

## **Interview: Oei Tjong Tjay**

Date: April 17 and 18, 1988

Place: Hotel Tiefenau, Zurich, Switzerland

Interviewer: Yoshihara Kunio

### **A Brief Profile of Oei Tjong Tjay**

Oei Tjong Tjay is the last son of Oei Tiong Ham, born in Singapore in 1924. His mother is Ho Kiem Hoa Nio (or Lucy Ho), the seventh wife of Oei Tiong Ham. Oei Tjong Tjay received primary education in the Netherlands, and secondary and university education in Switzerland. He then went to the United States for graduate study in economics. He returned to Indonesia in 1948, and managed its operation for several years after his half-brother Oei Tjong Hauw died in January 1950. He left Indonesia in late 1957, but headed its board of directors until 1961 when the Indonesian government took over the Indonesian operation of Oei Tiong Ham Concern. In the next few years, he organized a legal defense to fight the confiscation in Indonesia. He now heads the Kian Gwan group in the Netherlands and lives in Switzerland.

### **Interview**

#### **1. Mother**

Could you tell me about your mother's family background?

My mother was born to one of the richest families in Semarang, Central Java. But they lost their fortune and moved to the center of the city. As far as I know, the big house we lived in, which was called "palace," had belonged to her family. After their family fortune declined, my father bought that house.

In her childhood did she go to a Dutch-medium school and speak Dutch at home?

She must have gone to a Dutch-medium school, because she spoke fluent Dutch. She

could not have spoken Dutch at home during her childhood, because I know my maternal grandparents did not speak Dutch. They spoke Chinese and Malay. We all used to talk to them in Malay.

Did you and your brothers speak to her in Dutch or Chinese or Malay?

Until my father died in 1924, I am told my eldest brother Tjong Ie (born in 1918), sister Twan Nio (born in 1920), and second eldest brother Tjong Bo (born in 1922) spoke Chinese at home. My father was very conscious of his Chinese background. He was reputedly the first Chinese in the Netherlands East Indies to cut the pigtail. He and later other Chinese cut the pigtail as a sign of

rebellion against the Manchus who had imposed the hair style on the Chinese. You know, the Ch'ing dynasty which ruled China at that time was not a Chinese dynasty, but a Manchu dynasty. My father would have brought us up in Chinese. But he died in 1924. My eldest brother was six, sister was four, second brother was two then. After his death, we switched to Dutch, and all of us were brought up in Dutch.

Could you tell me a little about her method of bringing up her children? Did she adopt a method different from those of the other wives of Oei Tiong Ham?

She was definitely much more modern than the other wives. She was very much aware that she had to give Western education to her children to break away from the still feudal, colonial life of the Netherlands East Indies. She thought that if we stayed there, we would simply be spoiled by the money and power of Oei Tiong Ham Concern. So, in 1931 when I was seven, she took us to Europe for the first orientation tour. And after returning to Java and staying there until 1933, we moved to Holland. But after three years there, she realized that it was not the correct place for our upbringing, being the metropolis of the colonies. So, we moved to Switzerland, which she thought would be a much better place for a truly international education.

What do you think made her different from the other wives? They seemed more content with their life in Semarang.

It may have been due to her upbringing or per-

sonality. After she married my father and came into the possession of money, she insisted that all her brothers and sisters should get complete education, and paid for this.

You told me that her family fortune went down. Did this have anything to do with her attitude towards her children? For example, to educate her children so that they would not waste away the money they would be inheriting.

Maybe, but I am not sure. As Mrs. Wellington Koo also mentions in her book, she was a very frugal person. She was very much aware of the importance of money. This may have been due to the loss of family fortune during her childhood. But what is more important to consider is her personality. I'll give you a few illustrations of her personality. Since my father was the richest man in Semarang, it was an honor at that time for any Chinese girl to be picked as a concubine, but when he approached my mother, she first refused. She finally gave in, but it had taken him a long time. So, apart from the vicissitude of family fortune, there must have been something else which influenced the development of her personality. Up to her death, for example, she was always studying. Since she was rich, there was no need to do so, but she was always working or studying. She was studying Italian and all kinds of language.

How old was she when she died?

She was 64. She was born in 1901 and died in 1965.

Where did she die?

She died here in Switzerland.

Did she live in Switzerland?

Yes, she lived in Lugano, a town in the southern, Italian-speaking part of Switzerland. That is another point. The other wives lived with their families in the old-fashioned way. My mother for a while stayed with my unmarried brother in Bangkok, but then she wanted to be completely independent, which was unusual for a Chinese woman of her age. When we heard that she wanted to leave Bangkok, we were living in Holland, and asked her to live with us. But she said, "No, I don't want to impose myself on your family." Then we said, "All right. You do not have to live with us. You live in another apartment in Holland." But she said "No," and lived all by herself in Lugano, which was far away from her children. She wanted absolute independence. So, there must have been something in her character which made her different from the other wives.

Do you think the Dutch-medium education had anything to do with it? She may not have gone very far, but even to finish a Dutch-medium elementary school was considerable education for a Chinese girl at that time.

Yes, but there must have been some innate character which made her different. Otherwise, it is difficult to explain her decision to get away from the comfortable life in Semarang for the education of her children in Holland and then to move to Switzerland

when she found out Holland was not the right place for her children, and her efforts to learn Italian or other things even when she was old. She had this push and drive for self-improvement.

What did she think of university education? Was it only your brothers who received university education among the sons of Oei Tiong Ham?

She thought that we had to have complete Western education. That is why we moved to Europe. So, all of us received university education in the West. The children of the other wives were all educated in Semarang, and secondary education was the highest they could receive there.

## 2. Childhood

When and where were you born?

I was born in Singapore in 1924. I was born on June 21 that year, about three weeks after my father's death. He died on June 3.

Why were you born in Singapore?

My father moved there in order to write his will which could be executed under the British law. Under the Netherlands East Indies law, it was not possible to disinherit children. The same thing is true today all over Continental Europe. There is a "legitimate" part of inheritance for all children. In Switzerland today, for example, about three quarters of your wealth have to go to the wife and children when you die, though a quarter is free. My

father did not want all of his children to inherit his business, but under the Netherlands East Indies law, he could not disinherit some children. So, he moved to Singapore where the Anglo-Saxon law applied. Under the Anglo-Saxon law, it was possible to disinherit children. You must have heard that such and such children were disinherited in Britain and the United States because they were playboys or for some other reasons. But this is not possible in Continental Europe. This is a major difference between the Code Napoleon and the Anglo-Saxon law.

My father moved to Singapore to write his last will. This will was later attacked by the 17 children who were disinherited. They argued that the father had moved to Singapore only temporarily, that he had been still domiciled in Java, that therefore, he could not disinherit them from his wealth. So, they started a court case, and this went on until 1939. We came to a settlement at that time. Each of the 17 children got 400,000 Netherlands East Indies guilders or about 250,000 US dollars. It is equivalent to a few million US dollars today. A Packard car, a luxury car at that time, sold for about 2,000 guilders. So, with 400,000 guilders, it was possible to buy 200 Packards. Today, a luxury car would cost at least about 25,000 dollars. So, 200 times 25,000 dollars is five million dollars. This is the today's equivalent of the 400,000 guilders each of the 17 disinherited children received.

Where did you spend your childhood? Did you grow up in Singapore or spend some time in Java?

My father's body was taken back to Semarang for the funeral. So, all of us went back there. I was only a few weeks old at that time. In the next seven years, we stayed in Semarang and lived in the big house I have told you about. In 1931, we went to Europe.

Who do you mean by "we"?

My mother and her five children—one daughter and four sons.

Then, you came back to Java again, didn't you?

Yes, we did. Then, my eldest brother, Tjong Ie, was sent to Holland to live with a Dutch family. We stayed in Semarang for two years, and then in 1933, all of us moved to Holland. We started our education there. But we did not like it there very much, so we moved to Switzerland, where we received secondary and university education.

How about elementary education?

It was in Holland. That is why we still often speak Dutch among ourselves.

How long did you stay in Switzerland?

In 1939 we planned to go back to Asia because war had started in Europe. We wanted to take a boat from Genoa, Italy, so we were planning to take a train going there from Switzerland, but the southern frontier was closed, so we could not get out of Switzerland; we got stuck there. In a way, this was lucky. We missed the war entirely: we spent

the whole war period in Switzerland.

Did you then go to university in Switzerland?

Except my eldest brother, Tjong Ie. He went to secondary school in Holland, and went to university there. In fact, he was educated differently from the others. My sister and three other brothers all went to secondary school here, and started university. My sister finished university here, and my second eldest brother, Tjong Bo, received a doctorate in economics from the University of Zurich. Another brother, Tjong Hiong, started university education here, and in 1945, immediately after the war, he went to Stanford to study aeronautical engineering. In 1946, I also left Switzerland for the United States to study.

Was this before you received your BA or after that?

There is no BA degree in economics in Switzerland. In economics, you either get a Ph.D. or nothing. There is no intermediate degree. In Geneva, there is an intermediate degree called "licencie," which is equivalent to somewhere between BA and MA. Since I had done one year of economics in Zurich and two years in Geneva at L'Ecole des Hautes Etudes Internationales, at the New School of Social Research in New York, I was considered to have finished BA and so started studying for MA.

When did you come back to Indonesia?

I planned to go for Ph. D., but my eldest

brother Tjong Ie said that I had to go back and work for the company, so I went back in December 1948. That was right before the second police action of the Dutch against the Indonesians. The Indonesians were fighting for independence, and the Dutch had two police actions. The second one took place right after I went back. In this, the Dutch won militarily, but they lost politically in the United Nations. As a result, Indonesia became independent in 1949. Officially, Indonesia had declared independence in August 1945, a few days after the Japanese surrender, so the Indonesians consider that they became independent at that time, but the transfer of sovereignty, or *kedaulatan*, took place in 1949.

### 3. Joining Kian Gwan in Indonesia

What was Tan Tek Peng doing when you joined the company?

He was executive director of the company. He was the most powerful man there, next to my half-brother Oei Tjong Hauw. You know he had started in our company as a simple bookkeeper.

When did he retire from the company?

In 1950, when Tjong Hauw died, I was in charge of the personnel department. I was given the post since I studied personnel management in the United States. But you know the personnel problems in Asia are quite different from those in the United States, so what I studied in the United States was not very relevant. But anyway, I was in charge

of the personnel department when Tjong Hauw died, and for a while, his son Ing Swie and I were jointly managing the company. We had a retirement age of 55, and Tan Tek Peng was reaching the age at that time. He did not want to retire, but I stuck to that rule. I think he retired in either 1952 or 1953. But he remained as *commissaris*. That is, he remained as director without executive power. After him, Tjoa Soe Tjong became executive director.

Do you think Tan Tek Peng was a capable and loyal manager?

He was a loyal manager. All of our managers were loyal because of their pride of belonging to Oei Tiong Ham Concern. However, I cannot say that he was very capable. When I joined the company, organizationally it was in a mess; the whole financial structure had gone to pieces.

Maybe, that was not his fault. The Indonesian government had begun intervening in the economy, and this must have created a lot of problems for the company.

No. Those problems were internal. All our people, including Tjong Hauw, had gone through difficult times during the Pacific War, but not much was destroyed at that time because the Japanese took over the Netherlands East Indies very quickly. But after the Japanese defeat, there was this interim period when the Republicans were fighting for independence against the Dutch who wanted to regain the colony. In this period a lot of our assets, including some

sugar mills, were destroyed.

But these did not have anything to do with Tan Tek Peng, did they?

No, but in this period, all of our managers had exhausted themselves. They should have gone on four to six months vacation to recover, but instead, all of them held onto their jobs, and were simply too tired to understand what was going on. Then, our chief account, Dr. Djie Ting Liat, was given the permission to live in Holland because he wanted his children to study there. This caused a financial chaos in our company. Even from Jakarta, it was difficult enough to update the financial condition of our company, whose operations spread over a few thousand miles from Medan to Macassar, with a lot of offices, factories, and plantations in between, with a staff of 2,000 to 2,500 in offices plus several thousand workers in factories. But since the chief accountant lived in Holland, it was impossible to get up-to-date information on the financial situation of our operations. So, the financial reporting of our company was in a big mess.

Did Tan Tek Peng allow Dr. Djie Ting Liat to go to Holland? And did you think that he should not have let him go?

Yes. The final approval was given by Tjong Hauw, but Tan Tek Peng was also responsible for this.

What was Tjoa Soe Tjong doing when you joined the company?

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He was deputy executive director of the company. After Tan Tek Peng, he was the most powerful executive.

Do you think he was a capable and loyal manager?

My brother Tjong Ie does not think so. He thinks Tjoa Soe Tjong was incapable and disloyal. And he thinks that Tjoa Soe Tjong wanted the confiscation of 1961 so that he could become the top man. But on this, I completely disagree with my brother.

Then, do you think he was a loyal manager?

Yes. He was, in a way, a strange person. He talked a lot, and may have been opportunistic in his business policy. He was not quite sure of what to do. But I know my brother had strong personal dislike for him. I think it was in connection with Tjoa Soe Tjong's attitude toward his Dutch wife. My brother had two wives. The first was this Dutch wife. I don't know whether they were officially married at that time, but Tjoa Soe Tjong said that he could not receive her as Mrs. Oei Tjong Ie as long as they were not married.

I understand his second wife is Chinese. Does she come from a Chinese family in Indonesia and did this have anything to do with the animosity between your brother and Tjoa Soe Tjong?

No. She is a local Singapore girl.

What were the strengths of your brother Tjong Hauw in business?

I think his strength was his diplomatic touch and charm. His organizational ability was not much. But he was an extremely suave person. You know my brother Tjong Ie was condemned to death by the Japanese *kempeitai* during the occupation period. Tjong Hauw somehow managed to save Tjong Ie's life.

Did he get along well with the Japanese authorities at that time?

I think so. To give you an illustration of the charm of Tjong Hauw. One time, he was called in by Japanese authorities and asked whether he was for Chiang Kai Shek, the enemy of the Japanese on Mainland China, or for Wang Ching Wei, the Japanese puppet there. He replied, "I am neither for Chiang Kai Shek nor for Wang Ching Wei. If you come to my office, you will see a portrait of Sun Yat Sen." Since Sun Yat Sen, being the founder of modern China, was a neutral person for all sides including the Japanese, my brother got away with that answer.

How well did he get along with Indonesian leaders such as Sukarno, Hatta, and Subandrio?

The Indonesians came to power in 1949, and Tjong Hauw died in January 1950. So, he had only a short time to deal with Indonesian political leaders.

But he must have dealt with them during the Revolutionary period from 1945 to 1949.

But the big cities such as Jakarta, Semarang,

and Surabaya, where our major offices were, were in Dutch hands. Our offices in Yogyakarta and Solo were the only ones in the Republican-controlled areas. There, we had to deal with Indonesians, but I don't think Tjong Hauw did it himself. Our company had the stigma of being a little pro-Dutch. Being a big company, we were more or less in the camp of the big five Dutch trading companies (Jacobson, George Wehry, Borsumij, Internatio, and Lindeteves). We were the only Chinese company of that rank. Since all political and economic powers were in Dutch hands at that time, Tjong Hauw had to befriend Dutch authorities in order to get licenses and permits. So, we were automatically classified with the Dutch companies by the Indonesians. There was also an incident which made them think we were pro-Dutch. Our biggest sugar factory at Redjoagoeng near Madiun in Central Java was in Republican hands. We knew that a bomb had been planted in the factory. In order to save the factory, my half-brothers Tjong Yan and Tjong Ik asked General Meyer, the Dutch military governor of Central Java, to send a patrol to the sugar factory to save it. This kind of action, which was done to save our properties, was interpreted as us being pro-Dutch. You cannot blame a proprietor for trying to save his property.

Since you came back to Indonesia in December 1948, you had a little over one year with him. Didn't you observe how he dealt with the new Indonesian leaders in Jakarta?

I was in Semarang, and he was in Jakarta. So, I cannot say how close he was to them, but

he couldn't have been very close yet. If he had had time, he would certainly have developed close relations.

What new ventures did Tjong Hauw undertake before he died? Was he groping for a new direction for the company?

No. That was one of his weaknesses. He and his managers, such as Tan Tek Peng, were too tired to try to do anything new. For example, they hardly used bank credits. They went on the assumption that Oei Tiong Ham Concern didn't need bank credits. If you had a sugar factory with a peak in production, the only logical thing to do was to borrow money. You know, in Indonesia the lands which supplied sugar cane to a mill belonged to the farmers, not to the sugar mill, so you needed money to pay to the farmers when the harvest season came, if you wanted to get their cane. It did not make any sense to keep money idle for the rest of the period for the sake of meeting the peak demand. The only logical thing to do was to use bank credits. On top of that, Indonesia was clearly moving to an inflationary period. Debts remained the same while their value was declining, but we were not using any bank credits. This restricted the operation of our company very much. For example, we could make a lot of money in importing goods since many goods were scarce in the country and almost any imported goods sold for good profits, so the reasonable thing to do was to borrow money from banks to finance imports, but we had not been doing it. At that time, you had to get a quota allocation to import goods, but being a big trading company, we would not have had

any trouble in getting more quota allocation, but because we did not use bank credits, we were not exploiting our potential. And a lot of our working capital was tied up in sugar stocks, and because much of these was burned, pilfered or simply taken away by the army, our working capital had disappeared. In effect, we had a large organization without much working capital. So, after Tjong Hauw died, we scrutinized and analyzed our policy, and took bank credits up to our limit in order to create working capital.

Did you approach state banks for credits?

For our sugar factories, we obtained credits from the state bank, Bank Indonesia, but for our other businesses, for example, for the trading business of Kian Gwan Indonesia, we approached foreign banks such as the Dutch bank, Nederlandsche Handel-Maatschappij (NHM), and the British bank, Chartered Bank. At that time, state banks were few and were not as powerful as they are today.

Did your new ventures with Indonesians or with the Indonesian government in the postwar period come after Tjong Hauw died?

Yes, they came after his death.

How did he take the change in the business environment, especially government intervention in the economy, after independence?

He had only one year between the transfer of sovereignty and his death. But in general, in view of his suave personality, he would not have had any difficulties at all. The people

who had difficulties in adjusting to the new environment were our professional managers such as Tan Tek Peng and Liem Ghik Djien. They were very pro-Dutch. Tjoa Soe Tjong and a number of other professional managers, however, had absolutely no difficulties at all in adjusting to the new environment. Tjoa Soe Tjong was the person to whom Indonesians listened very well.

Your brother Tjong Ie in Singapore says that your Bahasa Indonesia was poor. How was your Bahasa when you joined the company?

My Bahasa was poor. It was non-existent when I joined the company in December 1948. I did not speak a word of Bahasa Indonesia. In 1949, I took a few lessons. I had to learn Bahasa. But at that time, the language had not been well developed. Bahasa Indonesia was first Malay, and then beautified and developed by those prefixes and suffixes. In January 1950 Tjong Hauw died, so I got the whole load on my shoulders, and I did not have time to learn Bahasa anymore. And the bad luck was that until the Ali Sastroamidjojo government of 1955, everything was done in Dutch. The Indonesians also spoke Dutch. None of them spoke good Indonesian. Government circulars started in Dutch, and they were translated into Indonesian, but the Indonesians couldn't understand the translation, so they had to get it retranslated into Dutch. There was a big joke at that time: "Let's get the original document and the retranslation, to see whether the original and the retranslation are still the same."

Your brother in Singapore was bringing up the question of your language because he thought that the military were important in Indonesia at that time and that it was impossible to develop close ties with them without knowing Bahasa Indonesia.

Yes, he criticizes me, saying that I did not have enough popular contacts. But at the time, a number of military leaders spoke good Dutch. And until the fall of Sukarno, the military were not so powerful as my brother thinks. The people who held power in the Indonesian government were politicians. My brother dealt a lot with the rebel, Ventje Sumual, in Sulawesi. He did a lot of smuggling with him. But I didn't like it. I told him a number of times that being a big company in Indonesia, we could not go along with people like Sumual. They were smugglers, rebels, and revolutionaries. I told my brother if he wanted to do business with them, he should do it independently of Kian Gwan. I told him to set up another company for that kind of business. He did not listen, and the result was a few of our people in Indonesia went to prison.

Did this get exposed during the Sukarno period and affect your Indonesian operation?

Yes, it did affect our business in Indonesia. A few people got into jail because of that. My brother never believes that, but it did affect our business. One of our people who was working for Heap Eng Moh Steamship got into jail. Another was our import manager. He was taken to jail on the wedding day of his daughter. As you know, my Singapore

brother is a very impetuous and outspoken person. He said he did not believe in hiding. I said that it was not simply a matter of hiding. There were a lot of vulnerable interests in Indonesia. And we were also representing the Indonesian government in rice purchase. We were importing 200 to 300 thousand tons of rice every year, which brought in a lot of money. I told him that we could not do two things together: to represent the official government and deal with its rebels. At a certain point, my brother agreed to it, and he set up a trading company called "Sukadjaja" in Singapore. This made me a little happy since it could camouflage his deal, but then I found that the shareholders of the new company were his wife and managing director, Lie Keng Hoeh. That is my brother's style. He does not believe in camouflaging. He does things in the open.

Did the incident go beyond the imprisonment of a few of your people?

Yes. For example, Mr. Iskaq, who was Minister of Economic Affairs, took away our rice agency.

Was that because of the Sumual affair?

Yes, that is at least what he said. Maybe, he wanted a bribe. We managed to get our agency back. But what my brother was doing in Singapore put us in a very difficult position.

When you returned to Indonesia, how did reality differ from your expectation?

Reality did not differ from my expectation,

because I did not know what to expect. I wanted to know first what was going on.

You must have been an idealistic young man, just out of college. You must have had some expectation.

My ideal was to go back to China. Having studied political science and known a little bit of the Indonesian situation, I knew that our future in Indonesia would not be very good. The only way for us to become big was to go to the place where a national flag could protect us. In industrialized countries like England, immigrants could become naturalized and develop big business, but in young nationalistic countries like Indonesia, especially for the Chinese, it was not possible. So, I wanted to work in China, but I was assigned to our Indonesian office.

Did you have a problem in adjusting to the new Indonesia?

“Adjusting” is not the right word. I had trouble in *living* in Indonesia because it was often humiliating.

In what way was it humiliating?

Whenever I brought up a new project, the Indonesians would say, “Ha, Kian Gwan. You always think of money. You have to think socially.” That is all right. I didn’t find it too humiliating. On a tennis court, I got into a small dispute with an Indonesian. He said, “I know who you are. You are with Kian Gwan.” He happened to be the head of the secret police. He ordered me to go to his

office at seven the next morning. I had to wait in his office until two in the afternoon. At two in the afternoon, that was the time he went home, he told me to come back at seven the following morning. If I had not gone back, I would have had it. So, I went back every morning. This went on for two weeks. At another time, when I was driving with my wife, I got shot at by a soldier. I also had a dinner invitation from President Sukarno. I had been telling my staff that if I had an invitation from Sukarno, they should say I was out of town. But if he invited me weeks ahead, I could not easily refuse it. I could get away from his invitation if it came in short notice. For the invitation to a fund-raising party for the sports stadium Sukarno was building for the Asian Games, I was on the list of people who were supposed to pay 100,000 rupiah, which would be equivalent to 50,000 US dollars today. We just had to pay. There was nothing we could do about it. And the military could also come to arrest you. On one Chinese New Year’s Day, I was swept in to jail.

For what?

I think it was in 1951. They cut the exchange rate from one guilder to one rupiah to one guilder to three rupiah. Inflation was becoming rampant. So, the Indonesian government cut the value of its currency to one third of what it had been. Sensing that this would happen, I sent a cable to our offices not to sell their stock, since it would be worth more in the near future. The cable was intercepted, and since it was sent under my name, I was taken in for questioning by government

authorities, who wanted to know how I got the information. I said I did not get it from any particular government source. I said I could feel it. After all, I was in business, and felt the pulse of the economy.

I did not mind these things much since my character had been formed. I knew that I had to play along with their game, though it was not very pleasant. But if my children had to grow under that sort of circumstance as second or third rate citizens, I really had to worry. This was the most difficult thing for me in adjusting to Indonesia. And there were all sorts of kidnap threat at that time. I am sure that not all of them were done by Indonesians. Most of them seemed to have been done by Chinese. Still, that did not make our life easy. On top of that, as I told you, since our chief accountant had been living in Holland, our financial record was in absolute mess. We were two to three years behind. Nobody knew what was exactly going on. To rebuild our factories and get them going, we had to know where possible finances were.

How would you characterize the major differences in personality between you and your brother Tjong Hauw?

I would start by saying that we had similarities. We were diplomatic. The question is much easier to answer if you are asking my differences with my brother Tjong Ie in Singapore. Tjong Ie is outspoken and impetuous. I am careful and slow. I would characterize myself as diplomatic, but Tjong Ie calls it "hypocritical."

I asked that question because you took over

the Indonesian operation from Tjong Hauw, not from Tjong Ie.

One of my differences with Tjong Hauw was in personnel policy. I had seen under him that the company had been getting disorganized since our staff had been given promises which they were not very sure we were going to keep, and were not promptly rewarded for what they did to the company. In the case of the chief accountant Dr. Djie, he must have accumulated a lot of promises from Tjong Hauw. When he persuaded Tjong Hauw and Tan Tek Peng to let him go on leave, he went to a distant country (Holland) for a long time. This sort of thing created organizational chaos. So, when I took over, I did not keep my staff waiting on promises. I promptly rewarded them if they did something good for our company.

After Tjong Hauw died in January 1950, the chief accountant came back from Holland and told me that he had a promise for 100,000 guilders from Tjong Hauw. Back in the mid-1920s, after my father died in Singapore, our family faced a huge estate tax since the tax rate under the Anglo-Saxon law was heavy. The chief accountant saved us several million dollars. My brother Tjong Hauw should have rewarded him for this at once, but he gave him a promise of handsome rewards in the future. Still in 1939, when war started in Europe, the accountant had not been yet rewarded. However, at this point, my brother promised that he would give him 100,000 guilders, which was about 60,000 to 70,000 US dollars at that time. But my brother kept him waiting on this promise. So after he died, Dr. Djie asked me to pay him

10% of that sum. He even threatened to blackmail me with the information he came to know through his work. This sort of pending case was rampant in the company. All kinds of people had promises. For example, Tjoa Soe Tjong came to me and said that he had a check from the company which he was not supposed to cash because the company was short of liquid funds. I told him to cash it right away. To give promises and make people waiting on them was a bad personnel policy. After I took over, I changed it and did not keep things pending. This was one big difference between Tjong Hauw and me.

Another thing I started was using bank credits. In the inflationary setting, it was foolish not to borrow. It was better to incur debts since the value of the debts had been declining over time. I borrowed money from banks to create working capital which I used for the new ventures I started with Indonesians and for stepping up the trading activities of Kian Gwan. Tjong Hauw had stuck to the old Chinese business policy of not borrowing. Oei Tjong Ham Concern always had enough money in the prewar period and did not have to borrow, but the situation changed after the war. This financial inertia may have been due to the fatigue on the part of Tjong Hauw and his staff who had gone through difficult times during the war and Revolutionary periods.

The policy to use bank credits gave us a right start. With the help of our Dutch import manager, we applied for bank credits, and used them to import a lot of goods. Then the rupiah devaluation (from one to one to one to three) came, and we suddenly made a lot of profits in rupiah and had enough working

capital. But we continued to borrow for our imports, and borrowed also for the export of Indonesian produce, such as rubber. This export business generated a lot of income for our overseas offices.

When was your headquarters moved from Semarang to Jakarta?

Legally and officially, it was never moved. That is why the court case after the government confiscation took place in Semarang. The *de facto* move to Jakarta must have taken place in 1947 or 1948, before I joined the company.

In Jakarta there is a district called "Asemka." Was it where your headquarters was?

Yes. We had two entrances: the official front entrance and the back entrance. I remember we bought a house for bookkeepers at the back entrance. We used to say that if the military police were in front of the official entrance, we should use the back entrance. Behind us was the Chinese business district Glodok, and we were facing the Dutch business district. Right in front of us were Javasche Bank (which became Bank Indonesia in 1951) and Nederlandsche Handle-Maatschappij or NHM (which later became Algemene Bank Nederland).

#### 4. After Tjong Hauw's Death

When Tjong Hauw died in January 1950, you were in Semarang, weren't you?

Yes.

Did you go to Jakarta right after this?

Yes.

How was the succession problem decided?

To answer this question, I have to go back to my father's will. The will stipulated that nine of his sons would inherit his business: the four sons from my mother, the four sons from Oei Tjong Hauw's mother, and Oei Tjong Swan from my father's third wife (The Tjik Nio). But the will was not to be executed until his last child, which was me, came of age. Since I was born in June 1924, it could not be executed until the mid-1940s. But when that time came, it was war time, and after the Pacific War ended, the Revolutionary period began, so the execution of the will was postponed for another few years. In the meantime, Oei Tjong Hauw must have realized the danger of our company being a family company, so he kept his brothers away and remained as the only powerful person in the company. And he tried to change our articles of association in a way that the presidency of the company would automatically stay with his branch of the family. So, his eldest son, Oei Ing Swie, who was brought up in Indonesia and had become arrogant because of the power of his father, automatically thought himself as the next president of the company.

The will was originally entrusted to three persons. One was Oei Tjong Hauw, another Oei Tjong Swan, and the third was my mother. Tjong Hauw and Tjong Swan, born to the earlier wives of my father, were old enough to work for him before his death. My father knew that the two brothers did not get

along very well and could not gang up against my mother, who was weak as a trustee, not knowing anything about business. So, he thought that either one would most probably act as a protector of my mother out of rivalry. In the early 1930s, however, Tjong Swan sold his share to the estate and pulled out. I don't know whether he wanted to do so voluntarily or Tjong Hauw pushed him out. Anyway, after his pull-out, there was no balancing factor. The successors were split into two equal groups: my mother's four sons and Tjong Hauw and his three other brothers. But being an active manager of the company, Tjong Hauw was in a much stronger position than my mother, and he tried to solidify this and make it permanent by changing the articles of association. My mother was warned about it by someone internal to the company, and engaged a lawyer to fight it in court. So, I remember her going to London in 1939. She succeeded in preventing Tjong Hauw from changing the articles of association.

When he died in 1950, a bit of struggle started between his son Ing Swie and myself. At that time, I was the only one on our side living in Indonesia. For a while, there was no captain of the ship. I said, "This is absolutely crazy. We have no policy, we have no financial review. We must have an annual shareholders' meeting." So, I initiated an annual shareholders' meeting in 1951, and in that meeting, I said, "You have to decide on the President Director of Indonesia. You have to choose one person. You can choose either Ing Swie or me." They chose me and I became President Director.

But the friction between him and me did not completely go away, though I was officially his

boss. After all, as a shareholder, being the successor of his father Tjong Hauw, he had as much weight as I did. So, I said to Tjoa Soe Tjong, "This is very bad. If we are not one voice toward the outside, playing against each other, that is the worst thing which can happen to a company. I can understand how Ing Swie feels. Although I am officially his boss, he may think that I am not objective enough. So, I propose a board of three, consisting of you, Ing Swie, and me. We three will discuss all important matters, each of us gives his opinion, and we always come to a decision. And once a decision is made, we stick to that decision. Although I am President Director, if I am in the minority, I'll accept the decision." Tjoa Soe Tjong played his role in this three-man board in a very loyal way. From this experience also, I completely disagree with my brother Tjong Ie on his assessment. You know, in an Asian country it is very difficult for an employee to tell his owner-boss that he is wrong when he is wrong. Tjoa Soe Tjong was an exception. He was willing to tell me, "You should not do that," when he thought that I shouldn't be doing that. It was not always pleasant for me, but being inexperienced in Indonesia, I often listened to him.

Haw many years older was he than you?

About 20 years older. And he was very much experienced in doing business in Indonesia.

What was the educational background of Ing Swie?

He had a BA in economics from an American university.

How about Tjoa Soe Tjong?

He had a degree in economics from Rotterdam, equivalent to MA in the American system.

Did you become an Indonesian citizen?

No. I could not become an Indonesian citizen. In order to become an Indonesian citizen, you had to have been a Dutch subject (Holland's *onderdaan*). If you had been a Dutch subject, you could opt for either a Dutch passport or an Indonesian passport. Since I was born in Singapore, I wasn't a Dutch subject, and therefore I could not become an Indonesian citizen. Originally, I had a Kuomintang passport. Then, I got a British passport. I qualified for it since I was born in Singapore which was a British colony.

Did the fact that you were not an Indonesian citizen make it difficult for you to head the company?

Yes. When the Indonesian government took over Dutch companies in December 1957, starting with KPM, we thought that my citizenship position would cause problems for our company, so we made Oei Ing Swie, who was an Indonesian citizen, President Director. But we had the written agreements that the three-man board I told you about would remain as the top decision-making body; that we would come to a decision in the same way; and that Ing Swie would act as President Director towards the outside, but among ourselves I would remain President Director.

Could you have become naturalized if you had tried?

It would have been possible. But by the mid-1950s, when the citizenship question became important, I had decided that Indonesia was not the country where I wanted to live.

Don't you think you could have prevented the confiscation of 1961 if you had become a citizen?

No. As I told you, a few years earlier, my nephew Ing Swie, who was an Indonesian citizen, was appointed as President Director of Kian Gwan, but this did not affect us favorably at all. Citizenship did not make any difference.

Your brother in Singapore says that Tjong Hauw asked all of you to become Indonesian citizens and turn in your foreign passports. Is this true?

It could not have been true.

Did you ever discuss having an Indonesian figurehead?

Yes, we did. We wanted to appoint an Indonesian director, but we did not want him to be just a figurehead. I think we were a little too honest in this regard. We said, "If we want an Indonesian director, we don't want just a figurehead and pay a salary. We want someone really good." We approached several people. For example, we approached Engineer Darmawan at the Bank Indonesia. But none could accept our directorship.

Maybe, they thought that if they became director of Kian Gwan, they would endanger their political position. Politically, they had a lot to lose by becoming director of a capitalist institution, which was reputedly pro-Dutch. At the time, the country was becoming increasingly socialistic and anti-Western, and there was a great deal of stigma attached to a capitalistic institution like Kian Gwan. So, we could not find a proper Indonesian director.

Did you try to do anything else to Indonesianize your operation?

Yes. In a socialist country like Indonesia at that time, if we were visible as an owner of big assets, we were always in the limelight. So, we had to disappear as an owner, and our new policy in Kian Gwan became as follows: "We withdraw from everything, and we set up joint ventures with Indonesians with minority holdings like 15 to 20 percent. We then become their manager." This policy made sense for us also, because if we were not a good manager, they could kick us out, so we had to strengthen our management. Under this policy, we set up a pharmaceutical company, Phapros. We held only 15 to 20 percent equity in this company, but we acted as its manager. Altogether, we set up six or seven joint ventures.

Who were the partners of these joint ventures? Was the Indonesian government your partner in most cases?

No, the Indonesian government was our partner only for Krebet Baru. This was a sugar milling company set up with Bank Industri

Interview: Oei Tjong Tjay

Negara, to rehabilitate the mill destroyed during the Revolutionary period. The Indonesian sugar cane growers realized that to process their canes in a factory would give better results than in their own little mills. But they did not have capital, so the government took their share through Bank Industri Negara, the government-owned reconstruction bank, and was to transfer gradually its holding to the cane growers. The agreement to set up a new mill was reached in November 1953.

In all other joint ventures, our partners were Indonesian individuals. For the pharmaceutical company, we chose our partners from among medical doctors. At that time, there were about 3,000 doctors. Also, there were about the same number of lawyers. We thought that these were the people who had money or were making money and had the right connections and that these were the people who did not know what to do with their money despite the ongoing inflation. So, we took our partners from these groups.

How about the machinery trading company you set up, Api. Who were its Indonesian partners? Were they also doctors and lawyers?

Our Indonesian partner was Soedarpo Sastrosatomo. He later took over a foreign shipping company (I believe it was Isthmian Steamship Company), and built the present Samudera group of shipping companies. At that time, he had strong connections with PSI, Partai Sosialis Indonesia, of which his brother was a leader. Our policy was, in general, to support PSI. We had close ties with Soetan Sjahrir and Professor Sumitro Djojohadikusumo of PSI.

Who were the other PSI-related or *asli* businessmen you tied up with?

Mr. Wibowo and Bintang Soedibyo, for example.

Ideologically, weren't you closer to Masyumi which supported private enterprise? Or was their Islam orientation objectionable to you?

We had close relations with some Masyumi leaders such as Mohammad Roem and Sjafruddin Prawiranegara, but a number of others who were very Islamic-oriented, especially those who belonged to Nahdatul Ulama, were too violent. We liked their free enterprise policy, but did not like their Islamic orientation.

How could you get along well with a socialist party like PSI?

It was more like a democratic socialist party. Its leaders were business-minded and pragmatic.

Whom did you approach first in PSI and who made the contact?

We approached first Wibowo and Soedarpo, and then Professor Sumitro. These contacts were made by Tjoa Soe Tjong.

Going back to the succession problem. After Tjong Hauw died, who headed the whole operation, including the overseas subsidiaries? Did you become the head by becoming President Director of Kian Gwan Indonesia, which was possibly the parent com-

pany of the overseas subsidiaries?

I became President Director of our Indonesian operation, and because of this, appeared to be the head of Oei Tiong Ham Concern. But I was not heading the overall operation. This created a lot of friction between me and my brother Tjong Ie in Singapore.

Could I interrupt you for a moment before you go further. Was there a company called "Oei Tiong Ham Concern" which acted as the holding company of your group?

No. There was no legal entity called "Oei Tiong Ham Concern." The name "Oei Tiong Ham Concern" is a little misleading. The best thing to do is to regard it as the group name for our businesses. So, Oei Tiong Ham Concern is the same as Oei Tiong Ham Group. Kian Gwan was a trading company and, at the same time, held shares in some companies in our group, but it was not the ultimate holding company of our group. It was founded by my grandfather as a trading company, and this became the best-known company in our group. At one time, my father took over sugar mills and created a company called "Algemeene Maatschappij tot Exploitatie der Oei Tiong Ham Suikerfabrieken." From this originated the term, "Oei Tiong Ham Concern," but this was not a legal entity.

Your brother in Singapore says that he was chairman of Oei Tiong Ham Concern which included the Indonesian companies. Is this correct?

That is a difficult point, and that is why a lot of friction came between us. As I started to explain to you, I was appointed President Director of Kian Gwan Indonesia. But since it was the biggest company in the group, the outside people thought that I was President Director of the whole group. The matter was never brought up formally among ourselves, but I could feel friction. There was also another angle to the problem. There were a lot of problems between our group and the other group. So, at a certain point, we decided to appoint two co-chairmen; in the Confucian style, the eldest of the other group Tjong Tjiat was elected as financial coordinator and the eldest of our group Tjong Ie as commercial coordinator. On the basis of this, my brother Tjong Ie considered himself chairman of our group.

Why were you appointed as President Director of Indonesia, the most crucial part of the whole group, despite the fact that you were the youngest among your brothers? Didn't the other brothers want that job?

My brother Tjong Ie was in Singapore. Before that, he was in Shanghai, but after the Communist takeover, he moved to Singapore. I don't think he wanted to move to Jakarta. All of my brothers had more or less settled down in the places where they were operating. Tjong Tjiat in Amsterdam, Tjong Yan and Tjong Ik, who had been always inseparable, in New York, Tjong Ie in Singapore, Tjong Bo in Bangkok, and Tjong Hiong in Brazil. So, the only contention was between Tjong Hauw's son, Ing Swie, and me. Later on, Tjong Ie wanted to take over

Indonesia, but the other group did not like him. They thought he was too impetuous. They did not trust anyone in my group except me.

Did Oei Tjong Ham Concern function effectively under two co-chairmen?

Not really. I'll give you an example. In 1956, we faced bankruptcy in Brazil. My brother Tjong Hiong got into big trouble because of over-trading. He was very aggressive in coffee and coco trading. Because of this, in a short time he became a large trader in this field, but he was operating on thin ice, and finally got into big trouble. The company went into receivership, and this became a big thing in the international trading circle. If a chairman meant anything, he should have gone to Brazil to settle the matter. But neither of the co-chairmen wanted to go there. We had been operating on big bank credits, and if the matter in Brazil were not solved satisfactorily, bank credits to the other offices could be seriously affected. Since they did not want to go, I don't think they proved themselves worthy of chairmanship. I had to go to Brazil for six months to settle the matter.

When did you start the co-chairman arrangement?

It came about around 1953. We had the first shareholders meeting in 1951. At this time, I was appointed as President Director of Indonesia. Then a couple of years later, we appointed two co-chairmen.

To what extent did the professional managers such as Tan Tek Peng and Tjoa Soe Tjong influence the succession?

No influence at all. The succession was discussed among our brothers and Tjong Hauw's son, Ing Swie. There was no room for our professional managers to interfere.

In managing Kian Gwan in Indonesia, how much freedom did you have? Or to put it in another way, did the Oei family begin losing control of Kian Gwan after Tjong Hauw's death to the professional managers such as Tjoa Soe Tjong?

Absolute freedom. Of course, as I explained earlier, I set up the three-man board consisting of Ing Swie, Tjoa Soe Tjong, and me, and we had to discuss all important matters among the three of us in order to make decisions. But this does not mean that we lost control of our Indonesian operation to Tjoa Soe Tjong.

Was there a plan to open ownership to professionals around 1960?

No, although as a matter of principle, I believe in that. In my businesses in the Netherlands today, all of my professional managers are shareholders. But in Kian Gwan Indonesia, we did not do that. Once, I proposed to our shareholders that we go public and separate management from ownership, but this was not accepted. So, instead of making Kian Gwan a public company, I started new ventures with outsiders, and allowed our professional managers to take shares. In Api and

Phapros, for example, our professional managers had some shares.

Your brother Tjong Ie says that the Indonesian management team did not understand the big change which was going on in the country at that time. How would you react to this?

To an extent it was true. For example, I and also Tjoa Soe Tjong could not go out with military people and get drunk with them. Tjong Ie could do that. He is a super-contact man. Tjong Ie could open many doors, especially with military people.

I want to go over again the division of function between you and your brother Tjong Ie. Is it correct to say that you were in charge of the Indonesian operation while he was of the overseas subsidiaries of the Oei Tjong Ham Concern?

I was in charge of Indonesia. He was in charge of Singapore. And more or less, he was in charge of our offices in Bangkok and Hong Kong. He was not, however, in charge of our offices in New York and Amsterdam where our other half-brothers were.

So, the arrangement was that different brothers were in charge of different offices, without much central coordination? Is this correct?

Yes, it was something like that. However, I tried to set up central management. I proposed to Tjong Ie that we should have monthly, or at least, quarterly financial reports to know what was going on. Then I said that someone

had to travel to various offices to verify their financial reports. But he didn't believe in it at all. So, we never had proper financial control. I proposed to Tjong Ie, "You become commercial chairman and I would act as secretary general and do the traveling." I had traveled often. For example, I went to Brazil for several months. As early as 1952 I went there. But Tjong Ie did not believe in the division of work. He believed one person could do everything: he could be a contact man, public relations man, commercial man, and financial man. But that is not possible. You must have the division of labor. He is the best contact and public relations man there is. But he is not an organization man. Organization is more in my field. I don't drink, so I am not a good contact man. If you cannot drink, it is very difficult to make contacts with military men. We should have divided our work, but this was simply not carried out.

Was it Kian Gwan which was confiscated in 1961, or was it Oei Tjong Ham Concern?

As I explained earlier, Oei Tjong Ham Concern did not exist as a legal entity. All our businesses in Indonesia were placed under the sugar company, Algemeene Maatschappij tot Exploitatie der Oei Tjong Ham Suikerfabrieken. What the Indonesian government confiscated was this legal entity. With its confiscation, the Indonesian government took over not only our sugar mills but also Kian Gwan, our trading company, and our other businesses such as rubber plantations, remilling and biscuit factories, a stevedoring company, and Oei Tjong Ham Trust (the former

Oei Tjong Ham Bank which had been acting as our internal bank but was converted into a trust company after I joined the company). The Kian Gwans overseas were not under our Indonesian companies. They were held by our shareholders separately. Kian Gwan Amsterdam was under Kian Gwan Indonesia until 1955, but we took the precaution to separate it from Kian Gwan Indonesia. So, the Indonesian confiscation affected only our businesses in Indonesia. Tjong Ie says in his interview that we were not prepared for the Indonesian confiscation, but this is definitely not true. All our overseas offices had been separated from Kian Gwan Indonesia by the time of the confiscation.

What do you remember of the Benteng Program which discriminated the Dutch and the Chinese in favor of asli traders in the allocation of foreign exchanges? Did the Benteng Program cause serious problems for Kian Gwan?

The allocation of foreign exchanges in certain fields, such as textiles, was reserved exclusively for asli businessmen, but this did not affect us much. We had complete peace with that. That did not bother us at all.

Didn't you deal in textiles much?

No. Neither did we trade in general consumer goods assigned to asli businessmen. I said at that time that the only chance for our survival was to create several thousand Indonesian millionaires. There were a few million Chinese and about 120 million Indonesians, but business was dominated by the

Dutch and the Chinese and there were few Indonesian businessmen. Our only chance was to have several thousand Indonesian millionaires next to us. In a socialist state, we could not survive. So, I thought it was a good idea to promote Indonesian entrepreneurship. If they could handle textiles and general goods, there was no need for us to do that. So, our company supported asli businessmen; we gave them finances and also tied up with them in new ventures. We supported people such as Bintang Soedibyo, Wibowo, and Soedarpo. We could survive if we withdrew from the fields they could handle and they became successful businessmen. We could go into more technical fields they could not handle. For example, we set up the machinery trading company, Api, and the pharmaceutical company, Phapros. We could survive only if we would upgrade our business. We were willing and able to do that. Even here in Switzerland, the country cannot survive if it still concentrates on mass production. It survives and prospers since it specializes in certain fields. This is what we were doing in the 1950s. In the case of pharmaceuticals, we first started pharmaceutical imports and then went into their production. We opened the first pharmaceutical factory. Public health was important, and this was an entirely new field which asli businessmen found difficult to engage in themselves.

How about rice import?

Rice import was a political thing. It was first handled by the Dutch trading company, Internatio. Then the Dutch became *persona non grata*, so we became the government rice im-

porter. We could get supplies from Bangkok and Rangoon. There, my brother Tjong Hiong and Tan Tjin Kwan were instrumental in making contacts. Some Indonesians tried to handle rice import, but they were cheated simply because of the lack of experience. But we were very aware that what happened to the Dutch would happen to us. We knew that sooner or later the rice business would go to asli traders.

Was this after the nationalization of Dutch companies in 1957?

No, it was before that. It was the period from 1952 to 1956.

During the Benteng Program, did you buy back some foreign exchanges allocated to asli traders?

No, because we phased out the fields reserved for them. A number of so called asli businessmen were simply briefcase businessmen. They sold the foreign exchanges they got from the government. Some Dutch trading companies and other Chinese trading companies which had been strong in textiles and general goods probably bought back foreign exchanges from them, but we didn't. And we gave managerial support to some asli businessmen who wanted to deal in those goods. For our own business, we went into more specialized fields, and here we did not have much difficulty in getting foreign exchanges. You know at that time inflation was going on. The money we got from sales was not enough to import the same amount of goods, so it was better to restrict

the volume of trade to more specialized goods.

Did you start any serious program to train and develop asli management under nationalistic government policy?

We had some asli managers, but not many. We should have taken in asli directors for a facade, but we didn't. Here we might have made a mistake; Tjong Ie might have done better. As I told you, we approached people like Darmawan at Bank Indonesia, but we didn't succeed. Maybe, we should have made more efforts to appoint asli directors. But you know, it was difficult to work with asli, because once they were in, they would want to bring their relatives in.

You know what is going on in Malaysia under the New Economic Policy. All large companies have to reserve a certain percentage of managers and equity for Bumiputras. In the 1950s, did the Indonesian government come to you and say that you should take in asli managers and shareholders?

No. What they did was to reserve certain fields I told you about, like textiles, for asli businessmen. We could not get licenses in those fields. And in new ventures, like Api and Phapros, we had asli shareholders.

What did you think of asli businessmen and managers at that time?

There were very few good asli businessmen. People like Dasaad Musin and Hasyim Ning were good. Dasaad, for example, did business entirely on his own. I remember

Hasyim Ning had close ties with PSI. Most of the so called asli businessmen were not good. Of course, you cannot blame them for this. I think the fault was with the Dutch. The Dutch are a very industrious people, but they are a bit small-minded. They like to do things very well. So, everything was done by the Dutch and the Eurasian Dutch. Even in the government, only the lower ranks were Indonesians. But in a British colony it is only the top strata who were Englishmen. They were too lazy to do many things themselves. So, most government work was done by Indians, Burmese, Chinese, etc. So, when the English left, there was a well-run administration. But in Indonesia it wasn't so. There were three to four hundred university graduates at the time of independence. But none of them was in business. The Dutch thought the Indonesians were not good in business at all, so they were not given any chance. So, all university graduates went into other fields, especially politics. Here, the Dutch made a big mistake. Even today, they say that the Indonesians were happier during their period: everybody had a bicycle and was well dressed, but Indonesia is now in a big economic mess. But I tell them, "Do that to your child. Give him a bicycle, feed him well, and give everything he wants. But when he grows up, he will curse you because you have not educated him and never given him a chance." The Filipinos said essentially the same thing: "We'd rather go to hell ourselves than go to heaven with the Americans." People want to be independent, and the Dutch have never realized this. So, the lack of business acumen among the Indonesians in the 1950s was the fault of the Dutch. But to

be fair to the Dutch, I have to say it was partly the fault of the Indonesian social system.

Do you think the Benteng Program promoted indigenous entrepreneurship?

Yes, it did, but not in an efficient way. I would say if you put in 100, you did not get 100 back. Maybe, less than 30 or 20 even. In Indonesia, everything was done inefficiently. Look at its foreign exchange rate. It started out with one guilder to one rupiah. But you know what happened in the following years. The rupiah has been devalued a number of times, and now one Dutch guilder is worth several hundred rupiah.

After independence, did Kian Gwan become a target of extortion by politicians and military leaders?

I told you about the invitation from Sukarno to donate money for the sports stadium. I would say it was a kind of extortion. And just after I took over Kian Gwan, I think it was around 1951, a group came, saying that they were promoting haj. They had a letter signed by Sukarno and Hatta, saying that it was the exclusive honor of Kian Gwan to pay for the passage of a few thousand people going to Mecca. We first checked the signatures of Sukarno and Hatta and found that they were genuine. I talked with them for weeks and weeks. At that time, I did not speak Indonesian, so I talked to them through an interpreter. When we appeared reluctant to pay, they threatened us by reminding us that four people at our Redjoagoeng sugar factory had been kidnapped and killed and saying that

that sort of thing would go on unless we cooperated. At first, they wanted donations in pound sterling, but I said that we could not get pound sterling since all foreign exchanges were controlled by LAAPLN (Lembaga Alat Alat Pembayaran Luar Negri), or the Foreign Exchange Institute. They did not know what LAAPLN was, but after doing some checking, they came back and said that donations in rupiah would be all right. But I said we could not pay that much and suggested a sum we thought reasonable as our share. But of course, it was too small a sum for them, and they became very nasty and violent. They finally told me to watch out when I was driving; they were threatening that I might get a car accident or get shot at. But fortunately, nothing happened.

Did the military come for extortion?

No, they did not.

How about your factories. Didn't you need military protection for them?

Yes, since our factories were in the countryside, where protection was needed from the military, we dealt with them, and made some contributions, but that was not extortion. And the amount of money involved was not that much.

Did they come and tell you that we could arrange protection if you paid contributions? This is what the racketeers do in the United States and some other industrialized countries. Some people say that the Indonesian military sometimes behave like a crime syn-

dicate.

No, they did not do that. During the Revolutionary period, some local Republicans came to one of our offices for donation, but they really needed help. It was not extortion.

You had kidnap threats, didn't you?

Yes, but the military did not have anything to do with that. I think it was the Chinese who were behind most kidnappings. We had the policy that we would not pay for the kidnaping of our staff. And we had this policy announced all over Indonesia. Our Surabaya director once said that that was not fair, so I told him: "Then, resign from the company. We will publish in papers that you do not have anything to do with us anymore, so you will not be kidnapped as an employee of Kian Gwan." The father of our tax advisor in Semarang got kidnapped. He came pleading for money. He wanted loans from the company, but I told him that the kidnapers would not know that the money was a loan and so they would simply assume that the company paid. So, I told him to show his tax returns and let the kidnapers know that he did not have the money they were demanding. They finally came to a settlement for a smaller sum, and our tax advisor paid it in 12 months' installments.

Did you seek a patron among the major political or military leaders?

In the pharmaceutical company, Phapros, for example, we had the vice chairman of PNI, Hadisubeno, Mayor of Semarang, as director.

But this did not help us much in preventing the confiscation or in our fight against it. When the confiscation started, the government wanted to try us in Semarang. In order to try us in Semarang, they had to show that our shareholders were residents of Semarang. When Hadisubeno was summoned to the court to prove the government contention that we were residents of Semarang, he was out of town. So, the vice-mayor testified that we were residents, which was obviously not true. None of us was living there when the confiscation came. Some had lived there, but when we left, we deregistered, so we were not the residents of Semarang. Hadisubeno, who was a friend of ours, did not want to give false testimony, but since there was so much political pressure on him, he probably had to be out of town when his testimony was wanted.

Maybe here, your brother Tjong Ie's criticism becomes valid to some extent. You needed a more powerful patron.

Yes, but the political situation was very fluid at that time. As I told you earlier, we had close tie-up with PSI. One third of the equity of Api was in fact PSI holding. It was not really Soedarmo's holding, but PSI holding. But I have to say that we chose the wrong party. All PSI leaders had lost political power by the time of the confiscation. Professor Sumitro, for example, was once powerful, but he was exiled abroad when the confiscation came. In fact, PSI had been banned by Sukarno by that time.

As PNI gained more power, didn't you try to

develop closer ties with its leaders?

We first had ties with the moderate faction of PNI. Hadisubeno belonged to this faction. And we had ties with Iskaq, Minister of Economic Affairs in the first Ali Cabinet. But as PNI became radicalized, developing really close ties with PNI became difficult.

Did you think Indonesian politicians and government officials at that time were really concerned with national development?

When we talk about the Indonesian government at that time, we have to talk about Sukarno. The government became more and more dominated by him. Sukarno's ambition was not economic. Probably he did not understand economics. This is the tragedy of most revolutionary leaders who were born in the postwar period. Economics is always made secondary. Sukarno's great achievement was that he brought national political unity to the country. The Indonesians before were Minangkabaus, Ambonese, Menadonese, Javanese, Sundanese, Balinese, etc., but now the Indonesians are Indonesian. If you ask them now what they are, they will not say that they are Minangkabaus, etc. Sukarno really created Indonesian identity. He crushed the Dutch-initiated Republik Indonesia Serikat (Republic of the United States of Indonesia); instead, he created one Indonesian state, Republic of Indonesia. And he crushed all separatist movements started by people like Ventje Sumual, and brought political unity to the country. So, now there are no separatist movements any more. He did a fantastic job in bringing about national unity, but he did it

at the expense of the economy.

Did you have any dealings with BAPERKI (a Chinese political organization)?

We may have had some contacts, but we did not really associate with them. BAPERKI was a basically Chinese party, so we thought it was better to seek an affiliation with a really Indonesian party, such as PSI. But we misjudged the potentials of PSI, and PSI people misjudged themselves. PSI was essentially an elitist party for the Dutch-educated intellectuals and did not have the support of the grass roots.

In late 1957 the Indonesian government nationalized Dutch enterprises. Did you feel a big change in the business environment after the nationalization?

Yes, absolutely. I would say until 1957 the control of the economy by the Indonesians was not much: the Dutch had virtually all of the modern sector of the economy under their control. They considered the Indonesians inferior. I give you an example. One Saturday morning, the President of the Dutch bank, NHM, wanted to talk to Professor Sumitro, who was then Minister of Economic Affairs. When he called, his wife said that he was still sleeping. Then the President said, "Wake him up. This is the President of Nederlandsche Handel-Maatschappij speaking." Sumitro was the cabinet minister of a large independent country, while the Dutchman was simply the president of one private company. So, Sumitro felt very insulted when he heard from his wife that she was told to wake him up, and

never wanted to talk to him again. But since Sumitro was Minister of Economic Affairs and that man was the head of the biggest Dutch bank, they had to communicate with each other somehow, so it had to go through us as the intermediary. The British attitude toward former colonies and the people there was much more rational. For example, Nehru was put into prison during India's struggle for independence, but after independence, he was invited to London as Prime Minister of India. But for the Dutch, Sukarno was a bandit since he was in jail during the colonial period, and they never thought of inviting him to their country. The Dutch were a very poor loser, and this created bad sentiments among the Indonesians after independence. The Dutch did not understand that they were no longer the rulers but the guests of the country. They simply did not adjust to the reality that Indonesia became an independent country.

But how did the nationalization of Dutch enterprises and the change in the business environment affect you in a concrete way?

The whole business surroundings became suddenly Indonesian-controlled. Purely money-wise, we were affected favorably, because the efficient competition of the Dutch suddenly disappeared and all we had to deal with were the inefficient state enterprises which took over the Dutch companies.

Did the business environment become more socialistic and anti-capitalistic after the nationalization of Dutch companies? Until the nationalization, the Indonesian government

seemed somewhat hesitant in scrapping capitalism.

The whole socialistic atmosphere started in 1955 with the Ali Sastroamidjojo Government. Just before that, the Indonesian government sent a mission to Geneva to negotiate on Irian Barat with the Dutch Minister of Foreign Affairs, Luns, but they were treated so arrogantly by the Dutch. Luns later became the Secretary-General of the NATO for some time. He is an extremely arrogant person. He is a very tall person, and Soetan Sjahrir of the Indonesian delegation is a small person. So, Luns not only mentally but also physically looked down upon him. In general, he had this arrogant attitude towards the Indonesian delegation. So, the Indonesians came back very frustrated, and more leftist nationalistic leaders gained control of the country. The Ali Sastroamidjojo Government was the first government reflecting this political change. The nationalization of Dutch companies was the result of the leftist nationalistic trend which started then. From then on, the trend accelerated.

After the nationalization of Dutch enterprises, did you emphasize international diversification as a precaution?

Long before that, we started our international diversification. In 1950, our import manager, a Dutchman, opened an office in Australia. In 1952, I went to Brazil with my brother to look for the opportunities of international diversification. We could become big only in a country where we could be accepted. In Brazil, there was no discrimination; we were

accepted. In Thailand it was the same thing. We were accepted, and stepped up our operation there, too. There was practically no discrimination against the Chinese there. Singapore was, of course, a congenial place for us, being a Chinese-dominated state. In these countries we were fully accepted. In Brazil, if you are a Brazilian, you are a Brazilian; in Thailand, if you are a Thai, you are a Thai. But in Indonesia, even if you are an Indonesian, if you are a Chinese, you are discriminated. Every form you have to fill out asks your father's name. Then they say, "Ah, you are an Indonesian with three initials." It will take a few generations for this to disappear. We could not wait that long.

## 5. Confiscation

Where were you when the confiscation came?

My brother Tjong Tjiat of Amsterdam died in December 1957, and to settle the complication which arose from this, I left Indonesia. After this, as I told you earlier, my nephew Ing Swie was appointed as President Director of Kian Gwan Indonesia because he was an Indonesian citizen, though I headed the three-man board which supervised the Indonesian operation. Ing Swie, however, had also left Indonesia in the middle of 1957, in fact before me, since we had not got along very well in Indonesia. He first tried to get hold of Kian Gwan New York, but when he found it was not interesting and profitable enough, he moved to Amsterdam and took control of Kian Gwan Amsterdam. So after I left Indonesia, the day to day management of Kian Gwan In-

Indonesia was left to Tjoa Soe Tjong. If you say that the shareholders abandoned Indonesia, I cannot argue against that. In 1958, in the Netherlands, we started a court case against the other group of our family, and another court case against the Amsterdam branch of Bank Indonesia. These two cases went on until 1960, and when these were settled, I went to Bangkok. So when the confiscation came in July 1961, I was in Bangkok.

Could you explain about the family dispute concerning Kian Gwan Amsterdam?

When Tjong Tjiat died in 1957, he handed over Kian Gwan Amsterdam which he had been managing, to his brothers in New York, Tjong Yan and Tjong Ik. It was not his personal property. It was owned jointly by our brothers and one nephew, but since it was registered under his name, it was purely legal under the Dutch law for him to transfer ownership to his brothers in New York. But since they were not very business-minded, they let Ing Swie manage our Amsterdam office. But since it belonged to all of us, at the risk of disclosing some sensitive information, we had to fight their claim on the Amsterdam office.

Could you explain about your court case against Bank Indonesia?

In the prewar period, Kian Gwan Indonesia deposited a big reserve fund in guilders with Javasche Bank, which was the central bank of the Netherlands East Indies. After independence, Javasche Bank became Bank Indonesia, and the reserve fund remained in its Amsterdam branch. The Indonesian govern-

ment wanted us to bring the money back to Indonesia, but at that time, the official exchange rate was three rupiah to one Dutch guilder, while the black market rate was many times more (immediately after the exchange rate became one to three, the black market rate was about eight times more), so we wanted to keep the money in Amsterdam. The Indonesian government told us to bring back the money to Indonesia to operate our sugar factories. We maintained that they should give us bank credits to operate the sugar factories because the peak financing of the sugar factories could be done reasonably only by bank credits. They often threatened us, and at one time, we had a strike at one factory. We thought we might have to close the factory. We preferred closing the factories to bringing back our reserve fund, but ultimately, we got credits from Bank Indonesia. Then, Kian Gwan Indonesia incurred debts with foreign parties, including some of our Kian Gwans overseas and shareholders, but Kian Gwan Indonesia could not pay those debts. So, the creditors started a suit in the Netherlands to get the reserve funds Kian Gwan had with the Amsterdam branch of Bank Indonesia, and the Dutch court ruled in their favor. As a result, the Dutch government ordered the Amsterdam branch of Bank Indonesia to release the fund to the creditors. At first, they refused it. Then the creditors said that they would hold the directors of the Bank personally responsible if they did not obey the court order. So, finally the Bank had to release the fund, and the Indonesian government felt sore about it.

Since the government controlled Bank In-

Indonesia, why didn't it simply bring back the foreign exchange deposits of all Indonesian-based companies without telling them in advance?

The government did not think about it until Professor Sumitro became Minister of Finance in the Buruhanuddin Cabinet (August 1955-March 1956). But it was not until after the nationalization of Dutch enterprises in late 1957 that the government started implementing it. We began the lawsuit in the Netherlands in 1958.

Do you think this led to the confiscation of 1961?

Yes, I think so. It was one of the three accusations against us. They said that it was done illegally, but our position was that it was done legally under Dutch jurisdiction, though it may not have suited the Indonesian government.

Who do you think masterminded the confiscation?

I don't think there was any particular individual who masterminded the confiscation. It was part of the socio-political developments taking place in Indonesia at that time. If there was any one person responsible for the confiscation, I would say it was Sukarno himself, since he was the vanguard of all these changes. Our confiscation was a sequel to the Dutch confiscation. Also, some other Chinese companies were confiscated.

What were the other Chinese companies con-

fiscated?

Those of Liem Tjaw Bo, Liem Tjao Ying, and the Go family, for example.

Did you personally know the public prosecutor at that time, Gunawan, who, some people say, initiated the confiscation?

No, I did not know him personally. But I knew his reputation; he was violently anti-Chinese.

You know that he once worked in Semarang. Was there any incident which made him anti-Kian Gwan?

Maybe there was such an incident, but I don't know. You have to remember that the whole country was drifting towards communism. PKI's power was increasing, and Sukarno was getting closer and closer to Peking and Moscow. Political parties such as PSI and Masyumi were banned, and most of the people who had good economic sense, like Professor Sumitro and the former governor of Bank Indonesia, Sjafruddin Prawiranegara, had to flee the country.

You said that in a way the shareholders abandoned Indonesia, but didn't the confiscation cause a lot of trouble for you, since Kian Gwan Indonesia was the linchpin of your group?

Indonesia was the key point for Kian Gwan New York and Kian Gwan Amsterdam. All purchases of Kian Gwan Indonesia from the United States and Europe went through those

two offices, and the sale of rubber, copra, and other Indonesian produce in Europe went through Kian Gwan Amsterdam. Kian Gwan New York first acted as the sales office of Indonesia in the United States, but it did not function very well. For Kian Gwan Bangkok, rice purchasing for Indonesia had stopped by that time. Nor was Indonesia important for Kian Gwan Malaya in Singapore.

Dutch trade with Indonesia stopped for a few years after the nationalization of Dutch enterprises by the Indonesian government. If Kian Gwan Amsterdam continued to trade with Indonesia even after that, how did it get around the Dutch ban on the import of Indonesian produce?

We channeled our business through our office in Dusseldorf, Germany.

Didn't your office in Singapore get rubber supply from Sumatra?

No. In the last year, they did not deal in rubber much. It was only in the earlier years that they dealt in rubber. But we were not very happy about what they were doing at that time. They simply made our offices in Sumatra under-invoice our rubber exports and drain money away from us.

Were you in a way prepared for the government takeover since you say that Indonesia was not that important anymore?

Yes, we took precautions, and shifted away some of assets abroad and to a couple of *yayasan* (foundations) in Indonesia. The only

thing was it came quicker than we thought, so that most of the 30-odd *yayasan* we had wanted to establish had not been approved yet by the Ministry of Justice.

After the government confiscation, did you fight the government decision in court?

Yes, we did. The government case was based on three points. The first point had to do with the court case in the Netherlands. The second point was that the Oei shareholders who lived abroad should have registered their assets with LAAPLN, the Foreign Exchange Institute. And the third point was about the splitting up of the Oei Tiong Ham estate. The will of my father stipulated that the estate should be split among the eight (originally nine) shareholders. This was supposed to be done when I, the youngest heir, came of age in 1945, but because of the Pacific War and the revolutionary situation after the war, it was not done until my brother Tjong Hauw died in January 1950. The Indonesian government's position was that this splitting up was an act of allocating Indonesian assets to foreign residents so that it should have been done after getting approval from LAAPLN. But on the last two points, we got a letter from LAAPLN that no such regulation existed. The first charge could not stand in court since the release of the fund at the Amsterdam branch of Bank Indonesia was done in accordance with a Dutch court order, and so it was all done legally. There was no illegality about it.

The government brought charges in the Pengadilan Ekonomi (the court for economic crimes) in Semarang against our six brothers

and our nephew Ing Swie (the number of our brothers had declined from nine to eight when Tjong Swan pulled away, to seven when Tjong Hauw died in 1950, and to six when Tjong Tjiat died in 1957). The government considered us as residents of Semarang and so tried us there, but this was ridiculous. Some of our brothers never lived in Semarang, and those who did deregistered when they left. So, the government could not prove that we were residents there. But we did not win the case in Semarang, so we appealed to the Supreme Court in Jakarta, Mahkamah Agung. We were represented by two lawyers, Ting Swan Tiong and Mohamed Soejoedi.

The government confiscated our properties based on the law of economic crimes of 1955. This law, for example, allowed the government to confiscate a postal package belonging to an unknown person (a person whose address is unknown). Cities were quite economically independent then. You could not freely send a package from one city to another, for example, from Jakarta to Semarang, because prices were different. For example, textiles and other imported goods were more abundant in Jakarta, and if they were taken to Semarang, they fetched higher prices. So, people were sending those things to Semarang through the mail, but this was forbidden by the law of 1955. In order not to get caught, senders did not often write down their correct names and addresses. If the post office opened a package and found that it contained the goods forbidden, they did not want the package to be traced back to them. So, there was a stipulation in this law that the goods belonging to unknown persons

could be confiscated by the government. This was applied to us. It was interpreted by the government broadly to mean that property belonging to unknown persons could be confiscated, whether it could be sent by mail or not. So, what the government now had to do was to prove that we were unknown persons, to justify the confiscation of our assets.

But if we were known to be residents of Semarang, we could not be unknown persons. So, we attacked this in the Supreme Court and were quite confident that it would invalidate the sentence of the Semarang court. But the government issued in August 1962 a law-substituting regulation clarifying the term "unknown person" used in the law of 1955. Under this regulation, a person became an unknown person if he failed to appear before a government agency summoning him after he was summoned by the agency, or if the summon was posted on the notice board at a court or published in one or more newspapers. And this unknown person was not allowed to be represented by a lawyer. Then, the government made this effective retroactive to 1955. This was simply a legal monstrosity. In particular, making a criminal law retroactive repudiates the rule of law. If that is allowed, the government can look at what you have done in the past and issue a retroactive law which makes one of your acts illegal and can imprison you. For example, if you wore a striped tie yesterday, the government can say all people wearing a striped tie are criminals and convict you by making it retroactive to yesterday. So, you see, what the Indonesian government did was simply a legal monstrosity.

We were informed that this government

regulation was being prepared, so we tried to get the Supreme Court to decide on our case before the government issued the regulation. Once it was out, we knew that the court would not rule against it. It was to be signed by Sukarno, who was all-powerful at that time. No judge would dare to invalidate such a regulation. The then State Secretary, Mohamed Ichsan, who was a good friend of ours, simply couldn't do anything about it, either, once Sukarno signed it. The Supreme Court knew that the regulation had been in preparation and waited until it came out. Once it was out, it was easy for the Supreme Court to uphold the decision of the Semarang Court.

Couldn't you appear before the court? If you could, you would not have been an unknown person.

The trouble was if we went into Indonesia, the government could put us in prison. They had already imprisoned eight to ten of our top managers. For example, Tjoa Soe Tjong stayed in prison for about eight months. During this time, he got his lungs full of water. The manager of our rubber remilling plant in Palembang, Kwee Thiam Kiet, stayed in prison longer than Tjoa Soe Tjong, maybe about one year. He had been arrested once for the charge of rubber smuggling involving our Heap Eng Moh Steamship Co. Because of this previous arrest, he may have had to stay in prison longer than Tjoa Soe Tjong despite his more junior position. I think this was a false charge since we were not engaged in rubber smuggling. We sold all our rubber to the government agency. We had several

thousand people working for us and had vulnerable large assets in Java, so we simply could not run the risk of smuggling, however profitable it may have been. At that time, I knew there were many rubber producers doing that. They sometimes collaborated with the military which needed money since the government did not give them enough budget or did smuggling with the connivance of the government export office. You might declare one hundred tons of rubber, but actually ship one thousand tons to Singapore, and keep the proceeds of the difference (nine hundred tons) in Singapore dollars there. My brother Tjong Ie in Singapore says that we should have got involved in this sort of operation with the help of the military, but as I told you, we had many people working for us and had large assets in Java where the military were not so much involved in smuggling. From the viewpoint of the central government, what was going on in Sumatra and Sulawesi was pure and simple smuggling.

When did the court case end?

The decision of the Supreme Court came on April 27, 1963, and this was the end of our legal battle.

What did the government confiscate?

Our businesses in Indonesia. Our trading company Kian Gwan Indonesia; the sugar company Algemeene Maatschappij tot Exploitatie der Oei Tjong Ham Suikerfabrieken; and other businesses such as plantations, rubber remilling, and biscuit factories. Kian Gwan Indonesia had many offices in In-

donesia. The sugar company was operating three sugar factories then. Krebet Baru was a joint venture with the government-owned Bank Industri Negara. Then we operated two sugar mills on our own, one in Redjoagoeng and the other in Pakkies. All these businesses were placed under the sugar company, which was the holding company for our Indonesian businesses, so by taking over it, the government took over all of our businesses. And they confiscated our private properties, such as lands, houses and everything in them. My house in Jakarta was confiscated. But instead of the government taking over it, a military man in our neighborhood, as soon as he heard about the confiscation, just moved into our house and occupied it and took all our belongings. I think he is still in there.

You say that you were operating only three sugar mills. In the prewar period, you were operating five mills. What happened to the other two?

During the Revolutionary period, the sugar mills in Krebet, Tanggoelangin, and Ponen were destroyed. As I told you, a bomb was also placed at the Redjoagoeng factory, but this was saved with the help of the Dutch army. We had also a tapioca factory in Krebet, but this was also destroyed at that time. In 1953, a new sugar mill was set up at Krebet as a joint venture with the government, but the tapioca factory and two other sugar mills were never rebuilt. At the time of the confiscation, among the three mills we operated, only the mills at Redjoagoeng and Krebet were running at full capacity. The cane-area for the

mill at Pakkies was too small. I would say that from the very beginning, the mill was in a bad location. It never had enough land around it to make itself profitable.

Our major assets at the time of confiscation were sugar mills, but they were not making real profits. Sugar prices were controlled, and we were not allowed to readjust our assets for the inflation. So, on paper, we were making some profits, but we were in effect eating up our assets. The depreciation allowances and profits together were not enough to rebuild our mills. I took up this problem several times in the association of sugar mills, arguing that we had to get the government to agree to proper depreciation allowances. But the Dutch were not very interested. With high depreciation allowances, less profits would show on paper. They preferred bigger profits since they could send more money to Holland in this way, converting it to guilders through the official exchange rate of one guilder to three rupiah. They were prepared to write off their assets in Indonesia, but this did not work for us. One mill owned by the sultan of Yogyakarta and our mills were the only non-Dutch mills. Being a small minority, we could not get our voice heard in the association. So, at the time of the confiscation, since the sugar mills were not making real profits, their market value could not have been much.

Then, you were selling your sugar in the domestic market. Did you stop exporting sugar?

Indonesia was a top sugar exporter in the prewar period. It was exporting over two

million tons in the peak time. But after the war, production dropped to eight to nine hundred thousand ton, just enough to cover domestic consumption. So, there was little sugar export after the war.

What was the market value of the houses the government took over?

We owned 700 to 800 houses; in Semarang alone, we had about 160 houses. But their market value was not much. The right of a tenant became strong after independence, and we could not adjust the rent for the inflation which had been going on. We did not even bother collecting rents any more. We legally owned them, but we couldn't do anything about them. Mrs. Wellington Koo had a few houses. They were probably worth a few hundred thousand US dollars, but since they were rented and the rents were not even worth collecting, she could sell them for about only ten thousand dollars. I sometimes say as a joke that my house in Switzerland is worth more than the several hundred houses we had in Indonesia.

Didn't Kian Gwan Indonesia have a lot of assets?

Yes, it did, but we had borrowed a lot of money from banks against it, so its net worth was small at the time of the confiscation.

There is a rumor that as a revenge for the confiscation, one of Kian Gwan's overseas offices bought a large quantity of rice which was destined for the Indonesian government. Is this true?

Rice business was always a sore point. I told you about the head of secret service who summoned me for two weeks. At the end of the two weeks, he said, "Yah, you are importing rice. You import inferior quality and sell it at high prices. You are corrupting and breaking our Indonesian economy." We were also publicly charged that we had imported rice unfit for consumption. There is a verification company with headquarters in Geneva called "Societe Generale de Surveillance," which was appointed by the Indonesian government to certify the quality of rice imported into Indonesia. So, those charges were completely false. After the confiscation, even if we had bought the rice to prevent Indonesia from buying, what would we have done with the rice? We would have subjected ourselves to market risks, being stuck with a huge quantity of rice to sell. This sort of thing just does not make sense.

Going back to your father's estate. I thought that your father did not want it to be split up.

No, it was an estate to be divided. He did not want his business to be split up, but he wanted the estate to be split up. So, instead of the eight (originally nine) brothers owning the estate together, he wanted it to be split up into the eight shareholders. This meant that one shareholder could sell his share in any way he wanted. After the splitting up, it would have become possible for him to give his share to his children; it would have also become possible for him to sell it to an outsider if he wanted to. There was nothing in my father's will to prevent that. So, our businesses did not have to remain under our family ownership for

ever. My father could have stipulated that the estate be owned jointly by his heirs. Under such an arrangement, when one heir wanted to sell his share, he had to do so in consultation with the other shareholders. But my father did not want that.

When you split up, the simplest thing to do would have been to split up the ownership of your holding company, but you say there was no overall holding company. How were your family businesses split up?

For our Indonesian operation, *Algemeene Maatschappij tot Exploitatie der Oei Tiong Ham Suikerfabrieken* was the holding company. So, this was split up. I believe at that time the nominal capital of this company was 40 million rupiah. So, each shareholder came to own five million rupiah worth of the shares. The Singapore case was also clear. At that time, its nominal capital was one or two million Singapore dollars, and everyone got one-eighth of that. The capital of the other Kian Gwans should have been split up in that way, but we did not. For example, Kian Gwan Amsterdam was placed under the ownership of Tjong Tjiat. This created a lot of trouble later on.

How did you split up your houses?

We were setting up foundations (*yayasan*) and putting all of our houses under them. We came up with about 30 *yayasan*, and were then going to put each of them under the name of one of the eight heirs. But it took time for a *yayasan* to be approved by the government, and by the time of the confisca-

tion, only two *yayasan* had been approved. The houses which had been placed under these two *yayasan* had not been confiscated.

Do you remember the Han-Harjono Affair of 1956? A wealthy Chinese businessman called Han run into a car owned by a high military officer (Colonel Harjono), and this caused a fight between them on the street. After this, Han's wealth was confiscated, and he left the country. Didn't this serve you as a warning to the confiscation which came to your family in 1961?

Yes, I knew Mr. Han's father very well. Eddie (?) Han did not run into the car. He passed a military funeral which was going very slowly, and they did not accept this. People were supposed to stay behind a military funeral or even convoy. So, a military officer, who may have been Colonel Harjono, came out, stopped him, and spat into his face. Han was a sportsman; I think he boxed a lot. And he was a very impulsive man. So, Han hit the military man. It was stupid of him. Whether he was right or wrong, he should not have hit a military man. This led to the confiscation of his motor company. He moved to Bangkok and started a new auto business there. I think he had the Fiat agency.

When you got to know about the Affair, what was your reaction?

I said to myself, "Just be prepared." One night, I was shot at right in front of our office in Jakarta. In the daytime, when we came out of the office, we had to go around a square in front of us, but at night, they blocked the

area because they considered it as a place of military importance, so we had to drive straight at one place. But one night, the soldiers did not put a roadblock properly, so I was led into the wrong area. So, they shot at my car. My wife who was with me at that time immediately put up her white handkerchief and waved it. Then a man came out and said, "What are you doing here?" I said, "You do not have to shoot at us. You can just stop us. Why do you have to shoot at us?" Then he insulted us with all kinds of things. I just had to keep my temper. There was nothing I could do. But the Han you just asked me about, being an impulsive man, just fought back.

Your brother Tjong Ie says that if you had developed closer ties with the military, you could have avoided the confiscation.

As I told you earlier, the military leaders were not that important at that time. Probably, he would have developed closer contacts with them than we did, but I doubt that it would have been enough to prevent the confiscation. It came as a consequence of the whole political change which was going on at that time. And also, I have to say that my brother Tjong Ie was not very much interested in Indonesia. It was only after the confiscation that he developed interests there. He always told me, "Why do you waste your time in Indonesia? Let's abandon Indonesia."

Didn't he suggest at one time he wanted to take over Indonesia?

Yes, after I left Indonesia, it may have been

1958 or some time later, he proposed that he take over our Indonesian operation from Singapore. He did not want to live in Indonesia. But he said if he were to handle Indonesia, he would do it differently. He said he would handle Indonesia in his way, which was a rough and tumble way, not the legal and complicated way as Ing Swie and I had been doing. We discussed his proposal with our people in Indonesia. Several people had already suffered from his smuggling activity from Singapore, having been swept into jail, and they all said that they would quit if Tjong Ie were to head Indonesia. Tjoa Soe Tjong also strongly objected.

Who was involved in the decision against his proposal?

Ing Swie and I, supported by some other brothers.

If no Oei shareholders wanted to live in Indonesia, would it have been better to let him handle Indonesia?

I don't know how it would have turned out. He might have succeeded, but he once said if he went to Indonesia, he would not last even one month since he could not keep his mouth shut. On the other hand, he might have developed contacts with high military officials and become well protected. But we thought he was very inconsistent. Until that time, he was saying, "Why don't you abandon Indonesia? Not much asset is left anyway. Let me do smuggling with the discontented military. We can make more money in that way." But we did not like it, and decided that

it was better to leave our Indonesian operation to the professional staff headed by Tjoa Soe Tjong.

Maybe, your Singapore brother thought your Indonesian operation had not been profitable because you had been operating through normal channels.

But we generated large profits for our overseas offices. On top of that, a large amount of money came out from Indonesia. The money was, however, absorbed and absconded in Hong Kong, New York, Brazil, and Amsterdam. That was not my fault.

He speaks good Indonesian, doesn't he?

Yes, he does. He was in jail for a few years during the Japanese occupation period, and at that time, he must have spoken Indonesian a lot with his inmates.

Do you think the policy of phasing out Indonesia was wise, or do you think that your brothers should have made more determined efforts to save your Indonesian operation?

The Indonesian operation had to be eventually phased out in view of discrimination against the Chinese and the trend towards socialism at that time. As I told you, no brothers wanted to live there, and for a few years from my departure to the time of the confiscation, the management of our Indonesian operation was left to Tjoa Soe Tjong. We could have made more money there, but for what? We had to live there as second-class citizens, facing the threat of my family getting kidnapped,

and kowtowing to the military people. That is not the kind of life I wanted to lead. I might have put up with all these for the sake of Kian Gwan, but what will happen under the next generation? No shareholder lived there, and knew much about Indonesia. What was then the use of continuing Kian Gwan? So, the only choice was to leave it to our managers.

If the Indonesian government had not confiscated it, do you think you could have developed Kian Gwan in Indonesia by leaving it to your professional managers?

That would have been difficult. We were fortunate in having people like Tjoa Soe Tjong who wanted to be a manager of a big company. He comes from a rich family in Surabaya, and had a large rice mill there, so he did not have to work for us for money, but he liked being our manager. But in general, many of our managers wanted to become independent once they had established the right contacts. They really did not need us; all they needed were connections. And they cheated you quite often. I had a friend who took up our idea of pharmaceutical business and had the right contacts in Indonesia. He opened a big pharmaceutical outfit there, but he got cheated so much by local people, and died of a heart attack. If a manager comes and says that he needs to pay several million rupiah to a military man, how do you know that he will actually pay that amount? The environment is not congenial for leaving everything to professional managers. Business modernization often talked about there is not just the problem of the owner family being old-fashioned; the environment is not

conducive to that.

## 6. After the Confiscation

How was your international operation reorganized after the confiscation?

You are probably asking this question, believing that Indonesia was the key point of our international operation, but Indonesia was no longer important at the time of the confiscation. At that time, there were a sterling area and a non-sterling area in the world economy. One could not take assets out of the sterling area at that time. Singapore, where our biggest assets were held after the confiscation, was in the sterling area. I proposed we make one sterling block with headquarters in the Bahamas and one non-sterling block with headquarters in Switzerland. The plan for the sterling block was to set up a parent company in the Bahamas and transfer our ownership in the sterling block to the Bahamas. My brother Tjong Ie in Singapore had been obsessed with the high estate tax there. It ruined the Eu Tong Sen family, and it may have affected the Aw family (of Haw Par Brothers). The estate tax was very high in Singapore. The plan was to transfer our ownership there little by little and then avoid the Singapore estate tax. And the other plan was to transfer the assets in the non-sterling block to a holding company in Switzerland. It was an obvious seat for our operation, as proved by the fact that almost all major companies have Swiss holding companies.

To this, my brothers said that since I have a Swiss wife, I wanted a holding company here. But my personal life did not have

anything to do with that. It was just a logical seat for our operation. With that sort of arrangement, we could develop a better international setup. All operations could be put under the two parent companies, and their shares distributed to our brothers. We could have an annual shareholders' meeting to review the situation in the past year and make an overall policy decision for the next year. All offices were then to be managed accordingly. This was the only way to restore discipline and management control in our organization. Under the existing arrangement, the shareholders were powerless in the countries where they had no legal jurisdiction over the local Kian Gwan office. We were the directors of various independent Kian Gwan offices and simply did what we wanted. In effect, one office became the property of one brother, another the property of another brother, and so on. We did not have any overall financial policy; we had no overall dividend policy. In Kian Gwan New York, for example, I and the others had shares, but we were helpless, because there was no way to enforce our decision on our brothers who were managing the office. The situation was the same for all other offices. In the 1950s, in Brazil, before we faced trouble, I could feel that things had not been going well. So, I suggested to my brother that he should close some offices and cut down the scale of operation, but he did not want to listen and went on his own way until he went almost bankrupt. So, I proposed the new plan to pool our holdings and develop a system of international coordination. If we were to take a foreign agency in Southeast Asia, we should do that in Bangkok and Singapore. In that way, our

bargaining position would get stronger. But my brothers did not approve it. As a result, we went on as before. Thus, our business empire got split up.

Then, do you still own shares in other Kian Gwan offices?

Not in all Kian Gwan offices any more. For example, I was a shareholder of Kian Gwan in Singapore until recently, but since there was nothing I could do there and I never received dividends, I asked my brother to buy me out. I am still a shareholder of our Brazil business. I told you I went there to take care of our trouble, and although we pulled out from trading, we went into real estate with a new infusion of money (I remember I raised about one million dollars for this new venture) and our operation became a big success. My brother Tjong Hiong acknowledges that I have a share there, but I have never received dividends.

Have you made further attempts to restore coordination?

No. To do so became more and more difficult over time, but at the same time, I was wondering what would happen in the next generation even if I succeeded in rebuilding our organization. As long as it remained as a family company, the problems we faced in our generation would become aggravated in the next generations, with family members who do not know each other. They are spread all over the world, in such places as Brazil, the Netherlands, Singapore, the United States, etc., and they hardly see each other. They

would never come to cooperation. The only way out is to go public, but what good will it do for our family? We will lose control of the organization eventually. The Aw family in Singapore started Haw Par Brothers International, but they lost control of it a long time ago. The only solace for us in going public would be that the name Oei Tjong Ham or Kian Gwan would be perpetuated. This might be better than nothing, and maybe, we should have gone public, but my brothers did not want that.

Going back to coordination among your brothers. Couldn't the co-chairman arrangement set up in the early 1950s be reestablished and restore international coordination?

Tjong Tjiat, who was elected as co-chairman from the other side, died in 1957, and the two brothers left were not very business-minded. The son of the brother Tjong Hauw, Ing Swie, did not command their respect. So, there was not much unity in the other group. Besides, as I told you earlier, the co-chairman system did not function very well in the 1950s. The co-chairmen had no idea of proper financial control and the delegation of power which were indispensable to managing an international company like ours which had operations in various parts of the world.

Did the basic problem stem from equal ownership among the eight brothers?

If Tjong Swan had stayed on, we might have come to a different solution. Even then, we should have installed a proper financial system. My brother Tjong Bo, who has a

Ph.D. in economics, was the first one to point to this need when he joined our company just after the Pacific War. We had no annual financial statements. We had no dividend policy. So, if you were a shareholder of our company, since there were no dividends, the only way for you to get income was to become a director and get paid. But if proper dividends had been paid, some of the brothers who did not qualify very well as businessmen could have stayed out of business and done something else. But they were forced into business since no dividends were paid. And because there were no dividends, it was enough for our company to be able to pay the wages and salaries of our staff; in the meantime, our capital was used very inefficiently. All these criticisms were leveled against our brother Tjong Hauw, but even after he died in 1950, we did not change the system, so we made ourselves guilty, too.

With all the power he had, Oei Tjong Hauw could have built an integrated operational system, could he not?

Yes, he could have.

But he did not do that.

No, he did not.

Having read the past writings on your family and company, I have come to believe that Oei Tjong Hauw was a competent manager, but are you saying that he was not very good in developing organizational control?

No, he was not very good at it. There again,

there should have been a division of work. Tjong Hauw was an excellent contact and public relations man, and someone else should have taken care of organizational control. We faced the same problem again after he died. Tjong Ie was an excellent contact and public relations man, but like Tjong Hauw, he was poor in managing and controlling an organization. It is not enough to make big profits in one or two years. You have to have some kind of belief, some kind of idea, and some kind of control.

In the Japanese business system, a company often has a president and a chairman. The president takes care of internal affairs, and the chairman of external affairs, especially playing the role of a high-level diplomat for the company and developing contacts with other businessmen and government officials.

Yes, that is the kind of arrangement we needed. Is it true that for example, in the House of Mitsui, a competent outsider could become a member of Mitsui?

That is what Tjoa Soe Tjong says in his article. In the history of the House of Mitsui, I do not believe that took place. In the modern period, they recruited a large number of competent people from top Japanese universities, and entrusted management to their professional staff. Ownership, however, remained with the House of Mitsui. All zaibatsu in prewar Japan had a large number of professional managers, but some new zaibatsu like Mitsubishi participated in management. However, the number of family members who were involved in management was small,

Interview: Oei Tjong Tjay

often only one person, the head of the family, acting as executive president. In the case of older zaibatsu like Mitsui and Sumitomo, management was completely left to professionals. Of course, the owner family had a supervisory responsibility. But under normal circumstances, since the professional staff consisted of well educated, permanent employees, the management was a semiautonomous body.

The management style of Mitsubishi may have had some relevance for us. What is important for the owner-manager is to know one's limitation and to compensate for that, get the right people and keep them satisfied. In my Dutch business now, I know that I am not good in the daily business activities, so I occupy myself with organization and personnel policy, especially with a reward system. I leave the actual, daily business management to my professional staff. Among our brothers, I felt Tjong Ie could handle external business matters such as making contacts, and I could take care of internal matters. But as I told you, he did not believe in the division of labor. In a large organization, especially with a geographical spread like ours, you must have the division of labor.

What did you do after the confiscation? Did you continue a career in business?

I was in Bangkok when the confiscation came. I stayed there for another year or so. By the time I left Amsterdam for Bangkok, we settled the dispute with the other group, but later, I realized that we had the same problem among us full brothers. So, coming

back to Europe, I began developing my own business interests.

What does Kian Gwan in the Netherlands do now and what has been your role in the company?

I am engaged in various businesses. I had the biggest aerosol company in the country, a car battery factory, a plastic factory; right now, I am in the construction business, and I do rice business.

Are all these the extension of Kian Gwan Amsterdam?

Only the rice business. The rest are what I started myself after 1962 when I returned.

What happened to Kian Gwan Amsterdam after your brother's death in 1957?

As I told you, the brothers in New York legally inherited it from their brother Tjong Tjiat, who had been managing it. That was late 1957. We fought it, and got control of it in 1960. At that time, it was too large for our needs, so we cut our staff to about 20 percent of what it had been.

How does your nephew, Ing Swie, fit into this? You said earlier that he went to Amsterdam after New York.

He came to Amsterdam because his uncle was holding the legal title to the office. But he was not a real businessman. We bought him out, and he left Amsterdam around 1960. Since then, I have been managing the Amster-

dam office. And over time, we transferred its ownership to a Swiss holding company. So, when I die, there will be no estate tax.

How is your Brazil office doing now?

As I told you earlier, we are not engaged in trading there any more. We are in the real estate business. The company's name is Esta. After we suspended trading in the mid-1950s, we bought a big piece of land, about 13 million square meters, and in the following years, used this land for real estate developments.

How many Kian Gwans are left now, then?

One in Amsterdam, one in Bangkok, one in Singapore, and one in Hong Kong. There is one in Australia, but probably it is not very active. The one in New York has been dormant for quite some time.

How long has the New York office been dormant?

Over 20 years now. It was first handling rubber from Indonesia, but this did not do very well. Then for a few more years, it was acting as the purchasing agent of Indonesian Kian Gwan, especially for X-ray equipment, but this stopped with the Indonesian confiscation. For another few years, it tried to survive by doing local business, but then it also stopped.

Were the two brothers who started the New York office not so good businessmen as your brother in Singapore says?

They had never left Semarang before they left for the United States. In Semarang, they were surrounded by competent managers, so they did not have to do much. Even if they tried a few things themselves, they had all the power of Kian Gwan behind them. The situation was different when they moved to New York. They first tried to do rubber business, but New York was the most difficult of all the rubber markets in the world. They simply could not survive.

Why did they go there?

Not for the reason of business at all. They just went to live there: they did not like to live in Indonesia any more. One of their wives told me that during the Revolutionary period, they saw some lootings and massacres. And every few years, a pogrom broke out against the Chinese at that time. These must have scared them so much that they just wanted to be out of Indonesia.

When they left for New York, fighting between the Dutch and the Indonesians must have been still going on, and many people must have thought that the Dutch would win. Did your half-brothers leave because they thought that the Dutch would lose and the situation become unpleasant under the Indonesians? What was the assessment of the war situation by the elite Chinese at that time?

My half-brothers left because they thought the Indonesians would win and violence start again. As to the elite Chinese in business at that time, they were, in general, pro-Dutch and were secretly hoping the Dutch would

win.

Is Kian Gwan in Singapore still called Kian Gwan Malaya?

No. It was first changed to "Kian Gwan Malaysia," and then to "Kian Gwan Private Limited Co." I think it is a holding company now, and under it are placed Kian Gwan Engineering and Kian Gwan Real Estate. Their activities, however, have dwindled. Kian Gwan Bangkok is now a much bigger operation. We are putting up a second tower on Wireless Road. The building we have now is getting too old-fashioned, because a lot of new buildings are coming up. So, we are putting up a new one, and want to renovate the first one. The first one was put up in the early 1970s. We had fourteen floors to rent, and the Thai economy was not doing very well at that time. Then, Shell proposed to lease five floors for ten years, on the condition that we name the building "Shell Building." We accepted this proposal. Then, when the lease ran out, they built their own building and moved out. So, we renamed it "Kian Gwan Building."

They have a big garage behind the present building on Wireless Road, don't they?

Yes, that was our own car operation, but it is now leased to Toyota. We once tied up with a Western auto company, and were engaged in car assembling. But that was killed by Japanese auto companies. They seem to have a different time horizon; they gave five or six-year credits for their car sales. No Western companies could afford it. Japanese

companies must have a completely different financial backing. Because of this, they completely took over the Thai auto market.

Didn't you think of tying up with Japanese companies?

Kian Gwan Singapore handles Mitsubishi air-conditioners, and once did or is planning to handle Yamaha outboard engines. But in earlier years, a Japanese agency was out of the question. Once I proposed a Japanese agency, but my brother in Singapore, who was put into prison by the Japanese *kempeitai* during the war, didn't like it at all.

Who is in charge of Kian Gwan Hong Kong?

He is the son of my mother's sister. So, he is a full cousin of mine. He started as an outsider, and became a co-shareholder of the company. The real name is "Kian Gwan China." So, from a large international company, we became much smaller, but I would say that return-wise, we are much better now.

Does any Kian Gwan have a major business dealing with Indonesia now?

Tjong Ie used to do outboard engine business with Indonesia, but probably not anymore. I supply raw materials to the pharmaceutical company we started.

Did it become a state enterprise?

No, the government took over our share of the company, which was only about 15 percent. The rest is owned by private individuals, like

lawyers and doctors. It is still being run as a private company.

Is there any Oei family member doing major business in Indonesia?

No. My nephew Ing Swie tried to do business in Indonesia for a while, but he did not succeed. Several years after he was bought out in Amsterdam, I think it was after Suharto came to power, he went back to Indonesia, and tried to do business there. But he overestimated his potentiality. What he could do as a private businessman was quite different from what he could with the backing of Kian Gwan. After three or four years, he got out of business.

Ing Swie acted as the intermediary between your brother Tjong Ie in Singapore and Humardani, didn't he?

Yes, he did. Tjong Ie tried to get our Indonesian businesses back, and talked to Humardani about it, I think. I know Tjong Ie spent 300 to 400 thousand Singapore dollars in trying to get back our assets. But when he went to see Humardani, he was received in a very discourteous way. Humardani was lying back in pajamas, and when my brother approached him, he dropped a pack of cigarettes to see whether he would stoop to pick up the pack and show servility to him. That was not the kind of thing my brother Tjong Ie would take. I think he gave up the idea of going back to Indonesia after that.

Didn't he propose an investment project in Indonesia?

No, he didn't.

Have you been back to Indonesia since the confiscation?

Yes, as a tourist to Bali three times.

Haven't you thought about restarting business after Suharto came back?

No. The country is beautiful, and people are wonderful, but if the bureaucrats and military people enter the picture, the whole thing changes. Especially so if you are a Chinese. If I were a Dutchman, I might have gone back and started a business. But we the Chinese who grew up there are always treated as an unwanted minority and fare worse than a foreigner. Especially if I am in business, I am exposed to the threat of kidnaping, extortion, and humiliation. I am happier here in Switzerland than as a second-class citizen in Indonesia.

But Chinese businessmen are doing very well now. Anti-Chinese feeling is much less now.

Yes, but it flares up from time to time.

Did many Chinese businessmen leave Indonesia during the Sukarno period?

Yes, many did. And even today, a number of so called Indonesian Chinese businessmen have their families in Singapore. For example, Tan Siong Kie has his family in Singapore.

Some Indonesians say that the Chinese are

not very patriotic.

Yes, they say, "You have an Indonesian passport in one pocket, and a foreign passport in another. You have a lot of money abroad. You are always ready to leave." But I say, "Yes, but who must make the first step?" They say, "We made you all Indonesian citizens as the first step." But in practice, there is a lot of discrimination. Under this social setting, it is very difficult to make a long-term plan and carry out business modernization. But in Thailand, if you are a Thai, you are accepted as a Thai. Many leading Thais have Chinese background, but they feel Thai and are proud of being a Thai. But in Indonesia, the situation is very different. Your business may be confiscated; your children may not be able to go to university. So, you keep one leg abroad for survival. Who is to blame? Not the Chinese.

Does your brother in Bangkok feel comfortable there?

Yes, quite comfortable. He has now been completely assimilated. He does not speak fluent Thai. But he feels quite comfortable there. There is absolutely no discrimination

against him.

Do you think your Bangkok office has good prospects?

Well, maybe so, but I am not sure. Now we are doing well. The NCR agency is our primary business in trading. Then, we are fairly big in real estate.

Doesn't NCR face Japanese competition and its agency business may decline as your auto business once did in the face of Japanese competition?

Our more immediate worry is NCR might want to do business by themselves. In a number of Asian countries, they have their own sales subsidiaries. You know NCR used to be a producer of mechanical cash registers, but they are now a computer company.

How many brothers are left now?

Our four brothers and one half-brother in New York, Tjong Ik. So, altogether only five are left now. Then, our nephew Ing Swie is still alive.