said that Nomura made a monopoly of rubber scraps in Southeast Borneo.³⁵



The Japanese plantations' rubber products in Netherlands East Indies (mostly in Sumatra) had been shipped by the Chinese to Singapore. In Singapore Japanese trading firms purchased and shipped them to Japan. Nomura's rubber in Southeast Borneo initially did so. Here the Japanese activities are seen between European and Asian trade streams.³⁶ In July of 1924, Nomura consigned a Singapore trader to ship rubber sheets of the Nomura plantations and blankets of the Nomura refineries from Banjarmasin to New York. In October, its trading body Nomura Firm (Nomura Shōten) was set up in Singapore. It is in June of 1926 that Nomura had an American business partner Johnston in New York, which enabled Nomura to sell the rubber products directly to American customers.³⁷

Western entrepreneurs did not stand an idle speculator. The Rubber Union set up by an initiative of KPM in 1926 launched re-milling business both in Sumatra and Borneo in order to circumvent the Chinese rubber links. It is however only two months later that the refinery of the Rubber Union in Banjarmasin was forced into closedown. Although the refinery re-started the operation in October of 1929, it had never been successful. The failure of the Rubber Union in re-milling business is attributable to the following facts. The refinery was located far away from port Banjarmasin and from native rubber markets Barabai and Klua. Moreover, the refinery had no spacious warehouse though the rubber re-milling business needs a large amount of stockpile.³⁸ Above all, the colonial government

³⁵ Pekelharing, N.R., op.cit., pp.21-23

³⁶ Post, P., op.cit., pp.226-227

[Figure]: Refer to the study of Yoshimasa Shibata (2005), pp.138 and 221

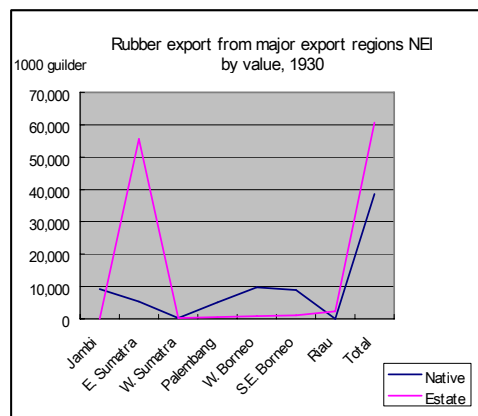
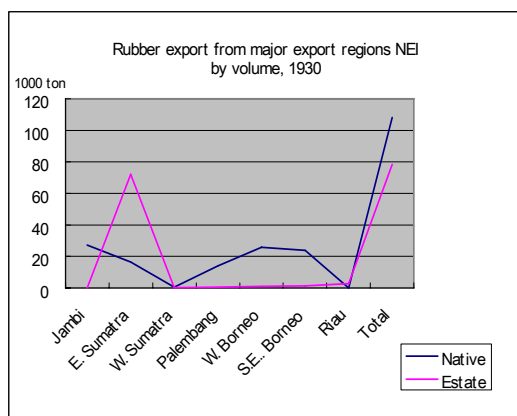
As there were no large Japanese rubber plantations in Dutch Borneo comparable with Nomura, the Japanese production of NEI Borneo can be nearly equal to the Nomura production.

³⁷ Mishima, op.cit., p. 85

³⁸ The research team of Kanan Bank pointed out. Kanan Ginkō, op.cit., p. 31-32

did not support the project of the Rubber Union.³⁹ The Rubber Union finally had to pass on its re-milling business to Lee Rubber in Banjarmasin in 1934 and to Kian Gwan in Palembang in 1935.⁴⁰

The Banjarese (Malay) and Chinese middlemen were in rivalry to visit the inlands and buy wet slabs from the villagers. The share of the Banjarese was bigger as inner as where it was. The various ethnic groups in Dutch Borneo such as Banjarese, Dayaks, Buginese and Pasirese were categorized in 'native' by the Dutch colonial government. Nearly all the natives became eager with growing rubber.⁴¹ As the high prices offered the Chinese traders in Singapore attracted the native rubber producers, the wet slabs in Borneo and Sumatra had been flown into Singapore. The traders sold wet slabs to the Chinese re-milling factories in Singapore. The Rubber Union made little achievement to bypass the linkage. On the contrary Nomura had developed its own networks although Singapore remained the center still in the 1930s.



After the closedown of the refinery of the Rubber Union, the Nomura factories became the largest and only refinery in Southeast Borneo. Nomura cultivated rubber, purchased native rubber of low quality, processed it into blanket and crêpe, and shipped directly to New York. Nomura's example showed that it would be possible to eat the Chinese commercial networks in Southeast Asia.⁴² How much share did Nomura achieve in the re-milling industry? In 1930, Netherlands East Indies produced rubber blankets of 18,511 ton from the native rubber products. One fifth of the total native production had been processed at home and four fifth abroad, in Singapore actually. To have a look at Southeast Borneo, 19,493 ton of rubber had been produced by the natives in 1930. Nomura processed

³⁹ Touwen, op.cit., p. 181

⁴⁰ *Verslag N.V. Nederlandsch Rubber Unie, 1934 and 1935, L2805* [KIT: Koninklijk Instituut voor de Tropen/Amsterdam]

⁴¹ Lindblad, op.cit., p. 66.

[Figures]: Refer to the extensive statistics of Touwen's study (1997).

⁴² Cremer, J.C.W., 'De rubberhandel in de Hoeloe Soengei', *Koloniale Studien*, 1934, p.390.

raw rubber into blanket/bark blanket of 6,568 ton in 1929 and more in 1930. It can be said that one third of the native rubber processed in the Netherlands East Indies was the work of the Nomura refineries, and Nomura purchased one third of the native rubber products of Southeast Borneo.⁴³

Nomura first entrusted Banjarese or Chinese middlemen to buy native products, which method the European firms had long taken for the purchase of tropical products. This was easy and certain for the newcomers, but there were drawbacks. As they have to give the middleman an advance, it is risky due to fluctuation of rubber price. Middlemen could easily fall into insolvency because rubber price goes up and down in a short period. In such a case the company could not collect the debts from the middleman. In another method the company dispatched its own employees to *pasar* or villages. Periodical *pasar* made it possible to buy up a large quantity of raw rubber. When a Nomura man visited an inland village to purchase raw rubber directly from the producers, he was accompanied by a *mandor* (foreman, as an interpreter?) and a boot man. In case only a *mandor* went to a village, a cashier always accompanied him on the assumption that the *mandor* could run away with cash. In direct purchasing Nomura had to enter into rivalry with the Chinese and Banjarese merchants. It is not clear to what extent that Nomura's men could compete with the local middlemen in the terminals of the networks. However, it is worth to note that Nomura did not take the same way as the European firms keeping away from the local networks.⁴⁴

Nomura's initial rival Tan Kah Kee in Singapore had dominated the intra-Asian trade in rubber. He purchased small holders' rubber in Malaya and Netherlands East Indies and manufactured rubber foot ware, automobile tires and bicycle tubes, and exported the rubber goods into the Netherlands East Indies, the Straits Settlements, Philippines and China. As regards the market share for the manufactured rubber imports, Tan held 20% in the Netherlands East Indies, 10% in the Straits Settlements, 15% in Philippines and 35% in China in the late 1920s and early 1930s. However, Tan had lack of a proper bookkeeping and failed to institute a modern managerial system. In the early 1930s the Japanese imports

⁴³ Spoon, W., 'De Ned-Indische bevolkingsrubber en de herbereidingsindustrie', Berichten van de afdeling handelsmuseum van de Koninklijke Vereeniging Koloniaal Instituut, no. 76, 1933, p.7, Lindblad, op.cit., pp. 232-233, Kanan Ginkō, op.cit., pp. 25-26

⁴⁴ '3. 13-04-1931 to 10-01-1933, Kakkoku kokujō kankei zakken, Rankoku no bu (zokuryō wo fukumu)', B02031628300[digital archives JACAR:Japan Center for Asian Historical Records] JACAR consists of pre-war official documents from the National Archives of Japan, the Diplomatic Record Office of the Ministry of Foreign Affairs and the Library of The National Institute for Defense Studies of the National Defense Agency.

of manufactured rubber began to dominate the Asian market, when Tan was in a serious difficulty.⁴⁵

In the latter half of the 1930s the native technique of rubber production had improved. The natives made an effort to lighten their rubber products because the Dutch government introduced specific duties. They built their own smoke house and bought a mangle to compress wet slabs. The products they traded had shifted from slabs to sheets. The quality of the native products began to vie with that of the Western plantations.⁴⁶ To integrate into the native rubber sector became more and more lucrative.

In 1936 Nomura opened a branch in Pontianak in West Borneo and a branch in Palembang in Sumatra to purchase the native rubber products. In 1937 Nomura launched rubber refinery in Palembang where Chinese were already dominant in re-milling business.⁴⁷ In Palembang, there were two main rubber refineries owned by Dutch firm Internatio and Rubber Union. In reality however, Singapore-based Lee Rubber and Java-based Kian Gwan respectively rented and run the refineries.⁴⁸ These two Chinese firms pioneered the transformation of rubber exports from slabs to blankets and by 1936 almost half of Palembang's rubber exports were blankets.⁴⁹

⁴⁵ Brown, Rajeswary Ampalavanar, *Capital and Entrepreneurship in South-East Asia*, St. Martin's Press, 1994, pp.105-111

⁴⁶ In 1934 when rubber price began to recover, the main rubber producing lands, British Malaya, French Indochina, the Netherlands Indies and Thailand, concluded the International Rubber Regulation Scheme to control the fluctuation of rubber price and determined production limit for each country. The Dutch colonial government tried to control rubber production by allotting a portion to the rubber plantation companies on one hand and by imposing an extra surtax on the native production on the other hand. Nevertheless, the native production had not decreased once rubber price showed recovery. As the government raised the tax amount against the trend, the tax revenues increased enormously. The government instead furnished the Rubber Fund that would be spent to the improvement of the native agricultural technique. Touwen, op.cit., pp. 169-170, Lindblad, op.cit, p.77

⁴⁷ *ibid.*, p.6

⁴⁸ 'Uitbreiding remillingindustrie in het gewest Palembang', Algemene Secretarie no. 23071, 25-08-1939, pp, 2-3, Indische Collectie [Arsip Nasional/Jakarta]

⁴⁹ Thomas, K. D. and J. Panglaykim, 'The role of Chinese in the South Sumatran rubber industry', discussion paper, La Trobe University, 1973, p.14

Lee Kong Chian's right hands, Yeo Hong Nian and Shi Lian Tui took charge of Hock Tong Company in Palembang (Southern Sumatra) and Hock Lee Company in Medan (Northern Sumatra) respectively. Hong Liu and Sin-Kiong Wong, *Singapore Chinese Society in Transition: Business, politics and socio-economic change, 1945-1965*, Peter Lang, New York, 2004, p. 213.

Lee Rubber Company was established by Lee Kong Chian, a son-in-law of Tan Kah Kee, in Singapore in 1928. Lee, being exposed to western cultures and proficient in English, challenged the rubber trade monopoly of London-based agency houses and succeeded in direct trade to the United States.⁵⁰ In the 1930s Lee entered into the Netherlands East Indies and had become dominant in the rubber re-milling sector. At the beginning Lee purchased Indonesian rubber and processed in his Singapore factory. After the Dutch colonial government imposed restrictions on the native production, he moved into Sumatra and soon held 36% of the Indonesian processed rubber. Together with other Chinese rubber dealers, Lee built up a close and profitable relation with the Japanese trading houses and extended the market into USA and Japan by using Japanese capital, information networks and shipping.⁵¹ Lee successfully coordinated rubber supplies from small Chinese dealers in Borneo, Sumatra, Siam (Thailand), Celebes, Malaya and Vietnam. Mitsui, Nomura and other Japanese firms financed Chinese rubber companies formed a Japanese-Chinese alliance in the rubber industry in Asia.⁵²

On the eve of the Pacific War, Netherlands East Indies was allowed to produce 656,000 ton of rubber by the new IRRS (International Rubber Regulation Scheme), in which the allocation of the estates and the small holders were respectively 334,000 and 322,000 ton.⁵³ Southeast Borneo's rubber production reached 50,000 ton, of which the small holders made up more than 90 %.⁵⁴ In that year Nomura East Indies recorded the rubber production of 32,500 ton in all, which amount was able to meet two third of Japan's rubber demand.⁵⁵ Establishing direct linkage with small holders and competing with Chinese firms, Nomura had played a leading roll in Southeast Borneo's rubber sector.

Nomura's difficulty in managerial control

Contrary to the commercial success, Nomura had not established managerial control. The Dutch sources must help show another reality of a Japanese company's operation in prewar Indonesia.

⁵⁰ Hong Liu and Sin-King Wong, *ibid.*, p.207

⁵¹ Brown, Rajeswary Ampalavanar, *op.cit.*, pp. 111-113

⁵² *ibid.*, pp. 117-120. The re-milled rubber export to Singapore and Japan from Palembang had rapidly increased as Mitsui, Nomura, Kian Gwan enrolled into the Trade Association in Palembang in the latter half of the 1930s. *Jaarverslag Handelsvereniging te Palembang*, 1937 (p.29) and 1938 (pp.47,48), L1921 [KIT/Amsterdam]

⁵³ The Administrative Department of the Ministry of Finance, *Nihonjin no kaigai katsudō ni kansuru rekishiteki chōsa*, vol. 33, no. 4 Ran'in (the Netherlands East Indies), 1947, p.38

⁵⁴ Lindblad, T., *op.cit.*, p. 77

⁵⁵ Mishima, *op.cit.*, p. 96-97

On 20 September of 1917, about 50 coolies of Danau Salak accompanied by several Japanese assistants came to petition the controller (the district head of the Dutch administrative system) of Martapura in Banjarmasin. Supervisor Kaneko did not allow a contract coolie to take a leave and stay with his wife when she was suffering from a difficult childbirth. Unfortunately the wife died after the delivery. The husband and co-coolies became furious with Kaneko, which led to this petition. They appealed to the controller that they could get a leave in such a case. The controller sided with the coolies and compelled the Japanese assistants to promise that a coolie not only would get a leave on the very day of his wife's delivery but also stay with her afternoon only for seven days before and after the delivery. The following day the controller visited Danau Salak to investigate the case.

The coolies testified that Kaneko who used to beat coolies under the ex-German manager was still a hard master, but stopped beating since the change of the management. On the other hand Kaneko emphasized the importance of order in the plantation society and deplored that his Japanese assistants were unqualified to control the coolies because they do not speak Malay. Kaneko gave the controller an example to show how coolies make a fool of the Japanese staffs; the coolies address bookkeeper Yamanouchi, a nephew of Tokushichi, with a nickname 'squint master of glasses'. The controller noted that the new Japanese management was ignorant of the coolies and took an extreme ethical policy.⁵⁶

As of the end of November of 1917 the labor force of the Nomura plantations consisted of 248 contract laborers (177 men and 71 women), all of whom were of Javanese origin. The organized labor migration started with the Deli district on the East Coast of Sumatra, where Dutch planters had set up tobacco plantations in the 1860s. The Deli district had a suitable soil for tobacco, which made Deli tobacco a world brand. The Sumatran jungle had been cleared and transformed into plantation. In the early decades the entrepreneurs solved the labor shortage in the under-populated jungle by recruiting Chinese coolies from the Straits Settlements (a British colony), with the help of private recruiting agencies there. Chinese secret societies controlled these agencies and organized the 'coolie trade', taking advantage of their connections in Singapore, Penang and South China, which dated from the middle of the 19th centuries. Turning the 20th century when the western entrepreneurs began to invest rubber, the rubber plantations spread throughout the east part of Sumatra and the west part of Malaya, namely both sides of the Strait of Malacca, the British and Dutch colonial authorities found it inappropriate that the labor force was too dependent on the Chinese networks. The British and the Dutch began to organize labor migration from over-populated South India and Java respectively. The recruiting agencies and later the planters' organizations mediated between the companies and the poor Javanese

⁵⁶ v 28-1-19-18, Mailrapporten 1966/18 [ARA: Algemeen Rijksarchief/The Hague]

to arrange a labor contract.⁵⁷ The Javanese became the main labor force in the rubber plantations in the newly exploiting regions in the Netherlands East Indies.

After this affair the labor inspector visited the Nomura plantations in October and December to inquire into wages, food, housing, medical treatment, etc. The petition, in the other words desertion of the coolies, was passed by unnoticed.⁵⁸ The inspector came to conclusion that the labor circumstances had scarcely improved after the change from the German management to the Japanese management. Especially the Japanese management had a lack of the administrative abilities to handle the Javanese coolies. In his eyes, only Kaneko knows how to handle the coolies. The severe disciplines under the German boss had disappeared and Javanese coolies become impertinent to the Japanese assistants.⁵⁹

The chaos continued the next year. On the Nomura plantations, gamble was rampant not only in working days but also at festivals. The neighboring villagers came to go on the gamble with the coolies. Informed by the village head, the controller prohibited the villagers from visiting the plantation site to participate in the gamble. Gamble was only allowed on holidays with a license in those days. Nevertheless, the coolies ignored the admonition of the controller and went on the gamble on 30 April. The controller summoned seven ringleaders, which caused a commotion among the rest of participants. The Japanese assistants dissuaded the coolies from again petitioning and themselves visited the controller to pick up seven coolies.

After the gamble affair, the labor inspector made inspection. In his view, the Javanese coolies had less respect for the Japanese than for European and the coolies behaved impertinent against the Japanese assistants. He wrote that the plantations immediately would need a well-versed man in local languages. In the annual report of the labor inspection the name of Nomura was taken up as a bad example that the management spoiled the coolies with over-indulgence. It was not until in January of 1919 that Tokushichi was informed of these chaotic situations in Borneo.⁶⁰

⁵⁷ The labor recruitment organizations had flexibly adjusted themselves to the change of the Dutch labor (recruitment) laws, which led to a large scale of Javanese labor migration. Hayashi, Y., 'Agencies and clients: Labor recruitment in Java. 1870s-1950s' CLARA working paper no. 14, 2002

⁵⁸ Kango Shōgenji was a dentist coming from Kumamoto Prefecture in northern Japan. He had lived in Banjarmasin in Southeast Borneo since 1910 and as one of old comers he took care of Japanese immigrants. Jagatara Tomonokai, *Jagatara kanwa*, pp.52-53

⁵⁹ v 28-1-19-18, Mailrapporten 1966/18 [ARA/The Hague]

⁶⁰ The report by Inspector A.H.N. Kruijsboom. v 28-1-19-18, Mailrapporten 2182/18 [ARA/The Hague]

Verslag der arbeidsinspectie in Nederlandsch-Indie, 5e Verslag over 1917/18, 1919, pp. 62-63.

As of April of 1918, the Nomura plantations consisted of 451 Javanese coolies (men 333, women 118). Nomura had a plan to clear another 5,000 acre of the concession and purchased 40,000 rubber seeds from Java and British Malaya. It was for that purpose necessary to strengthen the manpower up to a 1,000 men scale. It is shown that the Nomura men were in dilemma between the fulfillment to the request from the headquarters, which encourages them to expand the plantations at a quick pace, and the adjustment to the Dutch colonial rules. On the other hand, the coolies were not portrayed submissive.

The image had suddenly changed after 1919 onwards.⁶¹ Suicides committed by coolies happened in succession on the Nomura plantations in 1919. The labor inspection confirmed the abuses in March 1920 and the Governor-General of the Netherlands East Indies J. van Limburg Stirum pronounced a ban on the labor recruitment of Nomura's three rubber plantations in May 1920. At that time the Nomura's labor force increased to 1,000-odd. The manager shifted from Yazaki to Yamanouchi, nephew of Tokushichi, under whom 26 Japanese assistants were supervising the coolies. Although Nomura meanwhile employed a Dutch assistant to improve communication inside and outside the plantations, it rather backfired. He stood alone among the Japanese assistants saying that the Dutch was a spy of the colonial government. Kaneko had already left Nomura and now running his own rubber plantation in Banjarmasin of Southeast Borneo.

Two Japanese assistants, Fujita and Hirayama, had been already taken into custody before the inspection, on the suspicion of a bodily injury resulting in the death of a coolie. The coolies testified one after another that they had been maltreated by the Japanese assistants. The suicide incidents the previous year had been well investigated. Six Japanese other than Fujita and Hirayama were listed up as a violent supervisor. Manager Yamanouchi was well-tempered because the inspector heard no complaints of him from the coolies. However, he failed to control his Japanese subordinates. Yamanouchi looked upset and afraid that the case would come to the ears of the Japanese consul and Tokushichi.

When a younger brother Jitsusaburō died of pneumonia at thirty-nine in January of 1919, Tokushichi lost his most reliable business partner.⁶² With his death, Tokushichi furnished a charitable fund of 125,000 guilders, which interest should be used for the coolies of the Nomura plantations in Dutch Borneo. In 1920, when the serious abuse on the

‘Boruneo tō Banjarumashin ni okoritaru gomu saibai rōdōsha no sōjō ni kansuru ken’, addressed to Tokushichi Nomura, January of 1919, Rōdōsha kankei zakken 3-7-2-1 [The Diplomatic Archives of the Ministry of Foreign Affairs/Tokyo]

⁶¹ The incidents in 1919 and 1920 are referred to the reports by Noordhoek Hegt. Mailrapporten 2022[ARA/The Hague]

⁶² Alletzhauser, op.cit., pp. 31, 83, 307.

plantations was made public, about 2,500 guilders had already been spent for the clothes of the coolies.

Fujita and Hirayama were respectively sentenced to 5 and 3 years' imprisonment. As Nomura made an effort to improve the labor circumstances, the ban on the labor recruitment was lifted within the year.

The following year, nevertheless, another abuse on the Nomura plantations came to light.⁶³ Chief assistant Mitake was accused of abuse and false imprisonment of a coolie. Hosoda, new manager, was devastated by the case. He repatriated two Japanese assistants to Japan, who played a main roll in the crime scenes the previous year, and reduced the number of Japanese assistants since then. Under guidance of the inspector, he employed a Javanese clerk as a mediator between the management and the coolies. Malay was the common language on the plantations, but it is needless to say that the mother tongue of the Javanese coolies is Javanese. Against the expectation, the company decided to fire the Javanese clerk suspected of robbery when money was stolen from the cashbox in the office.

In the views of the Dutch bureaucrats in 1917 and 1918, Nomura was treating the coolies with over-indulgence, which contributes to a chaos in labor control. As the supervisors did not understand the language and customs of the Javanese coolies, the laborers came to behave as if they were equal to the supervisors.⁶⁴ In 1920 when the inspection disclosed abuses, they pointed out the Japanese ignorance of the Dutch colonial labor policies.⁶⁵

Turning the 20th century, Dutch people in the mother country became conscious that the natives were living in misery in the Dutch colonies. The public opinions encouraged the government to take the 'Ethical Policy' in colonial Indonesia. The idea is that, as the Dutch became rich from the colonial wealth, they have to return a part to the natives. The colonial authorities and entrepreneurs were forced to take measures, one of which was the installation of the Labor Inspectorate in 1908. The entrepreneurs were required to be responsible for the native welfare while they kept an order of the ruler and the ruled.

In the Netherlands East Indies, they classified the residents into three categories, European, Foreign Orientals (Chinese, Indian, Arabian, etc.) and Natives. The Japanese used to be among the Foreign Orientals, but the treaty of 1899 between the Netherlands and Japan granted the Japanese the European status. Nevertheless, the most of the Japanese in Southeast Asia in those days were prostitutes called *karayuki-san*, peddlers, retailers, small traders and farmers except a small number of elites like the bureaucrats and the employees

⁶³ The report by A.C.Noordhoek Hegt. Department van Justitie No. E5/i/i4, Batavia, 12 April 1922 [Arsip Nasional /Jakarta]

⁶⁴ *Verslag der arbeidsinspectie in Nederlandshe-Indie*, 5e Verslag over het jaar 1917/1918, pp. 62-63.

⁶⁵ *Verslag der arbeidsinspectie in Nederlandshe-Indie*, 7e Verslag over het jaar 1920, p. 60.

of big companies. There are ample grounds for the supposition that such Japanese were considered not to be 'European' in the eyes of both white men and native people.⁶⁶ It must have embarrassed the Dutch authorities.⁶⁷

The difficulty in labor control is partly attributable to its dependency on the Dutch colonial rules and the organized labor recruitment system. In 1927 when the Nomura refinery introduced a bonus system for diligent coolies, twelve assaults committed by coolies had been recorded in Southeast Borneo, one on a Japanese manager, eight on assistants, one on a native foreman and one on a native clerk, among which four cases happened in Danau Salak. Its dependency unchanged until the war. It is very unlikely that Nomura had succeeded in establishing its own labor control system even in the 1930s.

Nomura East Indies during the Japanese occupation

On the eve of the Pacific War, Nomura was one of the biggest Japanese investors in prewar Indonesia. Through the war Nomura's treasure, Nomura East Indies, dissolved in the end. I will briefly trace what happened to Nomura East Indies.

When the Second World War broke out by the German invasion into Poland in September of 1939, Japan again saw an opportunity for southward advance. The policy had

⁶⁶ An article 'Admiration of the Japanese in Borneo' dated on 15 May 1918 of local newspaper *Sumatra Post* described that the natives tended to admire the Japanese in contrast with the Chinese and the Dutch to whom they had an antipathy. The article says one of the reasons is that there are few bad elements among the Japanese in Borneo different from in Java and Celebes. This is an inconsistent view of the labor inspector. L5025 [KIT/Amsterdam]

⁶⁷ The biography of Yoshio Iwata, who worked as manager for the rubber plantation Pulau Mandi (owned by a Japanese company) on the East Coast of Sumatra, pictured a Japanese plantation manager in the Netherlands East Indies; the Dutch officials found faults with the dresses of Iwata when he worked hard in work clothes and Japanese short pants on the plantations. According to the Dutch officials such outfit of the manager would lose the authoritative power against the coolies. It was quite normal for Iwata to work in work clothes in the tropics. Bewildered he asked for an instruction of the headquarters in Tokyo. Kobayashi, Kazuhiko, and Masataka Nonaka, *Johōru kohan: Iwata Yoshio nanpō roku*, Ajia-shuppan, 1985, pp.281-282

In 1926, a serious mistreatment of the coolies by the Japanese assistants in Pulau Mandi, a Japanese owned rubber estate in Sumatra, had been come to light, which developed into one of the most notorious scandals in the Netherlands East Indies. Called to account for the abuse, the Japanese manager got fired. It is Iwata who was appointed the new manager after the case. See Suzuki, Tsuneyuki, 'The Pulau Mandi scandal: the maltreatment of coolies on a Japanese on Sumatra's east coast in 1926', Tokyo Women University Cross-Cultural Research Center *Transactions*, no. 49, March 1988, p. 12

two regional focuses, on southern China and on French Indochina and the Netherlands East Indies. Soon after the Netherlands capitulated in May 1940 and then France in June 1940 to Germany, the Japanese government started with diplomatic negotiations with France and the Netherlands in order to hold staple commodities in both colonies for Japan's benefits.⁶⁸ Nomura quickly responded to on-going politics. When Japan realized to station the Japanese troops in northern Indochina in September 1940, Nomura opened an office in Hanoi and set up Saigon Nomura Firm. Nomura adopted a cooperative stance for the establishment of the New Order of the Great East Asia and 'yen block' advertised by military Japan.⁶⁹

In July of 1941, when the Japanese troops invaded into southern Indochina, the United States, Britain and the Netherlands froze all Japanese assets in their countries and colonies. Then the United States put an embargo on the export of oil against Japan, which was followed by the Netherlands. In November, under the imminent circumstances, the Ministry of Foreign Affairs in Japan admonished that all Japanese subjects in the South Seas should return to Japan. Hosoda, the then director of Nomura East Indies, sent a telegram to all Japanese staffs in Borneo, Sumatra and Java, in which he urged them to repatriate to Japan. Except a few core employees, 60-odd Nomura men returned to Japan.⁷⁰ This caused a commotion in the Banjarmasin society. Nomura was one of the most influential companies employing a few thousands of coolies and purchasing the native rubber products. The absence could have a severe damage on the local economy. After the departure of the Japanese, the Minister of Economy in Batavia entrusted a Dutch trading firm Internatio to take over Nomura's business in Banjarmasin. Although seven employees of Internatio had been sent to Borneo, they had no experience to run a huge rubber complex, especially to grade native products and bargain over the price.⁷¹ It is only a few months later that Internatio men were regimented into a destruction team shortly before the Japanese military invasion in Banjarmasin in February 1942.⁷²

Under the Japanese military occupation, there was a keen competition between Japanese companies to win the orders for the different development projects in the occupied

⁶⁸ Adachi, Yasuhito, 'Kaisen mae no keizai kōshō: tai ran'in futsuin kōshō', *Nanpō kyōei-ken*, edited by Yasuyuki Hikita, p. 103, 110-111

⁶⁹ Mishima, op.cit., p. 99

⁷⁰ Mishima, op.cit., p. 101

⁷¹ David van Darmo, 'Intermezzo nomura borneo', *Internatio, Kaleidoscoop van een voltooid verleden, Kaleidoscoop van een dynamisch heden, 1863-1963*, 1963, pp. 20-32.

⁷² Braches, E., Oost Borneo-Teksten, *Borneo Documentatie 1941-1945*, Vol. 8, Overveen, 2001, pp. 74, 77, 83, 91, 114.

area.⁷³ Nomura of 20 years experience in the Netherlands East Indies and Singapore succeeded in winning orders to purchase latex, raw rubber, gutta percha, castor-oil plant (raw material of soap) in Southeast Borneo in April of 1942 and to purchase bicycle parts, rubber products, tire tubes, foods and drinks, agricultural products, textiles and block-boards in Japan in May of 1942. To fulfill the orders as well as to restore its own business, Nomura sent a unit of 41 men for Malaya and Borneo on 5 May. A torpedo attack in the Pacific Ocean sank the ship *Taiyō-maru* and killed all staffs.⁷⁴ Despite the tragic incident, Nomura formed a construction unit and sent the employees one after another to the occupied area. Between 1942 and the first half of 1943, Nomura engaged in the development of agricultural and forest resources and the re-establishment of supply chains mainly in South Borneo. After the latter half of 1943 onwards, the orders Nomura received expanded from Borneo of the navy control area to Java, Sumatra and Malaya of the army control area, ranging from cultivation, purchase of agricultural products, operation of shipyards, iron factories and rice polishers, to digging of silica and calcium sulfate. The number of the employees sent to the occupied areas amounted to 580 men and another 200 men on stand-to. At the end of the war, the number is said to have been more than 1,000.⁷⁵

While Tokushichi devoted himself to an all-out effort of the military, he dispatched his nephew Kōzō (a son of the late brother Jitsusaburō) to Borneo in order to prevent the Nomura business from going to pieces. The Nomura Securities (Nomura's financial body) research team predicted defeat of Japan and took a quick move to protect the Nomura's assets.⁷⁶

In 1944, the ship carrying the Nomura men to the occupied areas was sunk by the enemy attacks. Hearing this bad news, Tokushichi died of heart attack in January of 1945. Shortly after the Japanese capitulation on 15 August of 1945, his son Yoshitarō, heir of the Nomura family, died too. The whole asset of Nomura in the South Seas had been taken over by the GHQ. Through the liquidation of *zaibatsu*, in which the GHQ listed up 15 families, all senior staffs of Nomura East Indies had been forced to resign by December 1947 and Nomura East Indies was subsequently dissolved.⁷⁷ After the war, some Nomura men who repatriated from the war started a new company Nomura Trading which deals only very

⁷³ Hikita, Y., 'Japanese companies' inroads into Indonesia under Japanese military domination', *Japan, Indonesia and War*, edited by Peter Post and Elly Touwen-Bouwsma, 1997, pp. 138-140.

⁷⁴ Mishima, op.cit., p.102

⁷⁵ Mishima, op.cit., pp. 101-103, Yoshihara, op.cit., p. 356

⁷⁶ Alletzhauser, op.cit., p. 105-107.

⁷⁷ Mochikabu kaisha seiri iinkai tō bunsho, zaibatsu yakuin shinsa kankei shiryō, kaisha kankei shiryō tssuzuri 15, Nomura-kei 27-5, A04030995900 [JACAR]

modestly in rubber, unlike Lee Rubber which still controls a large part of the rubber trade in Singapore.

Conclusion

This paper has shown that Nomura East Indies formed a kind of modern ‘Asian rubber alliance’ and bridged Indigenous and Western production modes. In Borneo the company was able to vertically integrate its rubber business and to achieve firm hierarchical control. It did so by competing successfully with Malay and Chinese networks and by re-milling it in its own factories, subsequently shipping the product through its own transport channels to the USA and Japan. By controlling production, manufacturing and distribution, Nomura East Indies became the most important foreign enterprise in the rubber sector in the Dutch colony. In the 1930s Nomura financed Chinese rubber companies and dealers, which partly resulted in globalization of Chinese intra-Asian businesses.

The limitation of Nomura was to underestimate labor issues in the Dutch colonial system. It is hard to say that Nomura East Indies succeeded in gaining complete managerial control. Against the passion of the founder, the name of ‘Danau Salak’ left therefore a negative mark on the labor history of prewar Indonesia.⁷⁸

Although the war gave Nomura a chance to expand its businesses in Southeast Asia, it also contributed to the liquidation of Nomura East Indies. However, this should not be interpreted as a failure of a smaller scale zaibatsu, but be analyzed primarily in the context of the economic development in Southeast Asia.

⁷⁸ Houben, V. J. H. and J. T. Lindblad, *Coolie labor in colonial Indonesia; A study of labor relations in the Outer Islands, c. 1900-1940*, pp.168-169, Harrassowitz Verlag, Wiesbaden, 2000