



Indonesia

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This essay focuses on the political, economic, and cultural history of Indonesia. I wrote these lectures for a Stanford Travel/Study program in Indonesia in October-November 2009.

I first contrast the cultural bases, sources of wealth, and decline of four early kingdoms – Srivijaya, Sailendra, Saivite, and Majapahit – that ruled parts of Indonesia between the 7th and 16th centuries. Thereafter, I focus on Dutch rule of the East Indies – first by the Dutch East India Company (VOC, 1604-1800) and later by Dutch colonial governments (1800-1949). I discuss Dutch conquest, ruling methods, and development of exports, the rise of Indonesian nationalism, and the war for independence (1945-1949). Next I look at how democracy evolved between 1950 and 1965 and the strengths and weaknesses of Sukarno's leadership. Lastly, I examine the underpinnings of political turmoil and the keys to economic success under Suharto's dictatorship (1965-1998) and under elected presidents since 1998. I append a time line, a bibliography, and a description of sites that I visited in Indonesia.

Early Kingdoms of Indonesia (7th-16th centuries)

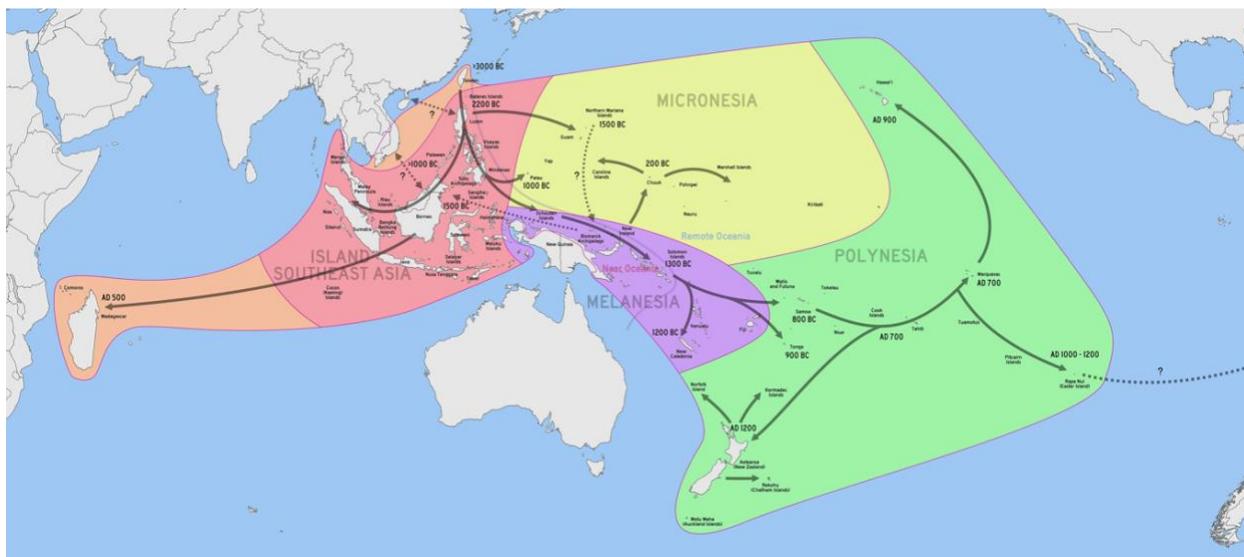
Settlement of Indonesia (c. 50,000-2000 BCE). The first people to settle the Indonesian archipelago were hunter-gatherers, probably the ancestors of the Melanesian peoples who spread from southern China and Taiwan through Southeast Asia to New Guinea and Australia about 50,000 years ago. The Melanesians had no farming, no domesticated animals, no metals, and engaged in limited trade. Their elemental technology was based on stone, wood, bone, and shell tools. They worked out means of managing their forest, grassland, or marine environments with fire, stone axes, nets, and traps.



*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Ati_woman.jpg>*

Ati (Melanesian) Young Woman – Jalibo, Panay, Central Philippines

A second wave of settlers into Indonesia, also from southern China via Taiwan, began about 4,500 years ago. Three of the four sub-families of the Austronesian language family are spoken only in Taiwan. The fourth, Malayo-Polynesian, comprises 945 of the 959 Austronesian languages, which today are spoken in Indonesia, Malaysia, Polynesia, and Madagascar. The Austronesian diaspora spread from Taiwan to the Philippines (by 3000 BCE), Sulawesi and Borneo (2500 BCE), Java and Sumatra (2000 BCE), and New Guinea and Near Oceania (1500 BCE).



Source: Wikimedia Commons available at [https://commons.wikimedia.org/wiki/File:Chronological dispersal of Austronesian people a cross the Pacific \(per Benton et al, 2012, adapted from Bellwood, 2011\).png](https://commons.wikimedia.org/wiki/File:Chronological_dispersal_of_Austronesian_people_a_cross_the_Pacific_(per_Benton_et_al,_2012,_adapted_from_Bellwood,_2011).png)

Expansion of Austronesian (Malayo-Polynesian) Peoples – 3000 BCE-1100 CE

The Austronesians had red pottery, stone adzes, shell tools, and bone fishhooks, and they had an advanced agricultural package (taro, coconuts, bananas, pigs, chickens, and dogs). Because their agricultural techniques were superior to the subsistence strategies of the Melanesian hunter-gatherers, the Austronesians replaced or absorbed those earlier inhabitants of Southeast Asia. The introduction of advanced navigational skills and better marine technology (double-hulled canoes) intensified cultural contact and connected the Indonesian islands to the more advanced societies of China and Taiwan.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Hokule%27aSailing2009.jpg>>

*Hokule'a –
Modern Replica of an Austronesian Double-hulled Catamaran*

Introduction to Early Kingdoms of Indonesia. Early kingdoms in the Indonesian archipelago accumulated wealth from agriculture, foreign trade, or foreign conquest. Agriculture was critical to their success. Rice, the staple food throughout the region, was produced mostly in irrigated perimeters. Some early kingdoms relied on sales of surplus rice to generate wealth. Others imported residual food needs.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Bms_rice_planting_141229-47913_rwg.JPG>

Planting Rice in Gebangsari Village, Banyumas, Central Java

Foreign trade was a second source of wealth for those early kingdoms. Some kingdoms accumulated wealth because their favorable locations permitted control of important trade routes, particularly the

route between China and India. Trade-based kingdoms rose and fell as international shipping patterns and techniques shifted over time.

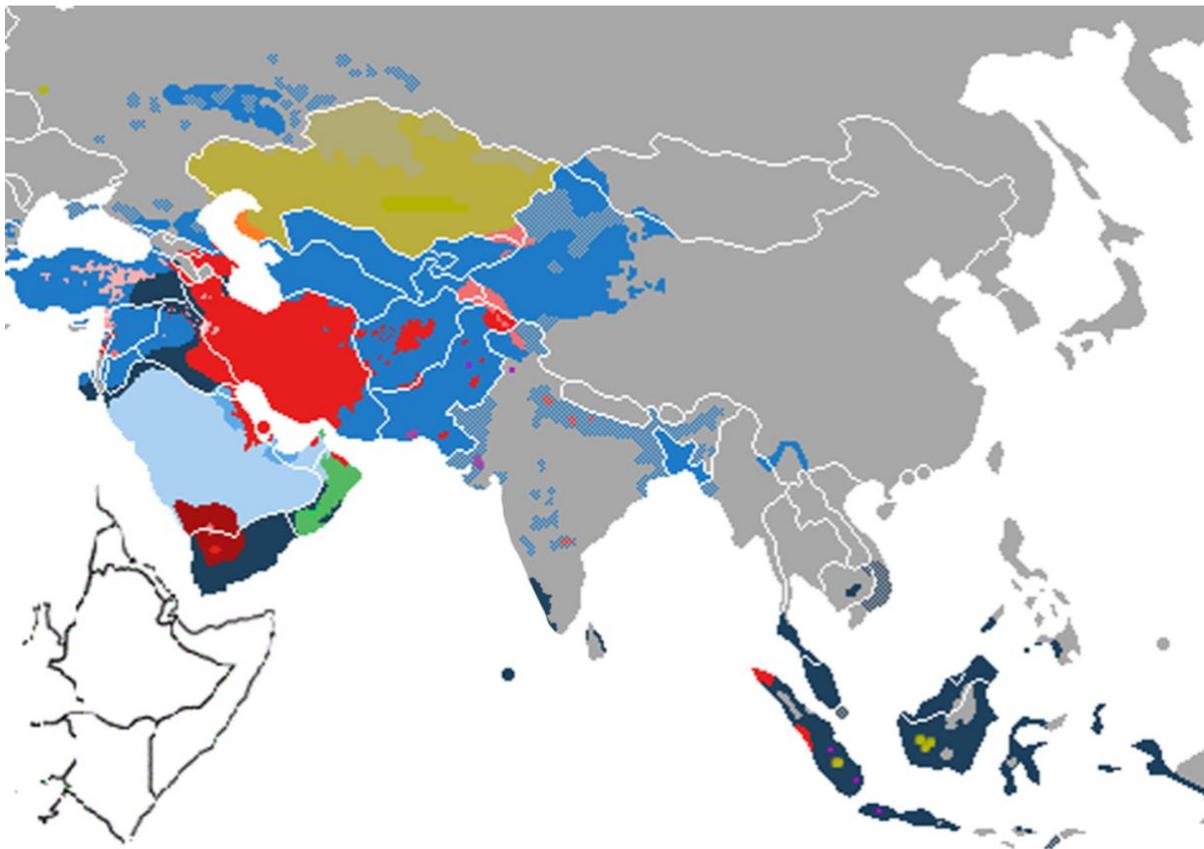


Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Southeast_Asia_trade_route_map_XIIcentury.jpg

Trade Routes in Southeast Asia – 12th century

Foreign conquest provided a third potential avenue for accumulation of wealth. But only rarely did the conquest of other states – and hence the ability to tax their agriculture and benefit from their foreign trade – provide a major source of wealth for early kingdoms in

Indonesia. Common ethnicity and language were key socio-political underpinnings of sustainable kingdoms. The Malay peoples who lived in the Indonesian and Philippine archipelagos and the Malay Peninsula all spoke Austronesian languages. Religion often served to unite kingdoms. Three principal religions, Buddhism, Hinduism, and Islam, gradually spread into Southeast Asia from the Indian sub-continent.



Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Self-reported_affinity_of_muslims_in_Asia.png

Islam in Asia, 21st century – Sunni (Blue), Shia (Red)

Successful kingdoms in Indonesia during the 7th through 16th centuries produced wealth mainly through rice agriculture or effective control of the China-India trade route. Foreign expansion was minor.

Srivijaya, Sumatra/Malaya (7th-13th centuries). Srivijaya was a Malay kingdom in southeastern Sumatra that practiced Mahayana Buddhism. The trading entrepôt owed its power to its control of the Straits of Malacca and Sunda – the only two passages for ships to sail around the Malay Peninsula en route from China to India, Asia's most important maritime trading route.

The Srivijayan kingdom was centered in the port city of Palembang, located on the Musi River about half way between the two key straits. Palembang had an excellent natural harbor, and its river basin produced small rice surpluses to feed in-port visitors and provision ships. Another of Srivijaya's advantages was its very close link with the Sailendra kingdom in central Java, which provided much of Srivijaya's imports of rice. The Malays in Srivijaya used their nautical skills to engage directly in East-West trade.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:COLLECTIE TROPENMUSEUM Houtvlotten met woningen erop die de rivier Moesi afzakken Palembang Zuid-Sumatra TMnr 10007707.jpg](https://commons.wikimedia.org/wiki/File:COLLECTIE_TROPENMUSEUM_Houtvlotten_met_woningen_erop_die_de_rivier_Moesi_afzakken_Palembang_Zuid-Sumatra_TMnr_10007707.jpg)>

*Floating Houses in the Musi River, Palembang, Sumatra, 1917 –
The Srivijayan Capital Likely Had Many Floating Buildings*

But the main sources of wealth in the kingdom were trade taxes and entrepôt services – warehousing, ship maintenance, and recreational facilities – in the port of Palembang. Srivijaya had a strong fleet of ships that suppressed piracy and forced all trading ships using either of the straits to enter a Srivijayan port and pay taxes. For several centuries, Palembang was a key exchange center for Chinese silk, porcelain, and

jade, Indian textiles, and Moluccan spices (nutmeg, mace, cloves), resins, and sandalwood.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Nutmeg_fruit_seed_and_aril.jpg>

Nutmeg – Key Spice Traded Through Srivijaya’s Palembang Entrepöt

At its peak in the 9th century, Srivijaya controlled Sumatra, much of the Malay peninsula, and western Java. The power of Srivijaya began to wane in the 10th century and declined considerably in the 12th century when Chinese ships undercut Srivijaya’s previous commercial monopoly. Srivijaya eventually went into eclipse in the 13th century because of the rise of Ayudhya (in Thailand) and Majapahit (in Java).



Source: Wikimedia Commons available at
https://commons.wikimedia.org/wiki/File:Srivijaya_Empire.svg

Kingdom of Srivijaya (7th-13th centuries), Centered in South Sumatra and Sailendra Kingdom (8th-9th centuries), Centered in Central Java

Sailendra and Saivite Kingdoms (Java, 8th-10th centuries). The

Sailendra kingdom came into power about 760 and lasted for one

century. The Sailendra kings were descendants of royal refugees from Funan (in modern Cambodia). They and their Javanese subjects practiced Mahayana Buddhism and devoted much of their wealth to the construction of Buddhist monuments. The most remarkable was Borobudur, constructed between 778 and 824.



Source: Wikimedia Commons available at
>https://commons.wikimedia.org/wiki/File:Panoramic_views_of_Borobudur.jpg<

*Borobudur, Mahayana Buddhist Stupa, Sailendra, Central Java –
Built 778-824*

During the final decades of the 8th century, the Sailendras conquered Chenla (in contemporary Cambodia) but were driven out in 802 by the first of the Khmer kings. When the Saivites took power from

the Sailendras in 860, part of the Sailendra royal family took refuge in Srivijaya and later became the ruling family of that kingdom.

The Saivite kingdom ruled much of central-eastern Java for almost a century. The Saivites practiced Brahmanic Hinduism, particularly the version that venerated the Hindu god, Siva. Like the Sailendra kings, the Saivite rulers taxed their rice farmers and used the revenues to construct religious monuments. The best known is the temple complex at Prambanan, constructed in the late 9th and early 10th centuries.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Main_shrine_of_Prambanan_temples.JPG>

*Loro Jonggrang, Shiva Temple, Prambanan Temple Complex –
Prambanan, Central Java*

Both Buddhist and Hindu rulers of central Java built those monuments to spread understanding of their religions, to indoctrinate the masses and facilitate political control, and to demonstrate their superior wealth, religious knowledge, and aesthetic creativity. Their primary source of wealth was wet-rice agriculture. Much of the rice was produced on land owned by the temples and by labor controlled by the temples. Laborers also were obligated to devote labor time to the state. The Saivite kingdom faded away in the mid-10th century when power in Java shifted to the Brantas River region of eastern Java.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Gunungan_Prambanan.jpg>

*Traditional Javanese Gunungan Ceremony, Offering Rice Cakes –
Prambanan Temple Complex, Prambanan, Central Java*

Majapahit, Java (13th-16th centuries). Majapahit began its ascendancy in the mid-13th century. The new kingdom expanded due to the skillful leadership of Gaja Mada, the leading minister between 1330 and 1364. Majapahit became an island empire of vassal states that stretched from Sumatra to western New Guinea. The kingdom directly controlled eastern and central Java, Madura, and Bali, and its capital, also named Majapahit, was located in eastern Java.



Source: Wikimedia Commons available at
https://commons.wikimedia.org/wiki/File:Majapahit_Core_and_Provinces.svg

Core of Majapahit Kingdom, Eastern Java, Madura, and Bali – (13th-16th centuries)

The initial wealth of Majapahit was generated by wet-rice agriculture in the fertile Brantas River valley. Although the kingdom practiced both Hinduism and Mahayana Buddhism, religious leaders did not control most rice production. The kings taxed rice in Java and exported the rice (paid in kind) to other islands, such as the Moluccas (Spice Islands). Majapahit officials hired mercenary sailors from ports on Java's north coast to protect their trading ships. The kings controlled the empire's ports, taxed trade, engaged in trade, and shared in the profits of trade. At its peak Majapahit derived its wealth from both land-

based and maritime activities and used its rice surplus from Java to initiate its trading activities with other parts of the empire.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Golden_Celestial_Nymph_of_Majapahit.jpg>

*Majapahit Era, A Golden Age of the East Indies –
Bidadari Majapahit, Golden Celestial Hindu/Buddhist Apsara*

The Majapahit Empire began to decline in the early 15th century. The kingdom was greatly weakened in 1401-1406 when a dispute over royal succession led to internecine warfare. It began to lose its control over international commerce after Malacca was founded by Malays in

1402. With the support of Ming China, Malacca assumed control of the principal East-West trading route through the Strait of Malacca. In the 15th century, Majapahit lost power, territory, and trading shares. By the early 16th century, the kingdom had been reduced to minor importance.



Source: Wikimedia Commons available at
https://commons.wikimedia.org/wiki/File:Majapahit_Empire.svg

Majapahit Kingdom – At Its Peak in the 14th century

Comparative Summary of Indonesian Kingdoms. There were four main kingdoms in Indonesia between the 7th and 16th centuries. Three of those kingdoms – Srivijaya (7th-13th centuries), Saivite (9th-10th centuries), and Majapahit (13th-16th centuries) – were sited wholly in the

Indonesian archipelago, and one – Sailendra (8th-9th centuries) – expanded from the island of Java to rule part of Cambodia. Speakers of Austronesian languages peopled the Indonesian islands (and the Malay peninsula). Of the four Indonesian kingdoms, Srivijaya and Sailendra were Mahayana Buddhist, Saivite was Hindu (worshipping Siva), and Majapahit was both Hindu and Mahayana Buddhist.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Candi_Jabung_B.JPG>

Jabung Buddhist Temple, Majapahit Peirod, Probolinggo, East Java

In all three of the Java-based kingdoms, rice agriculture was the primary source of wealth creation. Srivijaya took advantage of its

favorable location to control the Malacca and Sunda Straits and tax foreign trade on the main East-West trade route connecting China and India. Foreign trade also was an important secondary source of wealth in the three Java-based kingdoms, and a lesser part of Srivijaya's wealth derived from rice agriculture.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Rice_plantation_in_Java.jpg>

*Planting Rice Near Prambanan, Central Java –
All Four Early Indonesian Kingdoms Relied on Rice*

The Sailendra and Saivite Kingdoms fell after military defeats. The Saivite rulers defeated their Sailendra predecessors, whereas rulers of a new state, Kediri in East Java, brought the Saivite Kingdom down.

Both Srivijaya and Majapahit receded after losing control of primary trade routes through the Straits of Malacca and Sunda. Sailendra and Saivite declined in part because their rulers devoted excessive resources to the construction of Buddhist or Hindu religious monuments. As their legacies, these four Indonesian kingdoms endowed their successor states with remarkable religious monuments, ingenious trading techniques, and creative strategies for empire building.

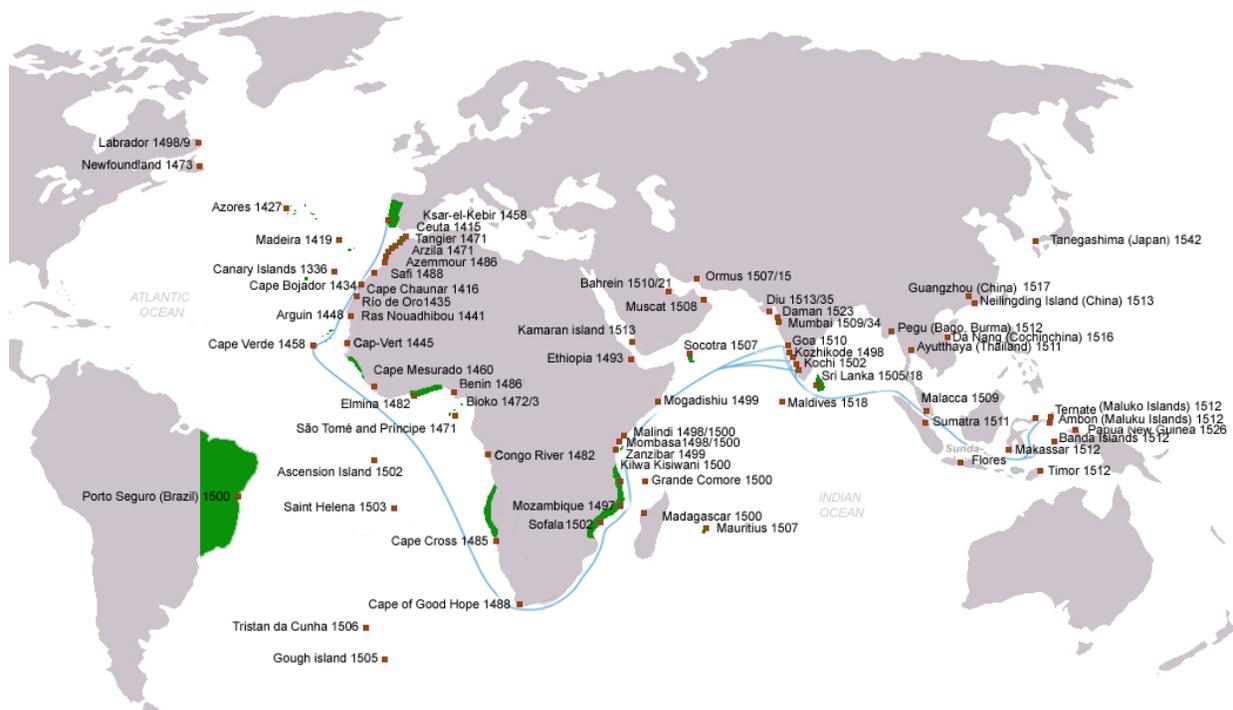


Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Siddharta_Gautama_Borobudur.jpg>

Excessive Spending on Religious Monuments Weakened the Sailendra Kingdom – Bas-relief Panel, Borobudur, Central Java

Indonesia under Dutch Colonialism (1604-1942)

European Arrival and Dutch Conquest. The first major European presence in the Indonesian archipelago was the Portuguese, who captured Malacca in 1511. However, they lacked the naval strength to resist the Dutch. With better guns and ships, Dutch merchants were able to enforce a monopoly over the spice trade in the 17th century.



Source: Wikimedia Commons available at

https://commons.wikimedia.org/wiki/File:Portuguese_discoveries_and_explorationsV2en.png

Portuguese Trade Routes and Settlements – 16th century

In 1604, the Dutch took Ambon from the Portuguese and by 1656 established a monopoly over the clove trade by destroying production

virtually everywhere else. The conquest of Batavia (1619) gave the Dutch a permanent foothold on Java, providing warehousing and port facilities, access to important shipping routes, and a base of operations for further conquest. The Netherlands took the Banda Islands in 1621 and, after killing or removing the native population, established nutmeg plantations with slave labor. The port of Malacca was taken from the Portuguese in 1641, Makassar fell to the Dutch in 1669, and the port of Banten (West Java) succumbed to a Dutch blockade in 1682, after which the Dutch enjoyed nearly complete control over trade in Southeast Asia.

The Dutch did not, however, wield unfettered political control over all of Java. In the second half of the 16th century, powerful Javanese kingdoms had risen in the interior, based on rice agriculture rather than the declining trade prospects of coastal states. Smaller powers also continued to harass Dutch trade, forcing the company into permanent warfare and involvement in politics within and between Indonesian states. The Mataram Empire, based in Yogyakarta, became the greatest empire in Indonesia since Majapahit two centuries earlier and remained important until the early 19th century.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Sultan_Agung.jpg>

Sultan Agung (Reigned 1613-1646) – Ruled Mataram At Its Peak

Under Sultan Agung (reigned 1613-1646), Mataram came to control all of Central and East Java and Madura. A failed assault on Batavia in 1629 was Sultan Agung's only permanent defeat. Still, Mataram continued to control rice and timber supplies on which the Dutch and their allies depended. By the mid-17th century, six Southeast Asian cities had populations exceeding 100,000 people – Thang-long, Ayutthaya, Aceh, Banten, Makassar and Mataram. The last four of those cities eventually fell under Dutch rule in the Netherlands Indies.



Source: Wikimedia Commons available at
 <https://commons.wikimedia.org/wiki/File:Mataram_Sultanate_in_Sultan_Agung_Reign.svg>

Mataram Sultanate – At Its Peak Under Sultan Agung (1613-1646)

The Rise and Decline of the VOC (1602-1800). The first century of Dutch imperialism in Indonesia concentrated on gaining exclusive control over the spice trade. That effort proceeded under the auspices of the Vereenigde Oost-Indische Compagnie (United East India Company) or VOC, established in 1602 as a merger among several competing companies. The company's charter gave it status comparable to that of a sovereign nation, including the power to wage war, build fortresses, and conclude treaties. The VOC ran six or seven ships between Amsterdam and Batavia each year – in the world's first global commercial enterprise and most sophisticated capitalist institution.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:The_dock_of_the_Dutch_East_India_Company_at_Amsterdam.jpg>

*The Dock of the Dutch East India Company in Amsterdam –
Painting by Ludolf Bakhuizen, 1696, Amsterdam Museum*

However, the spice trade declined in importance by the time the VOC firmly controlled trade in Southeast Asia. Pepper, initially the driving economic force behind European interest in the region, contributed more than half the value of English and Dutch return cargoes from Asia until the middle of the 17th century. Other spices grew in importance as pepper prices declined. But by 1700 textiles and indigo had become the most valuable trade goods. In 1707, the VOC

introduced coffee to the Cirebon and Priangan regions of West Java, and within 20 years Java became the world's leading coffee producer.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Black_Peppercorns.jpg>

*Spice Exports from the Dutch East Indies Declined in Importance –
Black Peppercorns, The Most Valuable Spice Exported to Europe*

In the interior of Java, growing dynastic conflicts as well as uprisings in various Mataram dominions had bred a process of decline in the Indonesian empire by the 1670s. The VOC attempted to control the island by supporting a series of Mataram kings, but the company became embroiled in continual, expensive warfare. In the mid-18th century, the VOC abandoned that policy and concentrated on direct control of west and north coastal Java and Maluku.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:COLLECTIE_TROPENMUSEUM_Schildering_voor_stellende_de_moord_op_kapitein_Tack_in_Kartasura_TMnr_H-796.jpg>

Sultan Amangkurat II of Mataram – Observing a Battle Between His Army and the Dutch East India Company (VOC), c. 1684

That retreat allowed restoration of autonomous Javanese power in the interior, but dynastic competition prevented the emergence of a strong, unified state. In 1755-57, the VOC tried to settle the conflict by partitioning the Mataram kingdom into three houses. In a classic case of divide-and-rule, the VOC then focused on its own affairs as conflicts between the principal Javanese rulers continued.

Transition from VOC to Dutch Empire (1800-1830). In the second half of the 18th century, VOC control in Indonesia was eroding as the company withdrew to coastal enclaves. The expenses of constant

warfare were taking a heavy toll, combined with incompetence, inefficiency, and corruption. The French established clove plantations in Mauritius and other colonies after stealing plants from Ambon, and the Dutch clove monopoly collapsed. The VOC then concentrated its efforts on sugar, tea, and coffee production, and by 1800 the value of export agriculture had overtaken trade based on spices.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Malabar_Tea_Plantation_Bandung_South.jpg>

Malabar Tea Estate, Bandung Regency, West Java

In December 1795, France invaded the Netherlands, installed a new regime, and dissolved the governing body of the VOC. The VOC itself was formally dismantled on January 1, 1800, and its territorial possessions became the property of the Dutch government. The

Napoleonic regime sent Marshal Herman Willem Daendels to Batavia as Governor-General in 1808, with the directive to fortify Java against growing British power in the region. His arrival ushered in a new style of colonialism, demanding total control rather than the complex relationships that had existed between the VOC and indigenous political forces. Britain ruled Java between 1811 and 1816, under the leadership of Thomas Stamford Raffles, and then returned Java to Dutch rule.



*Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:George_Francis_Joseph -
_Sir_Thomas_Stamford_Bingley_Raffles.jpg](https://commons.wikimedia.org/wiki/File:George_Francis_Joseph_-_Sir_Thomas_Stamford_Bingley_Raffles.jpg)>*

*Thomas Stamford Raffles, British Ruler of Java (1811-1816) and
Founder of Singapore (1819 – Portrait by George Francis Joseph, 1817*

European interference in court affairs, contempt for local people and their customs and laws, plantation expansion, and reliance on Chinese intermediaries as tax farmers provoked a rebellion in 1825. The ensuing Java War (1825-1830) claimed 8,000 European and 7,000 Indonesian lives on the government side and at least 200,000 Javanese rebel lives. Yogyakarta's population was halved in this brutal conflict. The Dutch conquest ended resistance from the local aristocratic elites who, by 1830, were fully integrated into the machinery of colonial domination and exploitation.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:Nicolaas_Pieneman -
The Submission of Prince Diponegoro to General De Kock.jpg](https://commons.wikimedia.org/wiki/File:Nicolaas_Pieneman_-_The_Submission_of_Prince_Diponegoro_to_General_De_Kock.jpg)>

Submission of Prince Diponegoro to General De Kock at the End of the Java War (1825-1830) – Painting by Nicolaas Pieneman, 1835

The Cultivation System (1830-1870). Governor-General

Johannes van den Bosch introduced the Cultivation System (*cultuurstelsel*) in 1830. Under that system, peasants were required to cultivate a portion of their land (initially 20 percent, later 33 percent) for government export crops, in return for remission of land taxes. The Dutch thus usurped existing *corvée* arrangements by claiming labor services traditionally due to indigenous elites. Forced peasant labor also built public works, such as roads, bridges, ports, factories, warehouses, dams, irrigation channels, as well as offices and defense fortifications.

Although peasants traditionally supplied labor and crops to native authorities, the amounts greatly increased under the Dutch. The Dutch also used peasant labor on government plantations, with little or no compensation. Substantial population growth in the Netherlands Indies, from 7 to 16.2 million between 1830 and 1870, sustained the supply of forced labor to the Cultivation System. The principal crops grown under the system were sugar, coffee, indigo, tobacco, tea, pepper, and cinnamon.



Source: Wikimedia Commons available at
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*Dutch Cultivation System on Java, 1830-1870 –
Sorting Tobacco Leaves on a Dutch Plantation in Java, 1930s*

By the 1860s, about 100 factories produced 130,000 tons of processed sugar per year, from cane grown by more than 100,000 peasants on 12,000 hectares. Coffee left the greatest mark, however. Whereas sugar involved about 13 percent of agricultural households, as many as half of all households in Java grew coffee under the Cultivation System. The Dutch increased their profits by requiring direct delivery to the government and removing small traders. The government offered a fixed, guaranteed price, shielding cultivators from world market

fluctuations, but set the price low enough so that in most years the government could claim large rents. Coffee exports accounted for about 80 percent of government profits.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:COLLECTIE_TROPENMUSEUM_Java_koffiestruik_en_onder_dadap_met_peperranken_op_een_onderneming_TMnr_10024162.jpg>

*Coffee Exports Were Key Under the Cultivation System (1830-1870) –
Coffee Plantation in Java, early 20th century*

Between 1831 and 1877, the Dutch treasury received 832 million florins from Indonesia – 19 percent of Dutch governmental revenue before 1850, 32 percent in the 1850s, and 34 percent in the 1860s. The breakdown of the Cultivation System was caused in part by mechanization in the sugar industry (which caused production to become

less dependent on the forced-labor regime) but mostly by the collapse of coffee production following an outbreak of the *vestatrix* disease.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:1916 Dutch East Indies - Art.jpg](https://commons.wikimedia.org/wiki/File:1916_Dutch_East_Indies_-_Art.jpg)>

*Dutch Imperial Imagery –
“The Dutch East Indies, Our Most Precious Jewel,” 1916*

The Liberal and Ethical Periods (1870-1930). Private estates accounted for 30 percent of exports when the Agrarian Law of 1870 shifted the colony from the Cultivation System to liberal economic policies. Export agriculture remained the principal activity, pursued by private estates with long-term leases to land and hired labor. This period saw a production boom due to expansion of cultivated area as well as

technological advances. The importance of sugar peaked in the 1920s, contributing 25 percent of export revenues and 10 percent of government revenues, and Java was then the world's second largest sugar exporter. The laissez-faire approach, however, yielded little benefit for Indonesians, and humanitarian movements became increasingly vocal against abuses in the Dutch colony.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Sugar_Plantation.jpg>

Harvesting Sugarcane in Java with Manual Labor, c. 1900

Meanwhile, investors in the Netherlands began to see Indonesia as a potential market, although Indonesians would need higher standards of

living to afford Dutch manufactured goods. Increasingly sophisticated modes of production required skilled labor, raising the need for education and training of Indonesians. Those trends led to the Ethical Period in the early 1900s, which, though cloaked in humanitarian rhetoric, also was profit-driven. Ethical policies included education, food price stabilization, and restriction of Chinese economic activity to increase opportunities for indigenous Indonesians.



*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Stadhuis_Batavia,_Jakarta.jpg>*

Former Stadhuis of Batavia, Seat of City Government During the Dutch Era – Now the Jakarta Historical Museum, Jakarta Old Town

Two major changes took place – greater attention was directed to the Outer Islands (all of the Dutch East Indies other than Java), and

smallholder export agriculture became increasingly significant. Efforts in the Outer Islands focused on rubber, petroleum, and oil palm, benefiting from government infrastructural investments. Expansion of pepper, copra, tin, and coffee also took place primarily in the Outer Islands. Rubber production, which had started in Sumatra (1903) and Java (1906), surged in the years leading up to World War I as world demand for tires ballooned. By 1925, the Outer Islands produced more than 50 percent of export commodities in the East Indies. Smallholders received a boost from increased availability of inputs, credit, and legislation to protect small farmers. The share of estates in export production fell from 90 to 63 percent between 1894 and 1925. By the 1920s, smallholders produced about 60 percent of agricultural exports outside Java.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:KITLV - 38920 - Kleingrothe, C.J. - Medan - Hevea rubber trees on a plantation at Sumatra%27s east coast - circa 1920.jpg](https://commons.wikimedia.org/wiki/File:KITLV_-_38920_-_Kleingrothe,_C.J._-Medan_-_Hevea_rubber_trees_on_a_plantation_at_Sumatra%27s_east_coast_-_circa_1920.jpg)>

*Smallholder Rubber Plantation, East Coast of Sumatra, Near Medan –
c. 1920*

Great Depression (1930-1940). As a result of the promotion of the private sector, by 1938 there were about 2,400 estates operating in Indonesia, split evenly between Java and the Outer Islands. They occupied about 2.5 million hectares and were controlled by a few large syndicates. The sheer size of the population, however, dwarfed any efforts to increase welfare through education or other measures under the Ethical Policy. Population growth continued apace in Java, but

economic development took place principally in the Outer Islands.

Hence, the vast majority of people saw little benefit.



Source: Wikimedia Commons available at

<https://commons.wikimedia.org/wiki/File:COLLECTIE_TROPENMUSEUM_De_familie_C.H._Japing_met_tante_Jet_en_oom_Jan_Breeman_aan_de_rijsttafel_Bandoeng_TMnr_10030167.jpg>

Not Everyone in the Dutch East Indies Suffered During the Great Depression – Dutch Family Enjoying a Rijsttafel Dinner, 1936

Outer Island development was quite localized – one-third of Outer Island export value came from tobacco, rubber, tea, and palm oil plantations in East Sumatra, and another third from petroleum fields in South Sumatra and East Borneo. When prices for Indonesia's exports plummeted in 1929, the total value of exports fell by two-thirds in six

years. The smallholder and labor-intensive sectors (rubber, sugar, coffee, and tobacco) collapsed as employers sought to slash their wage bills. Total area cultivated for sugarcane fell from 200,000 to 90,000 hectares between 1934 and 1939. Oil and large-scale rubber production expanded to maintain revenues as export prices fell.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:COLLECTIE TROPENMUSEUM Zeven van latex m.b.v. emmers Java TMnr 10012761.jpg](https://commons.wikimedia.org/wiki/File:COLLECTIE_TROPENMUSEUM_Zeven_van_latex_m.b.v._emmers_Java_TMnr_10012761.jpg)>

*Smallholder Rubber Production Collapsed During the Great Depression
– Sifting Rubber Latex Milk in Bogor, West Java, c. 1930*

Overwhelming dependence on exports had made Indonesia particularly vulnerable to the Great Depression, and Dutch policies to

soften the blow at home further hurt Indonesia. The Dutch imposed quotas on cheap Japanese imports to protect Dutch exports to the colony and introduced deflationary moves to lower wages. Dutch participation in the International Rubber Regulation Agreement (1934) sought to protect rubber prices through a ban on new planting and restrictions on replanting. Low production quotas and heavy taxes penalized smallholders to protect the market share of large estates.

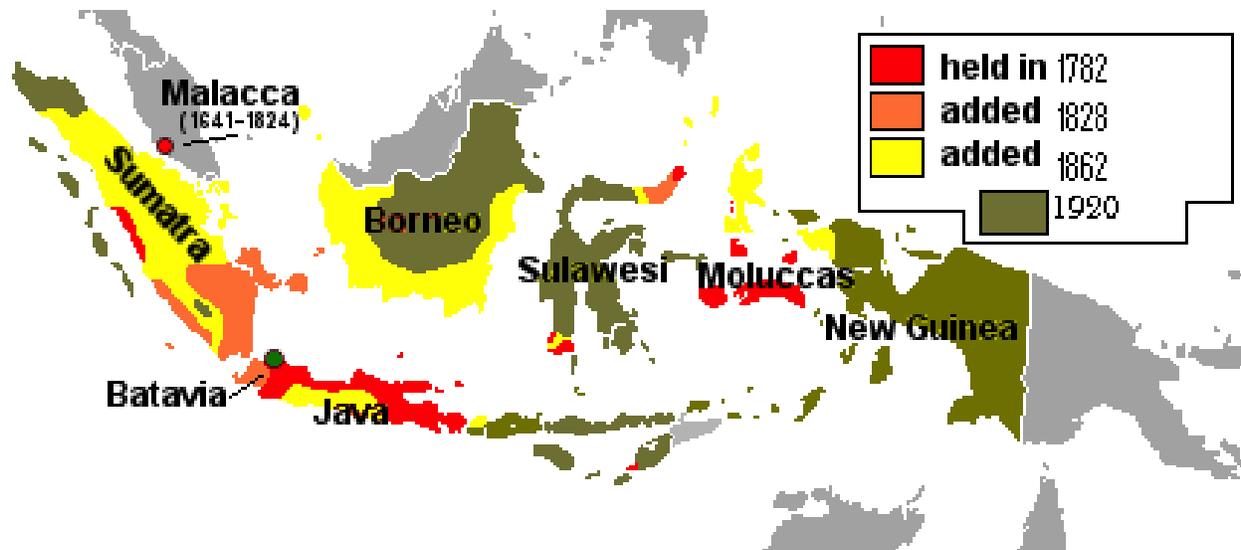


Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:Hevea_brasiliensis -
K%C3%B6hler%E2%80%93s_Medizinal-Pflanzen-071.jpg](https://commons.wikimedia.org/wiki/File:Hevea_brasiliensis_-_K%C3%B6hler%E2%80%93s_Medizinal-Pflanzen-071.jpg)>

*Natural Rubber (Hevea brasiliensis) –
International Rubber Regulation Agreement (1934) Hurt Smallholders*

Between 1913 and 1939, Indonesian exports exceeded imports by over 75 percent, reflecting the flow of resources toward the Netherlands and the key role that Indonesia played in the Dutch economy. About 8 percent of Dutch NDP (net domestic product) came from Indonesia, amounting to a transfer of 10 percent of Indonesia's NDP.

Legacies of the Dutch Colonial Era. Three and a half centuries of Dutch rule exerted a strong influence on politics in independent Indonesia. By 1910, the area under Dutch control comprised most of what was to become the Republic of Indonesia, but the differences between the various components of the Dutch empire produced lasting obstacles to national unity. Tensions persist between inner and outer islands, eastern and western sides of the archipelago, and mineral exporting regions (Aceh, East Kalimantan, and Irian Jaya) and the rest.



Source: Wikimedia Commons available at
 <https://commons.wikimedia.org/wiki/File:Territorial_Evolution_of_the_Dutch_East_Indies.png>

Territorial Evolution of the Dutch East Indies (1604-1920) – Dutch Control in 1782 (Red), 1828 (Orange), 1862 (Yellow), 1920 (Green)

A surprising consequence of Dutch colonialism was a relatively equitable distribution of economic assets, since the colonial era left few possibilities for concentration of wealth or assets in private individual hands. The large plantations were generally taken over by the state following independence. The promotion of smallholder cultivation for export had thus resulted in fairly even distribution of land ownership. In shifting a large part of the population from subsistence rice cultivation to production for markets, the Dutch introduced several crops that came to

be integral to Indonesian agriculture – maize, cassava, sweet potatoes, and peanuts.



*Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Cassava.jpg>>*

*The Dutch Introduced Several Food Crops –
Cassava (Manihot esculenta) Is the Second Leading Source of Calories,
After Rice, in the Indonesian Diet*

Several colonial economic policies strongly influenced independent Indonesia, with irrigation efforts foremost among them. The Dutch invested heavily in irrigation infrastructure, irrigating about 2.3 million hectares in Java. Colonial policy included construction of

large reservoirs, new irrigation efforts in the Outer Islands as a foundation for transmigration schemes, and continual technical improvement of the system on Java. Those policies persisted after independence and contributed critically to eventual Green Revolution success in the 1970s and 1980s.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Rice Terraces in Jatiluwih, Tabanan Regency, Bali, Indonesia.jpg>>

*Rice Terraces, Bali – Dutch Investments in Irrigation for Food Crops
Enabled the Green Revolution in the 1970s and 1980s*

Indonesia (1942-1967) – War, Independence, and Sukarno

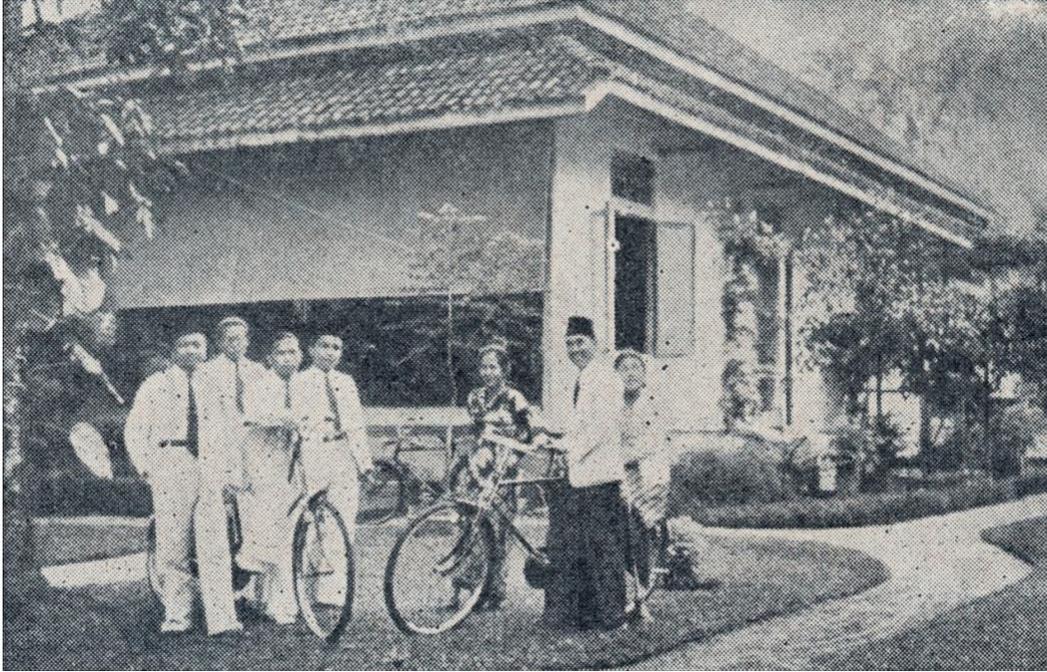
Sukarno and the Nationalist Movement (1920s-1930s). Sukarno was the leading figure in the movement for Indonesian independence from the Netherlands. He was born in East Java, the son of a Javanese father, who was a high school teacher, and a Balinese mother. Sukarno attended high school in Surabaya and received an engineering degree in 1926 from the Technical College in Bandung. While a student, Sukarno formulated his political philosophy of secular nationalism based on a cultural synthesis of Hindu, Buddhist, Islamic, and Western ideas.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Sukarno_and_council_in_front_of_Bandung_Court,_Bung_Karno_Penjambung_Lidah_Rakjat_227.jpg>

*Sukarno (Third from Left) on Trial in Bandung, 1926 –
Served One Year in Prison*

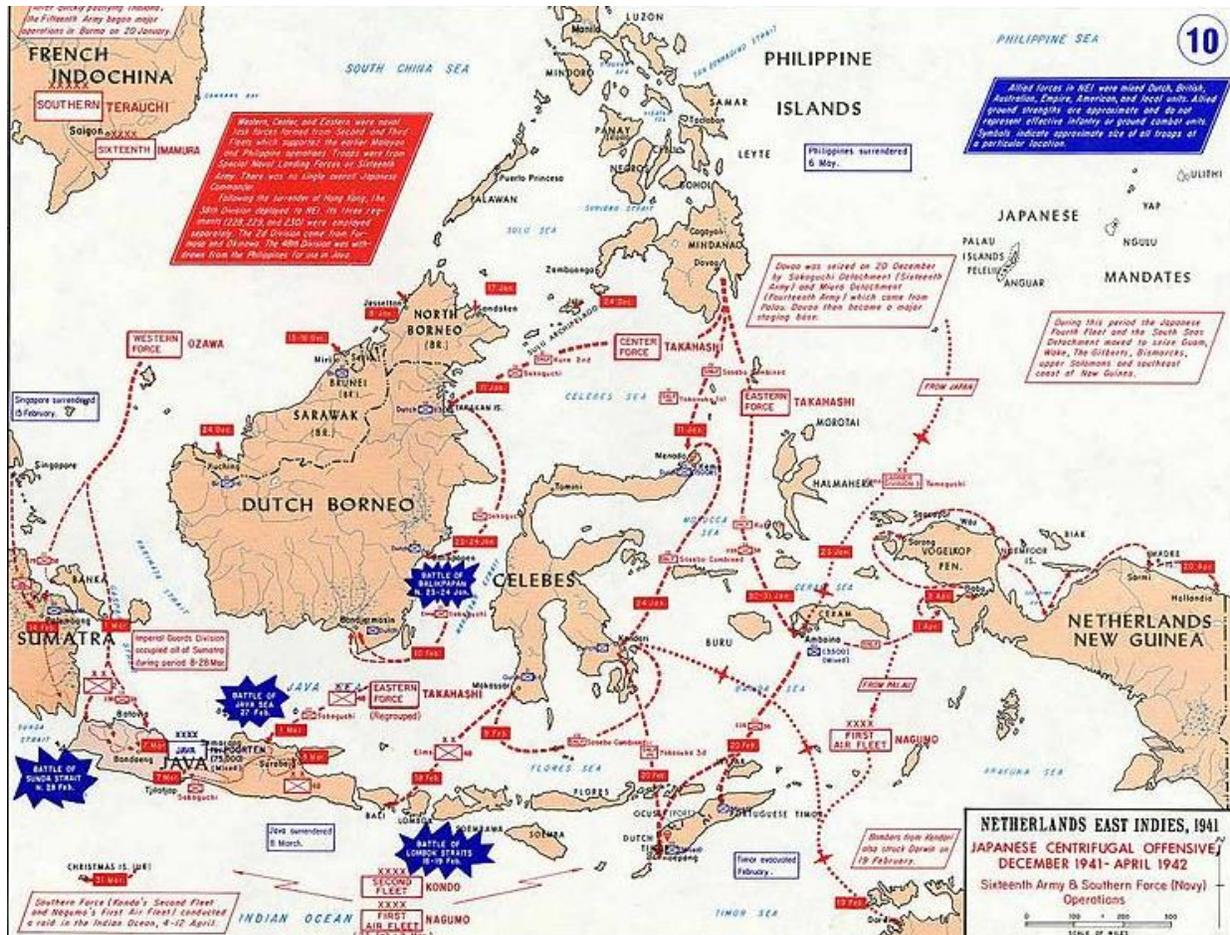
In 1927, he and his friends formed the Indonesian Nationalist Party (PNI) with the objectives of achieving political independence from the Netherlands and national unity within the colonial Dutch East Indies. Sukarno envisioned his own role as that of the unflinching leader whose historical destiny was to bring Indonesia independence with national unity. His political philosophy thus was opportunistic rather than ideological, and he had little interest in or understanding of economic policy. With the onset of the Great Depression in the 1930s, the Dutch colonial leaders in the East Indies adopted a hard line against Indonesian nationalists and the PNI. They jailed the main nationalist leaders, including Sukarno, Mohammad Hatta, and Sutan Sjahrir, and banned political meetings. Nationalist leaders who were not in jail went underground for the remainder of the decade.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Sukarno_in_exile_in_Bengkulu,_Bung_Karno_Penjambung_Lidah_Rakjat_229.jpg>

Sukarno in Political Exile – Bengkulu, Sumatra, 1939

World War II and Japanese Control (1942-1945). World War II in the Pacific theater began in December 1941 when Japan attacked Hawaii, the Philippines, Hong Kong, and Malaya. The Japanese military invaded Indonesia in January 1942 and wrested control of the colony from the Dutch within two months. Japan then imprisoned or interned about 170,000 Europeans and Indonesians and began its brutal, three-and-one-half-year rule of the islands.



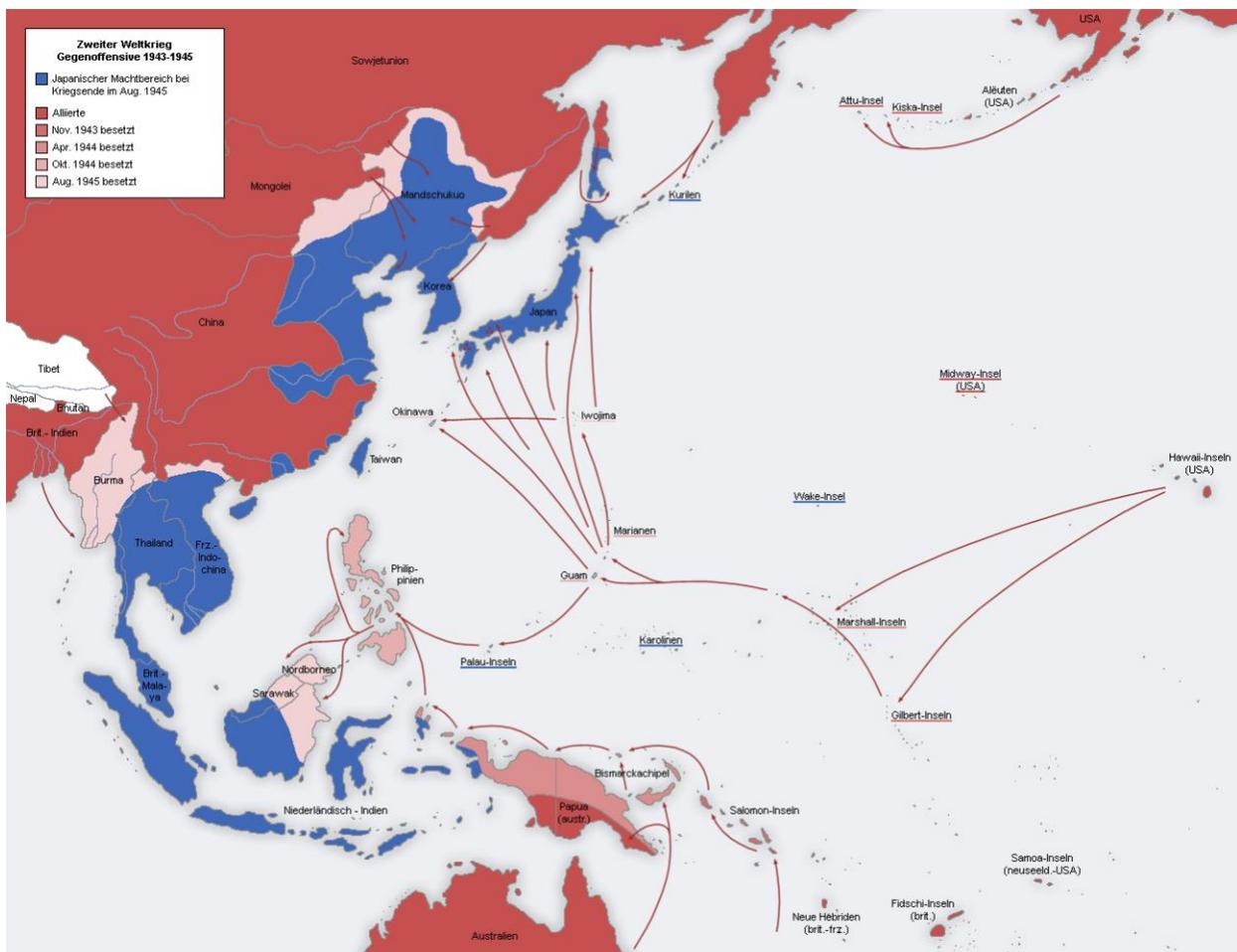
Source: Wikimedia Commons available at

https://commons.wikimedia.org/wiki/File:Pacific_War_-_Dutch_East_Indies_1941-42_-_Map.jpg

The Japanese Conquest of the Dutch East Indies, January-April, 1942 – Petroleum, Tin, and Rice

Japanese leaders invaded the East Indies because they wanted direct control of the islands’ natural resources, especially petroleum, tin, and rice, to create an East Asia Co-prosperity Sphere. But Japanese rule created economic chaos in the East Indies. The islands’ once-flourishing commodity exports shrank to levels even lower than the troughs of the

Great Depression because Japan could not absorb all of Indonesia's agricultural exports, the Allies' submarines inflicted great damage on the Japanese merchant marine, and resistance fighters sabotaged the oil fields and tin mines. As the Second World War wore on, the Japanese increased their use of forced labor and began rice requisitions.



Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Second_world_war_asia_1943-1945_map_de.png

Allied Counter-offensive Against Japan, 1943-1945

Local opposition to the brutal Japanese rule and its attendant economic hardships helped cause a political awakening among the masses, even in the normally conservative villages. Japanese military rulers had permitted political activity by Indonesian nationalist leaders, especially on Java, and both old and new nationalist leaders began to forge ties with the urban and rural masses. Many of the nationalists, including Sukarno and Hatta, had collaborated with the Japanese rulers to speed Indonesian independence. The Japanese military, which had decided against giving nominal independence to Indonesia, was reconsidering that position when World War II ended in August 1945.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:DSC00028_Java_Ouest_Kampung_Naga_Rice_Field_\(6220094374\).jpg](https://commons.wikimedia.org/wiki/File:DSC00028_Java_Ouest_Kampung_Naga_Rice_Field_(6220094374).jpg)>

Japanese Rice Requisitions Created Economic Chaos and Nationalistic Opposition – Rice Paddies in Naga, West Java

Independence, Revolution, and War with the Netherlands

(1945-1950). Sukarno read a declaration of Indonesian independence on August 17, 1945, just after the Allies had defeated Japan. The victorious Allies, who had little knowledge of the political situation within Indonesia, accompanied the Dutch back into the country. The Dutch desired to restore their colonial rule and rid the country of the Republican leaders who had collaborated with the Japanese. President Sukarno, Vice-president Hatta, and the Republican government hoped to unify an independent Indonesia under their rule.



Source: Wikimedia Commons available at https://en.wikipedia.org/wiki/File:Indonesia_declaration_of_independence_17_August_1945.jpg

Sukarno (Left) and Mohammed Hatta, Indonesia's First President and Vice-President – Proclaimed Independence, Jakarta, August 17, 1945

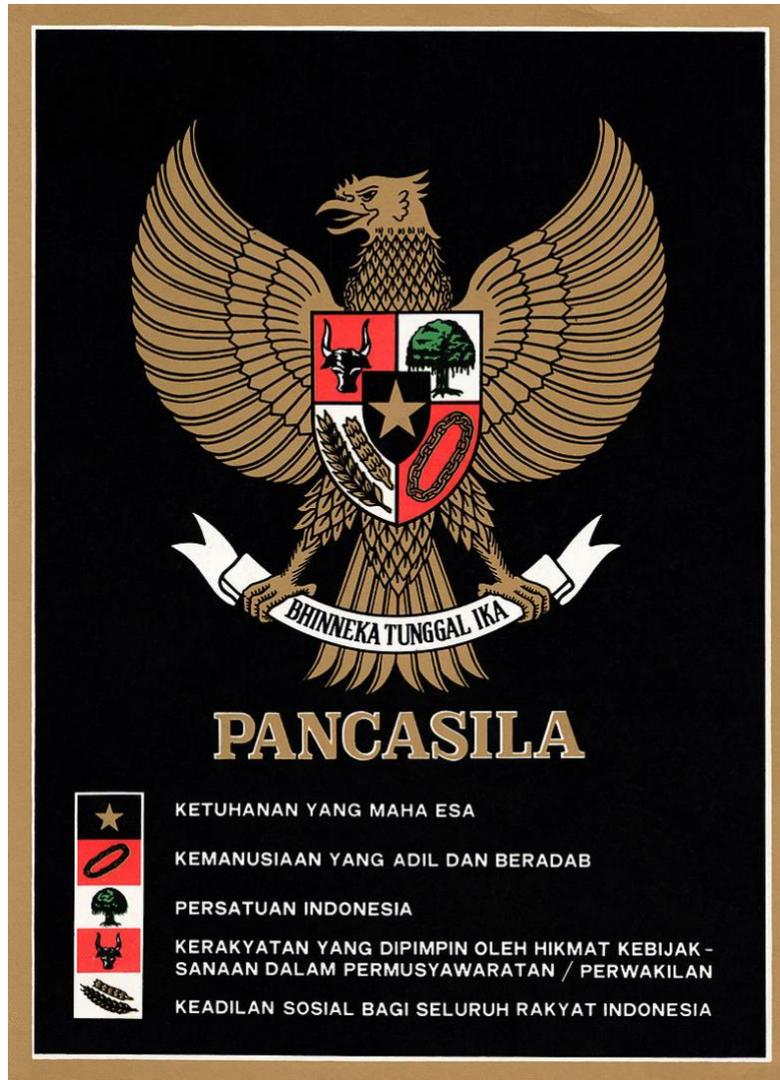
Armed conflict soon broke out. In mid-1947, the Dutch were squeezed by the costs of maintaining an army of 100,000 troops in Indonesia without offsetting revenues from export commodities. The Dutch began a series of “police actions” to increase the territory and resources under imperial control. The Dutch military came close to winning the war in early 1949, when it had reduced Republican control to parts of Central Java. But Republican forces began to wage quite effective guerrilla warfare, and it became unclear whether either side could win a military victory.



Source: Wikimedia Commons available at <https://commons.wikimedia.org/wiki/File:Nederlandsindie.png>

The Indonesian War of Independence (1945-1949) – Areas Under Indonesian Control (Red) and Dutch Control (Green) in 1949

The United States then increased its pressure on the Netherlands to force an end to the war. The American government condemned the Dutch police actions in the United Nations and threatened to cut off Marshall Plan economic assistance to the Netherlands (that aid was critical for Dutch post-war economic recovery). Facing that extreme diplomatic pressure, the Dutch agreed to negotiate an end to the fighting. They formally transferred sovereignty to the Republic in December 1949. On August 17, 1950, the Indonesian government was reconstituted as a new Republic of Indonesia with its capital in Jakarta.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:Garuda_Pancasila_Poster_\(color\).jpg](https://commons.wikimedia.org/wiki/File:Garuda_Pancasila_Poster_(color).jpg)>

Pancasila, Five Constitutional Pillars of Indonesian Democracy – One God, Humanity, Indonesian Unity, Democracy, Social Justice

Republic of Indonesia and Parliamentary Democracy (1950-1957). The new Republic of Indonesia had a rocky first decade in its experiment with parliamentary democracy. Twenty parties were represented in the Parliament in 1950. Political fragmentation increased

after the election of 1955 when 28 parties won representation. The largest, Sukarno's PNI, garnered only 22 percent of the vote. Two Islamic parties, Masyumi and Nahdlatul Ulama (NU), and PKI (the Communist party) each won between 16 and 21 percent. Political instability in Parliament was accompanied by slow economic recovery.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Indonesian_Culture.jpg>

Sukarno Initially Failed to Weld Indonesia Together – Key Indonesian Cultural Symbols (Flag, Pancasila Emblem, Wayang Kulit Puppet)

The Indonesian economy had been devastated by 20 years of depression, occupation, and war. Inflation was high throughout much of the 1950s, and Sukarno pursued a policy of nationalization of foreign-owned assets – from Dutch investors in 1957-1958, during the

confrontation over control of West Irian, and from British and American investors in 1963-1965, during the confrontation policy disputing the formation of Malaysia. Those nationalistic actions discouraged private foreign investment and international aid donors.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:Administrative_map_of_Borneo_\(Indonesian\).png](https://commons.wikimedia.org/wiki/File:Administrative_map_of_Borneo_(Indonesian).png)>

*Indonesia and Malaysia Fought Over Control of Borneo (1963-1965) –
War Abetted Indonesia’s Economic Chaos*

In spite of the political fragmentation and economic stagnation, Indonesia achieved one important goal during the 1950s – Sukarno and Hatta began the arduous process of building a nation. That successful nation-building was evidenced by significant political developments – the pride of the people in winning the War of Revolution of 1945-1950, the willingness of nearly everyone in the country to adopt Malay as the national language, the staging of relatively free, democratic elections in 1955, and the willingness of most politicians to focus their efforts on national rather than regional issues.



*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Masjid_Baiturrahman_-_panoramio.jpg>*

*Baiturrahman Mosque, Banda Aceh –
Secular Democracy, Malay Language, Indonesian Nation-building*

Indonesian Communist Party and Sukarno (1950-1965). The Indonesian Communist Party (PKI) was founded in 1920. Communism was depicted as a return to a romanticized Java at the height of the Majapahit Empire (14th century) – before the arrival of Islam and the Dutch. The PKI leaders stumbled into poorly organized insurrections in West Java and Batavia (now Jakarta) in late 1926 and in Sumatra in early 1927. The Dutch colonial officials put down both uprisings, brutally and quickly. Following the arrest of 13,000 alleged Communists, the PKI went into eclipse for two decades.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:PKI-1925-Commisariate_Batavia.jpg>

*Meeting of the Commissariat of the Parti Kommunist Indonesia (PKI) –
Batavia (Jakarta), Dutch East Indies, 1925*

The PKI revived rapidly after the end of the Second World War. In 1948, Sukarno successfully led the fight in Madiun to suppress the PKI uprising against his government. But in the 1950s, Sukarno recognized the growing popularity of the PKI, especially in rural Java, and he formed a coalition with his PNI as senior partner and the PKI as junior partner. By 1955, the PKI had about 1 million members. In the election of 1955, the PKI surprised observers by receiving over 6 million votes, finishing a strong fourth, and earning 39 seats in Parliament.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Women_Making_Batik,_Ketelan_crop.jpg>

*Batiking, Ketelan, Central Java, Heartland of the PKI –
5 million Active Members in Indonesia by 1965*

The Communist Party leaders had turned the PKI into a community development organization that repaired rural infrastructure (roads, bridges, schools, dams, and drains), eradicated pests, taught literacy courses, and organized sporting and musical events in villages. Between the mid-1950s and the mid-1960s, membership in the PKI rose at a spectacular rate. By 1965, the PKI leadership claimed a following of 27 million and the party probably had at least 5 million active members. Sukarno continued his close working relationship with the PKI until his downfall and the party's demise.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Communist_Party_of_Indonesia.png>

*Emblem of the Indonesian Communist Party (PKI) –
Sukarno Worked Closely with the PKI Until Its Demise*

Sukarno and Guided Democracy (1957-1965). Sukarno

introduced Guided Democracy in 1957. Sukarno desired to undermine the power of the Parliament and the parties. Guided Democracy thus was intended to justify greater authoritarian rule by Sukarno and to replace the ineffective multiparty government. The new philosophy was meant to be a return to revolutionary principles, to introduce greater social justice into government policy-making, and to re-orient the economy toward greater government ownership along socialist lines. Under Guided Democracy, intrigue and conspiracies were commonplace in domestic and international politics.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:Presiden_Sukarno_\(colored\).jpg](https://commons.wikimedia.org/wiki/File:Presiden_Sukarno_(colored).jpg)>

*Sukarno's Guided Democracy (1957-1965) –
Nationalism, Religion, and Communism (NASAKOM)*

Within the Indonesian government, there were shifting alliances and power struggles among Sukarno, the Indonesian Communist Party (PKI), and the military. The United States, the USSR, and China competed for strong diplomatic links with Indonesia within the sphere of Cold War international politics. The military, particularly the army, gradually usurped increasing power in political, administrative, and bureaucratic as well as military roles. The army gained ascendancy after it successfully put down the attempt of the Revolutionary Government

of the Indonesian Republic (PRRI) to overthrow the Sukarno government in 1958. Despite financial and military support from the US, Malaya, and Singapore, the PRRI coup attempt, centered in Sumatra and Sulawesi, lasted less than six months.

In opposition to the growing strength of the military in the government, Sukarno forged an alliance with the PKI and became more dependent on support from China. Starting in 1960, Sukarno received substantial military and economic assistance from the USSR.



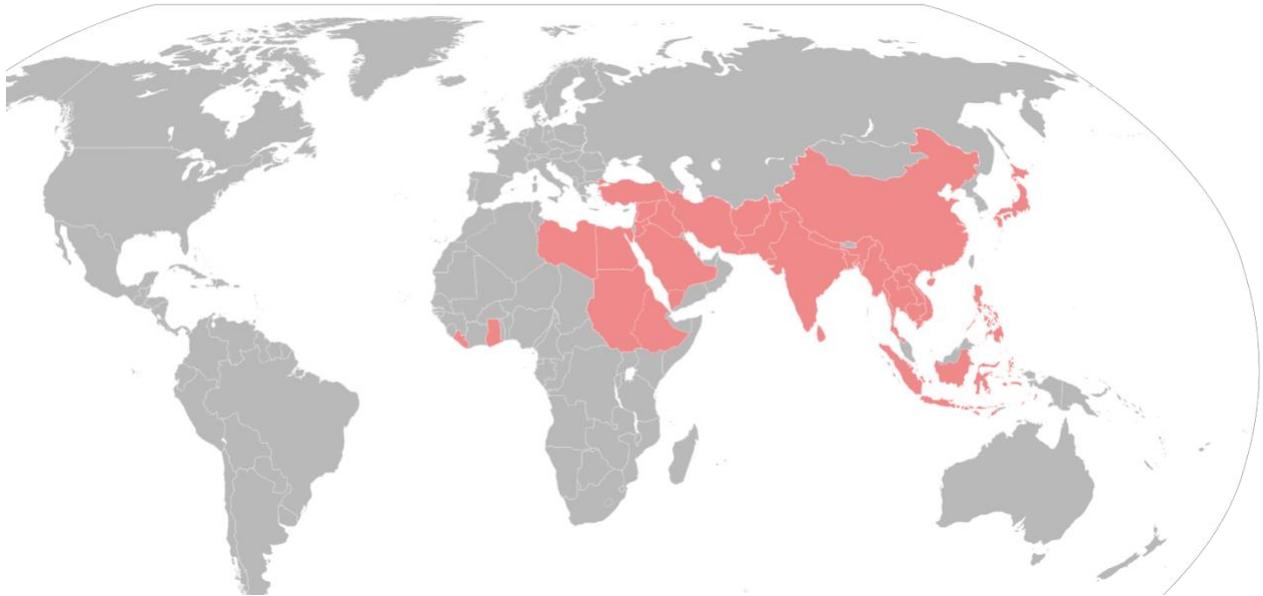
*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Wayang_Kulit,_Central_Java.jpg>*

*Shadow Puppets (Wayang Kulit), Central Java –
Sukarno Moved Left toward China and the PKI*

Foreign Affairs – Bandung, Irian, and Malaysia (1955-1965).

Three events highlighted international relations under Sukarno's governments. The first was the Bandung Conference of 1955.

Indonesia hosted a meeting of 29 Afro-Asian developing nations, which was attended by Nehru, Chou En-Lai, Tito, Sihanouk, U Nu, Nasser, and Nkrumah. That conference was a foreign relations coup for Sukarno who thereafter continued to think of himself as a leading player in the nonaligned movement. The success of Bandung encouraged Sukarno to look abroad for political victories whenever issues at home became very difficult.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Asian-African_Conference_Participants.svg>

Delegates from 29 Afro-Asian Countries (Red Areas) Attended the Bandung Conference, April 1955 – Foreign Relations Coup for Sukarno

The second international event was Indonesia's persistent struggle with the Netherlands to transfer Irian (the western half of New Guinea) to Indonesian administration. Although the people of Irian were mostly Melanesian rather than Malay, Indonesian leaders consistently viewed Irian as an integral part of the Dutch East Indies and hence of independent Indonesia. Facing the prospect of an expensive, drawn-out war in remote rainforests and pressure from the United States, in 1962 the Netherlands agreed to transfer its colony in New Guinea to Indonesia. Indonesia incorporated Irian as a province after a rigged election in 1969.



*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Orang_Asmat.jpg>*

*Asmat Woodcarver in Irian (Now West Papua) –
Former Dutch Colony Controlled by Sukarno’s Indonesia from 1962*

The third international event was Sukarno’s decision in 1963 to adopt a policy of confrontation against the formation of Malaysia. Sukarno strongly opposed this federation of former British colonies because it housed British bases and he feared that communists from Malaysia would support the expanding PKI. Indonesia’s confrontational stance toward Malaysia was a diversionary tactic adopted to benefit Sukarno (who wanted to restore a revolutionary spirit to divert attention

from the country's economic difficulties), the military (who wanted higher budgets and greater political power), and the PKI (who favored instability and mass agitation to generate recruitment of new members).



Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:Anti_Indonesian_Infiltration_during_Confrontation,_1965.jpg

Malaysian Women Demonstrating in 1965 – “Our Womenfolk Are Ready To Defend Malaysia. Long Live Tunku! Destroy Sukarno!”

Economic Chaos and the Year of Living Dangerously (1961-1965). When Sukarno took greater control and introduced Guided Democracy in 1957, economic policy deteriorated. To punish Dutch refusal to transfer Irian to Indonesia, in 1957-1958 Sukarno expropriated

Dutch property, including estates producing export crops. In 1959, Sukarno announced a new policy of Guided Economy, which was intended to lead to greater socialism. The prospects for new foreign investment quickly dwindled.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Malabar_Tea_Estate_harvest.jpg>

*Tea Plantation, West Java –
Nationalized During Sukarno’s Guided Economy (1959-1965)*

Between 1961 and 1965, income per capita stagnated and 60 percent of the population lived in poverty. Three-fourths of Indonesians were employed in the agricultural sector, but Sukarno’s policies discriminated heavily against farmers. The price of rice was controlled

at low levels to help urban consumers, and the exchange rate was kept at unrealistically high (overvalued) levels, which harmed farmers who grew crops for export (rubber, tea, coffee, tobacco, palm oil). With the exception of small-scale rubber production, Indonesia's agricultural exports shrunk to insignificant levels, and the country became dependent on rubber, petroleum, and tin for three-fourths of its export earnings. Those export commodities were produced mostly in Sumatra.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:COLLECTIE TROPENMUSEUM Het aftappen van een rubberboom op een plantage van Goodyear bij Siantar TMnr 20018369.jpg](https://commons.wikimedia.org/wiki/File:COLLECTIE_TROPENMUSEUM_Het_aftappen_van_een_rubberboom_op_een_plantage_van_Goodyear_bij_Siantar_TMnr_20018369.jpg)>

*Rubber Tapping, Siantar, North Sumatra –
Rubber Was Sukarno's Only Significant Agricultural Export*

The economy hit bottom in 1965. Excessive government spending and poor tax collection led to an annual inflation rate of over 500 percent. The price of rice increased nine-fold, and the exchange rate depreciated to levels less than one-tenth of its original value. In August, Indonesia disassociated itself from the benefits and discipline of the major economic international organizations when it left the International Monetary Fund and the World Bank. Economic chaos and political uncertainty fueled paranoia among Indonesian citizens. 1965 was truly the year of living dangerously.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Indonesian_rice_vendor.JPG>

*The Price of Rice, Indonesia's Food Staple, Increased Nine-fold in 1965
– Rice Market, Pasar Mandiri Kelapa Gading, Jakarta*

1965 Coup and Removal of Sukarno (1965-1967). A coup attempt began on September 30, 1965. A small group of dissident army officers plotted to wipe out much of the senior military leadership and to place the cleansed army directly under Sukarno's control. Sukarno later denied any knowledge of the plot until after the 30 September Movement (later termed Gestapu by opponents) had murdered six senior generals. One general, Suharto, who was not deemed important enough to be on the coup hit list, quickly took control of the loyalist armed forces. He secured central Jakarta without firing a shot and ended the coup attempt within two days. Suharto then demonstrated political guile as well as military leadership.



*Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Dalang.jpg>>*

*Central Javanese Wayang Golek, Puppeteer and Puppet –
Suharto Replaced Sukarno with Javanese Diplomacy and Political Guile*

Suharto gradually effected his own military coup by carefully undercutting Sukarno and usurping power, while claiming to be restoring the military to Sukarno's control. The Indonesian Communist Party (PKI) was blamed for the coup attempt. Abetted by the military, students began a mass protest against the Communists. Between 100,000 and 1 million people were killed in six months of murderous mayhem; most analysts feel 400,000 to 500,000 deaths is a likely

estimate. In addition, about 100,000 prisoners were held without trial. The PKI thus was liquidated as a political force.

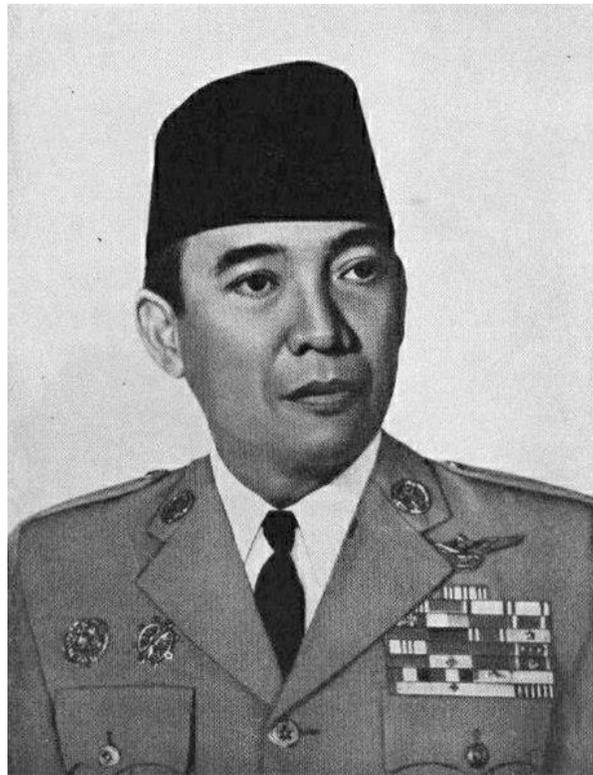


Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Anti_PKI_Literature.jpg>

Propaganda Leaflets Blaming the PKI for the 1965 Coup – – Who Was Responsible for 500,000 Deaths?

Suharto took over effective rule of the divided country gradually during 1966. He isolated Sukarno, but chose not to confront him directly and risk a civil war. Sukarno remained president in name until early 1967 when the Provisional People’s Consultative Assembly

stripped him of all power and named Suharto Acting President. Sukarno then was exiled under de facto house arrest and died bitterly in 1970. To avoid political complications, Suharto chose never to bring Sukarno to trial or to investigate his role in the coup.



Source: Wikimedia Commons available at
<[https://commons.wikimedia.org/wiki/File:Sukarno, Sang Saka Melanglang Djagad, p12.jpg](https://commons.wikimedia.org/wiki/File:Sukarno,_Sang_Saka_Melanglang_Djagad,_p12.jpg)

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*Sukarno (1901-1970), President of Indonesia (1945-1967) –
Pictured in 1964, Forced by Suharto to Resign in 1967*

Indonesia (1967-present) – New Order, Crisis, and True Democracy

New Order Politics – Golkar and Abri. In his personal philosophy of government, Suharto blended Javanese mysticism and a moderate version of Islam. Suharto infused this cultural philosophy, drawn from his childhood of poverty in rural Central Java, into the Indonesian government during his three decades in power. The motivating force behind his New Order governments was the economic development of his impoverished country. In direct contrast to the Old Order under Sukarno, the New Order governments centralized political institutions and fragmented civil society.



Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Jenderal TNI Soeharto.png>>

*Suharto (1921-2008) – Acting President of Indonesia (1967-1968),
President of Indonesia (1968-1998), Portrait in 1968*

But there were numerous continuities in Indonesian politics – a powerful president, a strong military, the dominance of Java over the Outer Islands, a divided Muslim political community, the resentment by the Malay peoples (*pribumi*) of the economic strength of the Chinese minority, a weak legal system, and rampant corruption, nepotism, and patronage. Golkar (functional groups) was the most important political organization in the New Order era. Golkar, the organizational vehicle

(later political party) through which Suharto and the military wielded tight political control, was dominated by military officers and high-ranking civil servants, although it nominally included other functional groups such as farmers, labor unions, and businesses.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Logo_Golkar.svg>

Golkar – Suharto's Hybrid Political Party

Abri (the military) rationalized its widespread penetration of all levels of government under the concept of *dwifungsi* (dual function) through which the military claimed a joint responsibility in both military and administrative affairs. Military officers thus dominated the

bureaucracy and state-owned enterprises, and they also owned other businesses. Military dictatorships around the world envied this high degree of Indonesian military control.



*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Indonesia_army_soldiers.jpg>*

Indonesian Army (Abri) Soldiers On Parade

New Order Economics – Technocrats and Nationalists. A sharp and often bitter debate emerged over how rapid economic growth should best be accomplished. The technocrats were ministers, civil servants, advisors, and academicians – schooled in economics, many at the University of California, which led to the sobriquet, “Berkeley mafia” – who held orthodox views of economic management. They believed that

economic growth required political and macroeconomic stability, protection of property rights, market-oriented prices and exchange rates, and provision of public goods (physical infrastructure, education, health). In the late 1960s, the technocrats reined in the government deficit, cut inflation to low levels, stabilized the exchange rate, re-established ties with Western donors and international institutions (IMF and World Bank), and thereby encouraged private (domestic and foreign) investment.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Indonesian_midwives.jpg>

*Newly Certified Midwives, South Sulawesi –
Rural Public Services Supported by Technocrats*

A competing economic philosophy emerged in the early 1980s. The economic nationalists, led by B. J. Habibie (the Minister of Science and Technology), argued that non-Chinese Indonesian (*pribumi*) entrepreneurs required government assistance to compete with the dominant Chinese conglomerates and that growth based on labor-intensive and resource-intensive exports was insufficient. In addition, they felt the country needed to invest in engineering-intensive industries that would lead to a state-directed, technological leap forward. Indonesia thus set up ten strategic industries (e.g., aircraft, steel, shipbuilding, ammunition, electronics) in state-owned enterprises under Habibie's Strategic Industries Board (BPIS). Suharto adroitly played off the technocrats against the nationalists so that he could maintain ultimate control of economic policy.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:N250_at_Bandung_Airshow_2012.jpg>

*B. J. Habibie's IPTN Aircraft Industries, Bandung –
First Prototype of the IPTN N-250, Development Discontinued in 1998*

Islamic Influences – Religion and Politics. Indonesia has the largest Muslim population in the world. Although 90 percent of Indonesians – about 245 million people – are nominally Muslim, Indonesia has been a secular state since independence. This outcome reflects the successful political maneuvering by Sukarno and Suharto to control Muslim interest groups. Both exploited a longstanding cultural split between so-called modernists and traditionalists within the Muslim community in Indonesia. Islam was brought to Indonesia by traders from the Indian sub-continent starting about seven centuries ago. The

version of Islam introduced into most parts of Indonesia was Sufi, and that mystical interpretation permitted an easy cultural fusion.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Religious_map_of_Indonesia.jpg>

*Contemporary Religions in Indonesia –
Islam (Dark and Light Green), Protestantism (Yellow), Hinduism (Red)*

Belief in Islam became the top layer of a syncretic fusion of earlier animistic, Hindu, and Buddhist philosophies and practices. In the early 20th century, modernist Islamic scholars questioned this syncretic approach. In 1912, they formed a mass Islamic organization, Muhammadiyah, to strengthen Islamic practices. Since independence, modernists, mostly urban and relatively wealthy, have pressed for a

more literal interpretation of the Koran and have attempted (without success) to make Indonesia an Islamic state. Traditionalist Muslims, who wished to maintain the syncretic approach, established the Nahdlatul Ulama (Revival of Religious Scholars, or NU) in 1926. The NU became the largest Muslim group in the country with more than 40 million members in 2019. The NU draws most of its membership from rural, poor Javanese, and it remains strongest in East Java. This Muslim division continued in Indonesian politics. Abdurrahman Wahid (known as Gus Dur) led NU for many years and served as Indonesia's President between 1999 and 2001, whereas an ex-Parliamentary Speaker, Amien Rais, headed Muhammadiyah between 1995 and 1998.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Istiqlal_Mosque_Eid_ul_Fitr_Jamaah_1.JPG>

Istiqlal Mosque, Jakarta, Largest Mosque in Southeast Asia – Accommodates Muslims from Nahdlatul Ulama and Muhammadiyah

Economic Success – Agriculture and Exports. Between 1967 and 1996, income per capita increased fourfold and the proportion of the population living below the poverty standard fell from three-fifths to one-sixth. That impressive economic performance was aided by appropriate economic policies, although the country also benefited from foreign technologies. Policymakers stressed agriculture, where most Indonesians worked, and encouraged investment in production for export, where Indonesia could compete efficiently. Total agricultural

production grew at the high rate of 4 percent per year. Rice yields tripled and output nearly quadrupled. A well-chosen set of policies underpinned this performance – research to develop high-yielding varieties, public investments in roads and ports, subsidies on fertilizers and irrigation, and favorable macroeconomic policies (to ensure a stable exchange rate). This Green Revolution occurred on tiny irrigated rice farms as farmers adopted the miracle rice varieties and improved their farming practices.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Rice_harvest_in_Bali_2.jpg>

Rice Harvest in Bali – The Green Revolution Led to a Tripling of Rice Yields and to Quadrupling of Rice Production

Export crops, produced on estates or by smallholders, benefited from a similar set of incentives. The production of palm oil and tea, grown mostly on estates, and of rubber, coffee, and cocoa, produced mainly on small farms, expanded rapidly. Those agricultural exports plus growing exports of petroleum were critical in the 1970s, whereas labor-intensive manufactured exports (textiles, shoes, and electronic parts) expanded very quickly after 1985. By 1996, income from manufacturing exceeded income from agriculture, export earnings from manufactured goods were more than half of total export earnings, and the share of employment in agriculture had fallen to less than half. The Indonesian economy had achieved much structural transformation and appeared to have reached a sustained growth path.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Bandung_city_centre,_July_2014.jpg>

Bandung, West Java, Center of Industry – Typifies Indonesia’s Structural Transformation from Agriculture to Manufacturing

Economic Success – Policies for Growth. The Indonesian technocrats and their foreign advisors convinced Suharto and the military that rapid economic growth should take high priority in the New Order. Suharto and his inner circle were not familiar with the tools of economic development and so they relied heavily on the technocrats for guidance. The orthodox technocrats first established a positive economic environment to encourage domestic and foreign private investment. They instituted a neutral set of macroeconomic policies – nearly balanced government budgets, prudent rates of expansion of the money supply, and market-guided exchange rates – thereby ensuring

low rates of inflation (typically less than 10 percent per year) and guaranteeing investors a predictable economic climate.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:BRP_Tarlac_homebound.jpg>

*Landing Platform Dock, Constructed at PT PAL Shipyard, Surabaya –
But Technocrats Limited Economic Nationalists’ Prestige Projects*

The economic nationalists persuaded Suharto to give subsidies to the state-owned firms that produced their strategic products and to provide protection for a wide range of manufactured goods. In general, however, price policies complemented the macro stability and provided appropriate incentives to entrepreneurs. Policies positively influenced the production of food crops and other agricultural commodities. Local rice prices were stabilized around the trend of world rice prices, removing the need for producers and consumers to adjust to widely

fluctuating world rice prices, and the government invested in agricultural research that developed higher yielding varieties of rice and other crops.

The Indonesian government used much of its revenue from petroleum exports to invest in public goods including physical infrastructure (roads, ports, and irrigation works) and human capital (education and health). Those public investments underpinned the efficient expansion of agriculture and manufacturing and alleviated poverty by creating jobs in rural areas.



Source: Wikimedia Commons available at [https://commons.wikimedia.org/wiki/File:Indonesia_Oil_%26_Gas_\(30249692363\).jpg](https://commons.wikimedia.org/wiki/File:Indonesia_Oil_%26_Gas_(30249692363).jpg)

Petroleum and Natural Gas in Indonesia in 2016 – Indonesian Government Used Oil and Gas Revenues Effectively

Looming Problems – Cronies and Family. The aggregate statistics of economic growth and poverty alleviation and the appropriate policies for growth hid some ugly truths about the New Order economy. From the outset, Suharto, his close colleagues, and other military officers engaged heavily in crony capitalism. They used an “Ali-Baba system” in which Indonesian government officials collaborated with Chinese-Indonesian businessmen to obtain privileged access to resources or markets. Both sides accumulated huge fortunes at the expense of others in the Indonesian economy.

So long as the economy was growing rapidly and the Ali-Baba arrangements were not excessive, those inefficiencies could be accommodated. In some cases, the deals involved legal rent-seeking in which the Suharto government provided import monopolies, special access to credit from state-owned banks, or privileged bidding on government projects. In others, there was illegal corruption in which laws were ignored or circumvented. Suharto’s personal Baba, Liem Sioe Liong, became one of the richest men in Asia, and in the 1990s his

Salim Group generated annual sales of \$9 billion (60 percent from operations in Indonesia) and employed 135,000 Indonesian workers.



Source: Wikimedia Commons available at
<<https://id.wikipedia.org/w/index.php?title=Berkas:Sudonosalim.jpeg&filetimestamp=20160404083235&>>

*Liem Sioe Liong (Sudono Salim), Suharto's Business Colleague –
Corrupt Crony Capitalism*

In the 1990s, Suharto's six children greatly exacerbated the problem of crony capitalism. They set up conglomerates, often in partnership with established cronies, convinced Suharto to give them blatant privileges, and accumulated huge assets. A favored ploy was to agree to act as agent for a prospective investor in return for a 15 percent equity stake in the business to be established. The greed of Suharto's

children blinded him to the waste of resources and the growing political backlash against crony capitalism. Their forced borrowing from state banks for risky projects threatened economic growth.



*Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Suharto_and_Ibu_Tien.jpg>*

Official Portrait of Suharto and First Lady Siti Hartinah – Also Known Affectionately as Ibu Tien and By Her Critics as Madam Tien Percent

Economic Crisis – Weaknesses and Mismanagement.

Economic growth in the first half of the 1990s was 7.5 percent annually.

Expectations of continued rapid growth caused investors to overlook

three severe, intertwined structural weaknesses of the Indonesian

economy – poor bank loan portfolios, high levels of corporate foreign debt, and widespread rent-seeking and corruption. Because of government pressure for loans to crony capitalists, most banks had weak lending portfolios. Once the economic crisis began in July 1997, about two-thirds of all loans made by Indonesia's banks were non-performing. In addition, private and state-owned firms in Indonesia had gone on a borrowing spree abroad during the 1990s, increasing their debt nearly four times to over \$80 billion, much of it unhedged against changes in exchange rates. Rampant rent-seeking, corruption, and nepotism, associated with crony capitalism and Suharto's family, were responsible for much of the excessive borrowing and inefficient investment.

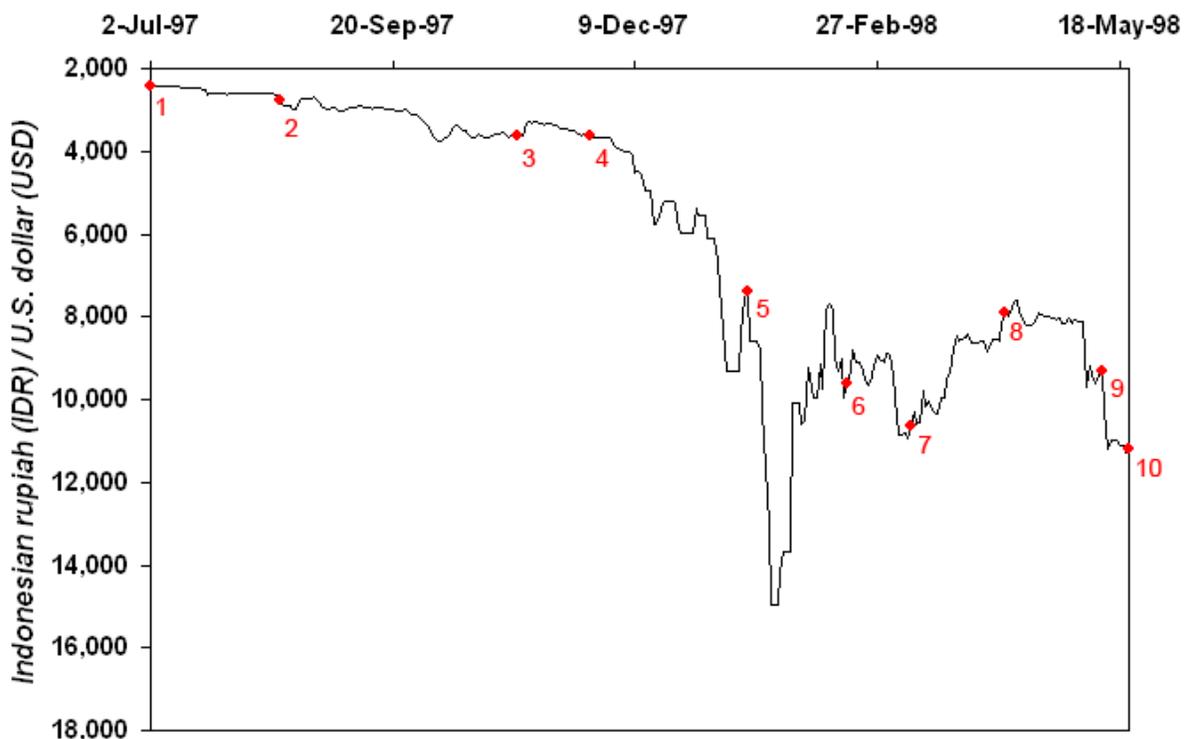


Source: Wikimedia Commons available at
<<https://commons.wikimedia.org/wiki/File:Jakartaskyline1.jpg>>

Sudirman Central Business District, Jakarta, Indonesia's Financial Center – Over-expanded in the 1990s

Those structural weaknesses became all too evident in mid-1997. Investors first panicked in Thailand and then, through the contagion effect, discovered that Indonesia had even greater weaknesses. Fleeting investor confidence caused a massive outflow of capital and forced a huge depreciation of Indonesia's exchange rate. Many investors, convinced of the macro stability in Indonesia, had placed short-term funds there to take advantage of high interest rates. This "hot money" departed rapidly as investors feared currency depreciation, and their

gloomy expectations created a self-fulfilling prophecy. Facing a depreciating Rupiah and economic recession, long-term investors in the Indonesian economy moved their liquid capital abroad as fast as they could and put further downward pressure on the exchange rate. The Rupiah/US dollar exchange rate fluctuated wildly, moving from about 2,500 before the crisis to over 17,000 in early 1998 before returning to a range of 7,000-12,000.



Source: Wikimedia Commons available at https://commons.wikimedia.org/wiki/File:IDR_USD_exchange_1997-07-02_to_1998-05-21.png

Indonesian Exchange Rates, July 1997-May 1998 – Severe Indonesian Depreciation During the Asian Financial Crisis

The government obtained a \$43 billion credit from the International Monetary Fund (IMF) and donors in October 1997. But in January 1998, the IMF negotiated an excessively broad reform package that was impossible for the government to carry out. Under pressure from his children, Suharto refused to meet even the feasible conditions of the reform program. Because of this mismanagement, the IMF package did not restore investor confidence and the economic crisis deepened.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:World_Trade_Centre_Jakarta_pra-2013_-_panoramio.jpg>

World Trade Center, Jakarta – Foreign Investment Waned After the Asian Financial Crisis, 1997

Removal of Suharto and Transition to Democracy. The parallels between Suharto's downfall in May 1998 and that of his predecessor, Sukarno, in October 1965 are strong. In both instances, Indonesia was suffering economic distress that paved the way for political change. In 1965, the impetus was an attempted military coup, whereas in 1998 student protests and the aftermath of student killings led to political chaos. During both transition periods, the military was divided and unable to turn the situation to its own advantage. Suharto, stubbornly unwilling to countenance a successor, finally was forced to resign when his own cabinet threatened his impeachment.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Suharto_resigns.jpg>

Suharto Was Forced to Resign in May 1998 – Merdeka Palace, Jakarta

B. J. Habibie, the vice-president, became president. The protesting students saw him as a tool of Suharto, and most others considered him only as a transition president. Habibie freed political prisoners, annulled the ban on new political parties, unshackled the media, and, under duress, agreed to parliamentary elections in June 1999. In the election, the party of Sukarno's daughter, Megawati Sukarnoputri, took the most seats. But Megawati was outmaneuvered during the parliamentary election of the new president, and Abdurrahman Wahid (popularly known as Gus Dur) was elected president and Megawati vice-president. Between 1999 and 2001, Gus Dur, a nearly blind Muslim cleric, led a shaky coalition government. Megawati then replaced him and ruled ineffectually for three years.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:President_Megawati_Sukarnoputri_-_Indonesia.jpg>

Megawati Sukarnoputri (1947 –) – President of Indonesia (2001-2004)

Susilo Bambang Yudhoyono (known as SBY), a reformist former general and minister under Megawati, won the fair election in 2004 and was re-elected in another fair election in 2009. SBY's government reined in the military and decentralized budgetary control. Although SBY provided much better leadership than his three predecessors, Indonesia suffered from his inability to carry out important economic reforms. The SBY government did not sufficiently reform the bloated state-owned enterprises, reduce subsidies for fuel and electricity, and

invest in infrastructure. Between 2000 and 2014, Indonesia's GDP per capita grew annually at 4 percent – somewhat slower than the pace achieved between 1966 and 1997 (4.6 percent). The country continued to face threats to Indonesian democracy – the prospect of a military takeover, rabid populism, regional separatism (especially in Aceh and Papua), and growing Islamic dissatisfaction with a secular state.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Obama_and_Susilo_Bambang_Yudhoyono_in_arrival_ceremony_cropped.jpg>

Susilo Bambang Yudhoyono (1949–), President of Indonesia (2004-2014) and US President Barack Obama, Merdeka Palace, Jakarta, 2010

Joko Widodo and Socio-economic Indicators. After Joko Widodo (popularly known as Jokowi) was elected president in 2014, the average growth rate of Indonesia's per capita income declined somewhat to 3.8 percent (2014-2019). Jokowi had announced a target annual rate of growth of GDP of 7 percent. But during his first term in office, Indonesia achieved just 5 percent. Jokowi was re-elected in a fair election in 2019, again defeating Prabowo Subianto, a former general and son-in-law of Suharto.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Joko_Widodo_2019_official_portrait.jpg>

Joko Widodo (1961 –), President of Indonesia (2014-present)

Jokowi, once a forest engineer and furniture manufacturer, had been a very successful reformist and charismatic mayor of Surakarta (his home town) in Central Java (2005-2012) and governor of Jakarta (2012-2014).

As president, Jokowi has focused his economic program on the development of infrastructure and social services, especially education. He introduced a long-term, \$323 billion plan to improve Indonesia's woeful infrastructure (roads, ports, airports, irrigation systems) and opened the long-awaited Jakarta mass transit system in 2018. In 2019, Jokowi announced a controversial plan to build a new capital in remote East Kalimantan at a projected cost of \$33 billion.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Tolak_Omnibus_Law.jpg>

Labor-Union Protest Against Jokowi's Omnibus Law (To Attract Foreign Investment and Reduce Business Regulation), April 2020

In five decades, Indonesia has made impressive improvements in its economic and quality-of-life indicators. Indonesia's price-adjusted per capita income in 2019 was \$12,335 – 70 percent of the world average and 19 percent of the US level. In 2019, Indonesia had a 96 percent literacy rate and a life expectancy of 72 years. That weak performance in health and education decreased Indonesia's ranking in the UNDP's Human Development Index (107th of 189 countries in 2019) relative to that in the World Bank's listing of per capita incomes (104th of 186 countries in 2019). Indonesia ranks only 73rd of 190 countries in

In 2019, Indonesia enjoyed low unemployment (4.8 percent) and high levels of foreign investment (\$24.9 billion) and emigrant remittances (\$11.7 billion). An estimated 9.8 percent of the population (27 million people) subsisted below the poverty line, less than half the share in 2000. But the economy is plagued by a weak banking system, a large and growing foreign debt, inefficient state-owned enterprises, and continuing corruption and rent-seeking. Significant progress has been made to enact crucial economic reforms, but more remains to be done to retain investor confidence in Indonesia and keep the economy on a path of rapid economic growth.



Source: Wikimedia Commons available at
<https://commons.wikimedia.org/wiki/File:Indonesia_map.png>

Contemporary Indonesia

Time Line for Indonesia

- c.* 48,000 BCE migration of Melanesian hunter-gatherers from southern China into Indonesia
- c.* 2500 BCE migration of Austronesian-speaking farmers from Taiwan through the Philippines into Sulawesi and Borneo
- c.* 2000 BCE migration of Austronesian-speaking farmers from Sulawesi and Borneo into Java and Sumatra
- c.* 1500 BCE migration of Austronesian-speaking farmers from Java and Sumatra into New Guinea and Near Oceania
- 7th-13th centuries CE Srivijaya Kingdom – Sumatra, Malaya – Palembang – Malay – Mahayana Buddhist – wealth from foreign trade and rice
- 8th-9th centuries Sailendra Kingdom – Java – Javanese – Mahayana Buddhist – wealth from rice and foreign trade
- c.* 778-824 construction of Borobudur – Central Java – Mahayana Buddhist stupa – Sailendra
- 9th-10th centuries Saivite Kingdom – Java – Javanese – Hindu/ Siva – wealth from rice and foreign trade
- 802 Sailendra Kingdom driven out of Chenla (in Cambodia)
- 832 Saivites took power from the Sailendras – established Saivite Kingdom

850-856	construction of Loro Janggrang, Prambanan – Central Java – Hindu/Siva temple – Saivite
13 th -16 th centuries	Majapahit Kingdom – Java, Sumatra – Javanese – Hindu and Mahayana Buddhist – wealth from rice and foreign trade
1330-1364	Gaja Mada – prime minister of Majapahit Kingdom – led expansion to island empire
1343-1478	Majapahit Kingdom ruled Bali – Balinese first began to practice Hinduism
1402-1511	Sultanate of Malacca, Malay kingdom – Malaya, Sumatra – Islam – vassal of China in return for trade privileges – controlled trade through the Strait of Malacca
1405-1433	Ming Admiral Zheng He – led massive Chinese tribute and trade expeditions – Southeast Asia (including Malacca), Indian Subcontinent, Western Asia, East Africa
16 th century	unified Bali achieved its Golden Age – King Waturrenggong ruled from Gelgel
1511-1641	Portugal conquered and ruled Malacca – destroyed Islamic Malay Kingdom of Malacca – controlled trade through the Strait of Malacca – introduced Christianity
1587-1755	Mataram Sultanate – Java, Sumatra – Javanese – Muslim – wealth from rice and foreign trade

- 1602 establishment of Vereenigde Oost-Indische Compagnie (Dutch East India Company, VOC) – merger of competing companies
- 1604 VOC captured Ambon from Portugal
- 1613-1646 Sultan Agung ruled Mataram Sultanate – controlled Central and East Java and Madura
- 1619 VOC conquered Batavia – permanent foothold on Java – port facilities, access to shipping routes, base for further conquest
- 1621 VOC captured the Banda Islands – set up slave-based nutmeg plantations
- 1641 VOC captured Malacca from Portugal
- 1669 VOC captured Makassar, Sulawesi
- 1682 VOC captured Banten, West Java
- 1707 VOC introduced coffee to Cirebon and Priangan regions of West Java
- 1710 Bali splintered into 9 states – Karangasem, Badung, Mengwi, Gianyar, Tabanan, Buleleng, Bangli, Jembrana, Klungkung
- 1755-1757 VOC partitioned Mataram Sultanate into three houses – divide-and-rule policy
- 1795 France invaded the Netherlands and installed a new government

- 1800 VOC dissolved – assets, territorial possessions became property of Dutch government
- 1808-1811 Herman Willem Daendels – Governor-General of Dutch East Indies – for Napoleonic regime in the Netherlands
- 1811-1816 Great Britain, led by Thomas Stamford Raffles, conquered and ruled Java
- 1814 Borobudur re-discovered – by a British team, led by H. C. Cornelius under the direction of Raffles
- 1819 Thomas Stamford Raffles negotiated a treaty with the Sultan of Johore – Singapore island ceded to the English East India Company
- 1824 Treaty of London – Netherlands ceded Melaka and Singapore to Britain, agreed to British control of Malay peninsula – Britain ceded Bengkulu to the Netherlands, recognized Dutch hegemony in Sumatra
- 1825-1830 Java War – the Netherlands defeated the Javanese kingdoms – 8,000 Europeans, 200,000 Javanese died
- 1826 Britain formed the Straits Settlements colony – Penang, Singapore, Melaka – governed from Calcutta
- 1830-1870 Cultivation System (*cultuurstelsel*) – Dutch required peasants to grow export crops – forced peasant labor built public works

1852-1978	116-year life span of I Gusti Nyoman Lempad – Bali’s most eminent architect, sculptor, and artist
1854-1942	Dutch imposed colonial rule in Flores
1869	opening of the Suez Canal – shortened the Europe-Asia trade route – attracted greater traffic to the Strait of Malacca, Singapore
1870-1900	Liberal Period – liberal economic policies – private estates had long-term leases to land and hired labor – little gain for Indonesians
1888	Britain declared Protectorates over Sarawak, Brunei, and North Borneo – guaranteed external security in return for the right to carry out foreign policy
1900-1930	Ethical Period – education, food price stabilization, restriction of Chinese economic activity – humanitarian rhetoric
1906-1942	Dutch imposed colonial rule in Tana Toraja
1907-1911	first restoration of Borobudur – led by Theodorus van Erp, a Dutch, 20-year-old second lieutenant
1906	1800 Balinese committed mass suicide (<i>puputan</i>) in Denpasar – walking into Dutch bullets – stabbing with swords (<i>kris</i>)
1908	300 Balinese committed mass suicide (<i>puputan</i>) in Klungkung
1908-1942	Dutch imposed colonial rule in Bali

- 1910 Komodo dragon (*Varanus komodoensis*) first identified for the scientific world by Lieutenant J. K. H. van Steyn van Henbroek
- 1912 Muhammadiyah formed – mass Islamic organization – strengthen Muslim practices
- 1920 Indonesia Communist Party (PKI) founded
- 1926 Nahdlatul Ulama (Revival of Religious Scholars, NU) formed – moderate Islam – 30 million members in 1990s – rural, poor
- 1927 Sukarno and colleagues formed Indonesian Nationalist Party (PNI) – independence from Netherlands, national unity
- 1930-1940 Great Depression in Dutch East Indies – global downturn in employment and income – value of exports fell by two-thirds
- 1934 Dutch participated in International Rubber Agreement – banned new planting in hopes of raising prices – protected large estates
- 1937-1945 Japan invaded China – conquered large parts of eastern China – but could not defeat Nationalists in west or Communists in north
- 1941-1945 Japan fought and lost World War II in the Pacific – early successes in Southeast Asia, Melanesia – Allies formed Pacific corridor of air bases to bomb Japan and win the war

- 1942-1945 Japan occupied and colonized Borneo, Hong Kong, Malaya, Philippines, Singapore, and Taiwan
- 1942-1945 Japan invaded and ruled Dutch East Indies – imprisoned 170,000 – requisitioned rice
- 1945 US President Harry Truman chose to drop atomic bombs on Hiroshima and Nagasaki (August) – caused 200,000 deaths
- 1945 Emperor Hirohito announced Japan’s surrender (August) – Allies’ victory over Japan resulted from superior production capability and better military strategy
- 1945 Sukarno and Hatta declared Indonesian independence on August 17
- 1946 Linggajati peace treaty – violated by both Indonesian Republicans and Dutch government forces
- 1945-1949 Dutch resistance to Indonesian independence – four-year war – Dutch nearly won – military stalemate – US forced Dutch to allow Indonesian independence
- 1949 Americans forced Dutch to cede independence to Indonesian Republicans
- 1949-1962 Irian (West Papua) a Dutch colony – US mediation, 1962 – to Indonesia, 1963 – rigged election, 1969 – Irian in Indonesia

- 1950-1953 Korean War – stalemate – Japan gained from provisioning Allies, US aid to Japan, and carrying out post-war reconstruction in Korea
- 1950 Indonesian government reconstituted as new Republic of Indonesia – capital in Jakarta
- 1955 national election – political fragmentation – 28 parties won seats – PNI largest with 22% – PKI finished fourth
- 1955 Afro-Asian Non-aligned Nations – met at Bandung – Sukarno gained world stature – Chou En-Lai, Nasser, Nehru, Nkrumah, Sihanouk, Tito, and U Nu attended
- 1957-1965 Sukarno’s Guided Democracy – authoritarian rule – socialism – nationalism
- 1957-1958 Sukarno’s government expropriated Dutch property, including estates producing export crops
- 1957 Malaya received independence from Britain – United Malays National Organization (UMNO) dominated politics
- 1958 failed coup attempt – Sukarno defeated Revolutionary Government of the Indonesian Republic (PRRI)
- 1959-1990 Lee Kuan Yew – Prime Minister of Singapore
- 1959 Sukarno’s Guided Economy policy – socialism – government-ownership of assets

- 1963 Sarawak and Sabah gained independence from Britain – Malaysia was formed – Malaya, Sabah, Sarawak, and Singapore – Brunei stayed out to protect its oil wealth
- 1963-1965 Indonesia-Malaysia confrontation – instigated by Sukarno – investment fled
- 1964-1975 Second Indochina War – Democratic Republic of Vietnam defeated United States and SEATO
- 1965 Tunku Abdul Rahman, UMNO leader, expelled Singapore from Malaysia – independent Singapore recognized by Britain, US – joined United Nations
- 1965 economic chaos – inflation rate over 500% – exchange rate depreciated to 1/10 of its starting value – price of rice rose nine-fold
- 1965 30 September Movement (Gestapu) – incompetent coup attempt – murdered six senior generals – but Suharto gained control
- 1965-1967 Suharto sidelined Sukarno – assumed power in military coup – blamed PKI – violent aftermath – 500,000 died – PKI wiped out
- 1967-1998 Suharto, President of Indonesia – Golkar Party, military – rigged 5-year elections – moderate Islam, Javanese mysticism
- 1967-1996 Green Revolution – high-yielding varieties of rice, fertilizer – rice yields tripled – income per capita increased four-fold

- 1969 Indonesia incorporated Irian (western half of New Guinea, former Dutch New Guinea) as a province after a rigged election
- 1970 Sukarno died – exiled from power under house arrest – role in coup not investigated
- 1971 Camp Leakey in Tanjung Puting founded by Birute Galdikas
- 1973-1983 second restoration of Borobudur – led by UNESCO team – \$25 million (\$6.5 m. foreign, \$18.5 m. Indonesian government)
- 1977 Tanjung Puting designated a UNESCO World Heritage Biosphere Reserve
- 1983 President Suharto re-opened Borobudur
- 1991 Borobudur monument was designated a UNESCO World Heritage Site
- 1991 Komodo National Park designated a UNESCO World Heritage Biosphere Reserve
- 1997-1998 Asian Financial Crisis – Rupiah depreciated 300% – IMF and donors provided \$43 billion – investment fled – crisis deepened
- 1998 Suharto forced to resign – economic distress – political uncertainty – divided military – opposition to Sukarno family’s corruption

1998-1999	B. J. Habibie, interim President – freed political prisoners, unshackled the media, agreed to parliamentary elections in 1999
1999-2001	Abdurrahman Wahid (Gus Dur), President – nearly blind Muslim cleric – shaky coalition government
2001-2004	Megawati Sukarnoputri, President – daughter of Sukarno – ruled ineffectually
2003	paleoanthropologists discovered a hominin species, <i>Homo floresiensis</i> , in western Flores – members were only 3.5 feet tall
2004-2014	Susilo Bambang Yudhoyono (SBY), President – reformist, former general – reined in military – decentralized budgetary control – insufficient economic reforms
2014-present	Joko Widodo (Jokowi), President – reformist, charismatic – former mayor of Surakarta, governor of Jakarta – priorities are education, infrastructure, social services
2018	Joko Widodo opened Jakarta mass transit system
2018	Indonesia received 15.8 million foreign visitors
2018	6.5 million foreign tourists visited Bali
2019	Joko Widodo re-elected President – announced controversial plan to build new, \$33-billion capital in East Kalimantan

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Sites Visited in Indonesia

Bali and Beyond

Stanford Travel/Study Program

October 20-November 4, 2009

Ship-based, Aboard the *Orion*

Krakatau, West Java

In 1883, Krakatau erupted and ejected five cubic miles of materials. That eruption was the second greatest volcanic event in the past 10,000 years, measured by amount of magma ejection, and its explosivity was four times that of the largest nuclear device ever detonated. At least 36,000 people were killed, in southern Sumatra and western Java, from pyroclastic flows of molten lava and tsunamis. The violent eruption was heard clearly as far as 3,000 miles distant and destroyed two-thirds of the original island of Krakatau. Subsequent volcanic activity has built a new island, Anak Krakatau (the child of Krakatau), which emerged in 1927 and has been growing by 16 feet per year. Using Zodiacs (inflatable rubber boats), we cruised around the Krakatau crater and remaining islands (Rakata is the largest). One of our lecturers, Charlie Mandeville, a volcanologist who has intensively studied the eruption of Krakatau, provided expert commentary. Another lecturer, Terry Gosliner, a marine biologist, described the process of plant re-colonization of the areas that were denuded of vegetation after the eruption.

Borobudur, Central Java

Borobudur, the largest religious monument in Indonesia, was constructed between 778 and 824. The huge Mahayana Buddhist temple was built by the Sailendra Dynasty to provide religious and political legitimacy for a foreign royal house, which originated in the Funan Kingdom (Cambodia). Borobudur consists of six square platforms topped by three round ones. The top three platforms hold 72 stupas,

each containing a statue of the Buddha. Borobudur represents Mahayana cosmology at three ascending levels – Kamadhatu (human desires), Rupadhatu (release from wants), and Arupadhatu (enlightenment or Nirvana). The elaborate monument was buried by volcanic ash after the eruption of Mt. Merapi in 1006 and hidden for eight centuries thereafter. It was re-discovered by a British team, under the direction of Sir Thomas Stamford Raffles, in 1814. The first restoration of Borobudur was carried out by Theodorus van Erp in 1907-1911. A UNESCO team spent \$25 million restoring Borobudur completely between 1973 and 1983, and the monument is now a UNESCO World Heritage site.

Prambanan, Central Java

Prambanan is a complex of Hindu temples located east of Borobudur in southern Central Java. The Sanjaya (Saivite) Dynasty replaced the Sailendras through a dynastic marriage in 860 and desired to create a monument comparable to Borobudur. Prambanan consists of three major temples for the three main Hindu gods and their vehicles – Brahma (the creator god) and Hamsa (the swan), Vishnu (the preserver god) and Garuda (the eagle), and Siva (the destroyer god) and Nandi (the bull). Because the Sanjayas venerated Siva, that god's temple is located in the center. The original temple complex had 224 temples. All had only one room, except that for Siva, which has four. The timing of construction of Prambanan is not known, but the complex was completed before the mid-10th century when the Saivite Kingdom was taken over by the Kediri Kingdom. Like Borobudur, Prambanan was buried after the Merapi eruption of 1006 and re-discovered in 1814. Restoration was carried out during the 1950s. Prambanan, also a World Heritage site, was damaged by an earthquake in 2006 and is still under repair.

Sumbawa, West Nusa Tenggara

Sumbawa and Lombok, the two Indonesian islands directly east of Bali, constitute the province of West Nusa Tenggara. Sumbawa's 1.2 million people are mostly farmers who produce rice, maize, and fruits for export to other islands in eastern Indonesia. The *Orion* docked in the small port of Badas in western Sumbawa. Our group took four small busses to the village of Pamalung, where we observed traditional hand-pounding of rice, a mock wedding ceremony, and traditional Sumbawan dances. The highlights of our visit to Pamalung were an extensive walk through the village and watching a competition in which farmers rode pairs of carabaos (water buffalos) through a flooded rice paddy in an attempt to knock over an icon invested by a shaman with magical powers. None succeeded. We also had morning tea at the home of the former sultan of Sumbawa. In the afternoon, we sailed to the nearby island of Satonda to snorkel over the coral reef and observe Mt. Tambora, which erupted in 1815 and ejected the most magma (four times that of Krakatau) and killed the most people (71,000 deaths) in the past 10,000 years.

Sumba, East Nusa Tenggara

Sumba, once known as Sandalwood Island, is in East Nusa Tenggara province in eastern Indonesia. The 620,000 residents of Sumba are mostly Christians (Dutch Reformed Protestants) or animists (worshippers of Marapu or ancestor spirits). The relatively dry island is limited agriculturally. Most farmers are restricted to planting only one crop per year (rainfed rice, maize, peanuts, or mung beans) during the rainy season (November-April). Animal husbandry is widely practiced, and Sumba specializes in raising elegant, small horses. Our group visited two disparate villages on Sumba. In Moundulong, a regional center, we were treated to dance performances by artistic youngsters and purchased many specimens of the intricately-woven ikat cloth for which Sumba is famous. We then drove and hiked up to the mountain village of Prainatang, which houses only 70 permanent residents in ten Uma Mbatangu (big houses) of three levels (for animals, residents, and

Marapu spirits). The Marapu worshippers bury their dead with funerary feasts involving reciprocal exchange of ikat cloth for horses or cattle.

Komodo, East Nusa Tenggara

Komodo National Park, which is located on Komodo, Rinca, and Padar Islands between Sumbawa and Flores, is the home of the renowned Komodo dragon, the world's largest lizard. The carnivorous Komodo dragons grow to be up to nine feet long and feed mostly on Timur deer, which are numerous in the park. They hunt by biting and poisoning the deer with venom and then track the prey until it dies. They then feast on the deer for several days and wait up to two weeks before hunting again. Park rangers estimate that the park has about 2500 Komodo dragons. This reptile exists in the wild only in the park. Our group walked through the park for two hours in vain search of the elusive Komodo dragon, although we saw several bird species including the sulfur-crested cockatoo. But we found five huge Komodo dragons lounging around the park rangers' kitchen. Later in the morning, we relocated the ship across the bay to embark on Zodiacs to snorkel and swim at Pink Beach. There the spectacular reef exhibited a variety of soft and hard corals and endless colorful tropical fish species.

Bali

Our group spent two days in Bali, and twenty-three of us participated in a wonderful three-day extension in Ubud after the cruise was over. The undoubted highlight of our time in Bali occurred by chance. At lunch one day, Bali's leading psychiatrist, who had addressed our group, suggested that we alter plans and attend a mass trance-possession ceremony at Kesiman, a village north of Denpasar, the capital. Five nearby villages participated in the ceremony, held annually to welcome the Hindu gods back to the main temple in Kesiman and ensure their continued goodwill. Thousands of Balian villagers, mostly dressed in white, marched into the temple, carrying offerings and accompanied by gamelan orchestras of gongs and cymbals. About 50 men and two

women went into trance, believing they were possessed by the gods. The men periodically engaged in self-stabbing with kris (small swords), and their lack of wounds was believed to demonstrate the power of the gods. We tourists were warmly welcomed to the ceremony. In Ubud, we also visited two impressive art museums – Agung Rai and Puri Lukisan.

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Circumnavigation of New Guinea
Stanford Travel/Study and Zegrahm Expeditions
March 7-April 4, 2006
Ship-based, Aboard the *Clipper Odyssey*

Mapia Atoll, West Papua

After clearing immigration into Indonesia in Jayapura, we sailed westward along the coast of West Papua and anchored near Mapia Atoll for a snorkeling and diving expedition, one of the finest on the entire circumnavigation. On Mapia Atoll, we visited a tiny settlement of thirteen residents. Mapia is a coconut plantation in slow decline, ringed by white sand beaches. Throughout the hamlet, we saw signs of prosperity – concrete homes, solar panels, and television dishes.

Yenwaupnor, Waigeo Island, Raja Empat Islands, West Papua

We spent a delightful morning with the 250 residents of the immaculately clean village of Yenwaupnor. Waigeo Island, located west of the Bird's Head of western New Guinea, is one of the four Raja Empat Islands. The Raja Empat group is noted in history as the link between the Malayan East Indies and Papuan New Guinea. The Papuan residents exported tuna and red snapper and grew enough food (cassava, fruits, and vegetables) in home gardens to be self-sufficient.

Weisei, Waigeo Island, Raja Empat Islands, West Papua

After a superb dive and snorkel in the famed coral reefs of Raja Empat, we visited Weisei, a multicultural village of perhaps 1000 people. About half are long-time residents, mostly Muslim villagers, who prosper on fishing for tuna and red snapper and farming cassava and sweet potatoes. The other half are newly arrived bureaucrats, mostly Christian. In 2003, a new Raja Empat kabupaten (county) was formed, and expanding Weisei became the county seat.

Kokas, Bintuni Bay, Fakfak Kabupaten, West Papua

We sailed around the Bird's Head and reached the furthest westward point in our circumnavigation of New Guinea. Kokas is a prosperous fishing town of 3,000 residents, about four-fifths Muslim and one-fifth Christian. Kokas was strongly fortified by the Japanese during World War Two, and we saw remains of tunnels, bunkers, and artillery emplacements. We were treated to the Gabagaba dance, in which two women jump between clicking sticks from the sago palm.

Andamata, Bintuni Bay, Fakfak Kabupaten, West Papua

In Bintuni Bay, the landscape was dotted with beautiful small islets of karst – limestone that had been raised from the ocean floor and carved by rain erosion. We photographed New Guinea's premier display of ancient Papuan rock art – red ochre stencils of hands and feet. We visited Andamata, a Muslim Melanesian fishing village of 200 residents. In 2007, British Petroleum plans to begin producing liquefied natural gas from its huge Tangguh field in eastern Bintuni Bay.

Agats, Asmat Kabupaten, West Papua

Our convoy of Zodiacs sailed through Flamingo Bay to Agats, the administrative center of the Asmat region of southern West Papua. En route, we were greeted by 60 war canoes, each manned by half a dozen chanting Asmat warriors in full dress for battle. We passed muster and

were welcomed with Asmat song and dance in the town square. We perused the diverse collections in the extremely impressive Asmat Museum and the architecture of the Catholic Cathedral.

Ewer, Asmat Kabupaten, West Papua

The 1000 Asmat residents of Ewer had not been visited by a cruise ship since Zegrahm and the *Clipper Odyssey* last arrived a decade ago. They had enthusiastically carved four new, long canoes, and they launched them for us with ceremonial gusto amid singing and dancing. They converted the men's long house into a market for their carvings, weavings, and artifacts. We reciprocated by buying lots of their Asmat art. We observed their food system based on sago, fish, and home gardens.

Owus, Asmat Kabupaten, West Papua

In Owus, forty war canoes blockaded one side of the river, and forty more lined the other. The Asmat men sang, chanted, and beat the sides of their dug-out canoes in rhythmic unison. We were witnessing a bis-pole ceremony – the cutting of two large sago palm trunks in the forest and the transporting of them to the men's long house. The trunks will be carved into totems to venerate the villagers' ancestors. We tromped through thick mud to shop, mingle, and enjoy Asmat at its best.

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