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ABSTRACT

This paper reviews reasons for the domination of the Indonesian salt business, from the colonial to the New Order era, by the Chinese who are ethnic Indonesian citizens. The authors argue that this domination and subordination by *middlemen* induces a negative impact on market segmentation. Consequently, local farmers have limited market access and it appears that these salt farmers are pressurised by *middlemen* and the Chinese. This study used a historical method with an economic-political approach. Due to the New Order's policy that placed the economy as a 'commander', business opportunities were widely open to the Chinese and even to foreign investment. During this era, there were middle-scale and large-scale salt companies, all of which belonged to the Chinese. Meanwhile, small-scale companies were non-Chinese or native Indonesian. The Chinese dominance in the salt business was not something new, and ironically, it has left almost no place for locals.

KEYWORDS
Chinese monopoly; dominance; salt business; new order; local salt farmers

Introduction

Three groups play key roles in the salt industry: farmers who produce the raw material as business players at the upstream level; entrepreneurs and merchants who serve as distributors and processors at the downstream level; and the government as the regulator at the policymaking level. When the salt business operates fairly, the relationships among these three parties will show a symmetric pattern pursuant to their respective proportional positions. However, evidence indicates that during the New Order, government regulations favoured the second party—salt entrepreneurs/merchants who are Chinese people (*Kompas* 1975; *Kompas* 1979a). Here, Chinese people refers to one of the national ethnic groups with Indonesian citizens. Most of them are businessmen who have dominated capital investment from the local to the national level. Chinese businessmen's involvement in the salt business clearly harms salt farmers who have sold salt at lower than the predetermined price. Protests about the exploitation of local, non-Chinese salt farmers have highlighted (*Kompas* 1979a; 2005) that salt farmers are always mistreated and marginalised regarding pricing.

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Although the prosperity of salt farmers is always questioned and they have almost no bargaining power, salt farming represents the survival strategy of these marginalised producers, who focus on one form of economic livelihood. Despite not meeting their personal life needs, they retain their livelihoods as they see no other option to earn a living. As Chambers and Conway (1992) explain, this survival strategy symbolizes conservative-conventional economic patterns, that production, employment, and cash income are indicators of wellbeing in industrial preoccupations.

Chinese businessmen's involvement in the salt business started during the colonial era in Indonesia; in the latter 1960s. Chinese capital involvement is represented in Law No. 1 of 1967 concerning Foreign Capital Investment (State Gazette of the Republic of Indonesia, No. 1 of 1967), Law No. 6 of 1968 concerning Domestic Capital Investment (State Gazette of the Republic of Indonesia, No. 33 of 1968), and in the transformation of the State Company (*Perusahaan Negara*/PN) Garam into the Public Company (*Perusahaan Umum*/Perum Garam) in 1981 and, thereafter, into the limited liability company or *Perseroan Terbatas* (PT) Garam in 1991 with its management falling under the Department of Industry under Government Regulation No. 12/1991. The transformation from PN Garam into *Perum Garam* and PT Garam conformed with the capitalist economic system followed by the New Order government, which elevated economic development as the 'commander' instructing that busines should be privatised (Ikhsan 2002).

PN Garam was established after the proclamation of Indonesian independence by nationalising the state-owned salt company of the Dutch colonial period (*Jawatan Regie Tjandu dan Garam*) under the Decision of the Minister of Finance dated 31 October 1945, No. 796, operational from 1 October 1945. In the colonial period, PN Garam monopolised salt, and a de facto continued even after the salt monopoly was later removed in 1957 under Emergency Law No. 25 of 1957 (State Gazette of the Republic of Indonesia, No. 25 of 1957). Salt affected the livelihood of a considerable part of the population, but with the monopoly, the private sector lacked the chance to engage in the salt business; consequently, PN Garam needed to transform into a company with a strong business vision. The capitalist economic system clearly forbids monopolistic practices, even if it is conducted by the state through a PN or a Perum and affects the livelihoods of a considerable part of the population. In addition, the transformation of PN Garam is related to the internal conditions of PN Garam. Its business management lacked professionalism, and could not respond to the industrial world regarding organisation and technology, although PN Garam had attempted to modernise and widen the salt-making area to 6,000 ha in some regions of Indonesia in 1961. Besides, perhaps because of its status as a *Perusahaan Negara* [national company], PN Garam focused its mission on securing salt distribution nationally as it might provide significant profit, instead of positioning salt as a trade commodity that was integrated with other industrial sectors (Rochwulaningsih 2013).

A new condition emerged in which the issuance of governmental regulation concerning the removal of monopoly and salt retailing by PN Garam stimulated the salt business in Indonesia to become more dynamic. This was achieved especially by people and private sector players in the upstream sector by making raw material salt and encouraged local entrepreneurs individually, or cooperatively by developing salt-processing businesses in the downstream sector. From a business perspective, the upstream-downstream concept did not entail a strict dichotomy since business players sometimes operated both upstream and downstream because of the dynamics of the salt business. This relates to the implementation of the Emergency Law of 1957 concerning the Removal of Monopoly of Salt and Folk Salt Making, which not only regulated the removal of PN Garam's monopoly, but also introduced a free market in the salt industry. Articles 2 and 5 of the law allowed citizens of the Republic of Indonesia to make folk salt if they held an official permit from an authorised official. Thus, folk salt-making businesses grew more intensively, and even salt-making land was widened in the salt production centre area, such as expanding 1,000 ha of salt land in Madura for raw material salt making (upstream), and salt-processing businesses, such as salt briquette making (downstream) (Fitriya 2011). Even private sector parties, local entrepreneurs, and the Chinese people developed raw material salt-making businesses (upstream) by hiring salt farmers' land. This occurred in the salt production centre in Rembang, Central Java, where, after removing the monopoly, local Chinese people, particularly those in the Lasem Subdistrict, developed a lease system on salt farmers' land. Similarly, in the salt-processing business (downstream), the Chinese people developed home industry production units such as *ceplok* [briquette] factories, like in Kedong Mulyo Village, so that in each neighbourhood association, there were four to five salt briquette factories owned by Chinese people, and this continued to be the case until the 1970s (Rochwulaningsih 2012). Historical evidence demonstrates that the end of the monopoly served as a gateway for private capital to expand intensively into salt production and trade in Indonesia.

Under these conditions, the Chinese ethnicity officially entered the salt business in Indonesia nationally, starting with PT Surabaya Medan Trading Company (Sumatraco), which was established in 1969 and operated in the raw material salt-processing industry (Interview with Yoni, 16 July 2020). Other companies owned by the Chinese ethnicity followed since the New Order government provided them with facilities and conveniences in the salt business. Almost all Chinese people in the salt business operated in the raw material salt-processing industry at the downstream level. The government had not formulated any regulations to encourage Indonesian salt farmers to operate in the salt business; thus, they survived only as raw material salt (rough salt) farmers at the upstream level. The upstream and downstream areas of the salt business were significantly different in terms of human resources, capital, and technology. In the upstream sector, human resource capacity, capital, and technology were limited and traditional, while in the downstream sector, they were professional and modern. Here, an asymmetric relationship was simultaneously built among Chinese salt businessmen, the government (the government provided business facilities as 'ease of licencing and access to capital') and the weak, helpless salt farmers. Meanwhile, the salt farmers, who had lost the patron of PN Garam as the government's representation, were exploited, mistreated, and unprotected (Rochwulaningsih 2007). The salt farmers' complaints to the government about this matter, such as that made by the representative from KUD Kotagar of Tandes Subdistrict, Surabaya, on 13 August 1979 received no response. During that time, the salt price was determined in the range of Rp 5 (five rupiah) per kilogramme, for unpackaged salt on trucks (*Kompas* 1979b) and the floor-price was Rp 10 (ten rupiah)/kg at the collection points (*Kompas* 1979c). Conveyed through a letter, the complaint objectively reflected the real conditions salt farmers faced in Indonesia at that time, but there was no response to it.

The Chinese people's entry into the salt business in Indonesia was not new. Since the 17th century, when the *Verenigde Oost-Indische Compagnie* (VOC), the predecessor of the Dutch colonial government, controlled the archipelago (now Indonesia), Chinese people had been active in the salt trade (Knaap and Nagtegaal 1991). They were even permitted to export salt from Batavia to other countries, custom-free, if they fulfilled the colonial government's will by designating the price of eight riyals for each salt container load (Lombard 2005). As an export commodity, salt benefitted the Dutch colonial government (Rochwulaningsih 2012), and to maintain this benefit, the Dutch colonial government established a salt monopoly policy (*Indische Staatsblad* 1883) with a third-party implementation (*verpachte middelen*) by the Chinese people (de Jonge 2011). With such a position, the Chinese people played a pivotal role in the salt business in Indonesia until the end of the Dutch colonial government's rule. This study further discusses Chinese ethnic dominance in the salt business in Indonesia and discloses its historical roots.

This article is organised into several sections as follows. The next section describes the method used to analyse the problems. The section that follows examines the roots of the Chinese salt business, which is divided into three periods: colonial, pre-New Order, and the New Order era. The closing section provides conclusions.

Methods

A critical history method was employed to explore the problems explored in this study. It offers an effective way to explain how and why a process of life occurred in the past with all its activities and dynamics, and its possible influence on current and future scenarios. With a critical history method such as written narration, a set of systematic rules and principles to effectively collect sources of history is conceptually, critically assessed to synthesise findings, (Garraghan 1957). A critical history method may also be understood as a process to test and analyse past events based on authentic, credible, and trusted sources of history (Gottschalk 1983). The method consists of four stages: heuristic (collecting sources of history containing data, both written and oral), critical (evaluating the authenticity and credibility of sources), interpretative (synthesising tested data), and historiographical (expressing the data in a paper).

Primary data were obtained by studying salt companies' archives, such as those of PT Garam and Chinese salt companies. Moreover, government policy data were obtained from the office of the National Archive of the Republic of Indonesia (ANRI); sources included *Staatsblad van Nederlandsch-Indie*, State Gazette concerning Salt Monopoly Removal No. 82/1957, State Gazette concerning Foreign Investment (*Penanaman Modal Asing*/PMA) and Domestic Investment (*Penanaman Modal Dalam Negeri*/PMDN), Dissolution of PN Garam, Formation of Perum Garam, and Formation of PT Garam. Additionally, primary data were obtained from printed media of the time, such as newspapers, *Kompas* and *Warta Bhakti*. The study incorporated in-depth interviews with Chinese company owners in the salt business, including related governmental officials.

Results and discussion

Practice of capitalist economic system

The New Order government adopted a capitalist economic system, marked by policy-making, emphasising a free-market economic approach and capital power (Wallerstein 1979). Here, the concept of capital became dichotomous between foreign and local, or national and native, and non-native (Chinese ethnic), with historical roots in Indonesia. In this economy Chinese ethnic groups continually cooperated with the ruler or government (Robison 2009). The New Order government's economic policy tended to use the economic growth parameter to measure the success of development—a departure from the economic-political practice applied by the old order government, which tended to be socialist. Economic experts, educated in the West, particularly in the United States, including Widjojo Nitisastro, explored the application of macroeconomic policy by the New Order government. The concept of development applied in Indonesia, with its capitalist nuance during the New Order governance period became known as 'widjojonomics' (Bakarudin 2020).

Meanwhile, the practice of the capitalist economic system in Indonesia was, among other things, visible in the New Order government's policy and 'behaviour' when establishing special relationships with Chinese businesspeople through business and capital convenience. Chinese people's business competence and ease of access to capital were probably considered by the government at that time and believed to significantly contribute to national economic advancement. However, what transpired was a booming and strong capitalist economic practice combined with the capitalist mode of production, which refers to the mode of production process. The mode of production includes social relations between the parties in the production process (Russel 1989; Morrison 1995). The mode of production can be better understood by combining the forces and the relation of production. Forces of production include instruments, equipment, capital (factory), and structuring working activities oriented toward production. This context induced a type of class characterised by employer-worker/labour structure in production relations. Labourers' relationships with employers (capitalists) were merely one under which they sold their labour to produce products to be sold in an impersonal market system. Such a manner of production eventually uprooted human values and exploited labourers until they were alienated (Taylor 1989).

Likewise, the capitalist mode of production was applied in the salt business in Indonesia during the New Order period, the salt-processing business with productive capital and assets (factories) was fully commercial and always based on the principle of profit maximisation and cost minimisation. This condition simultaneously induced a mid-upper social class of Chinese entrepreneurs operating at the downstream level in the salt industry and raw material salt-producing farmers (who sometimes served as small merchants at salt production centres) operating at the upstream level. Chinese people's salt businesses progressed and grew well, which was reflected in an increasing number of salt companies. In contrast, salt farmers' economic fortunes grew worse as the price of salt fell far below its production cost; it even fell below the base price determined by the government. This resulted in salt farmers' general protests at various salt centres. In August 1979, the government determined the floor-price Rp 10 (ten rupiah)/kg at the collection point, but based on the implementation, it was Rp 5 on trucks without packaging (*Kompas* 1979a).

The government did not determine the prices prevailing in the market. This happened because the government did not always supervise market transactions; thus, PN Garam, as the salt buyer, always reduced salt prices by assessing the salt quality as bad (*Kompas* 1979b; 1979d). Furthermore, price cutting was sometimes implemented on by cooperatives on the purchase price agreed upon between salt farmers and PN Garam. This resulted in salt farmers not receiving the determined salt price consistently (*Kompas* 1979c).

However, the government has always attempted to increase salt prices to improve farmers' prosperity. In 1980, through the Decision of Director General of Domestic Trade No. 117 dated 3 April 1980 the government set a price for quality 1 salt at Rp 15/kg (previously Rp 10/kg), quality 2 at Rp 12/kg (previously Rp 7/kg), and quality 3 at Rp 9/kg (previously Rp 4/kg) (*Kompas* 1980), with an average production cost of 50% of the price set by the government.

Furthermore, the New Order government, particularly when President Soeharto was in office, cooperated well with Chinese business players because Soeharto considered the Chinese proficient at business and expected them to be business development pioneers nationally, which later benefitted their families' and friends' businesses (Wanandi 2014). With such special treatment, Chinese people could build business conglomerates supported by the government's policies (Aspinall 2005). However, the consequence was dislike and even seeds of enmity among the common people for Chinese businesspeople, particularly after the fall of the New Order government in 1998, which induced mass riots (Wibowo 2001). Chinese dominance in the business world in Indonesia at that time was inseparable from the New Order government's economic policy. Many economic and political regulations under the New Order government have allowed Chinese people to develop their businesses (Chua 2008). Many Chinese conglomerates operated in various sectors at various levels. Following this, the wealth gap between the Chinese and local population increased. For example, 70% of deposits in national banks were held by only several hundred Chinese conglomerates, while the remaining 30% of funds belonged to a higher number of small- and mid-sized businesses (Muntholib 2011).

Nevertheless, the development of Chinese salt businesses in relation to the Indonesian government can be divided into three periods: colonial, pre-New Order, and New Order. Each period has its respective issues, as described in the discussion.

Roots of the Chinese salt business dominance in Indonesia

Colonial period: Chinese people as pachter in the salt business

Tracing the historical roots of Chinese people's involvement in the salt business in Indonesia reveals a century-old relationship with the government as the policymaker.

Towards the end of the 18th century, before the fall of the VOC, Chinese people gained a monopoly on salt land leaseholds as *pachter* [tenants] in the *pachtstelsel* [wholesale system], which was later removed by Raffles when the British controlled Indonesia; thus, the salt tenants suffered a big loss (Stibbe 1921). After the end of the UK's rule, the Dutch colonial government enacted a policy to regulate the salt business from production through to the marketing and trading processes, thereby making salt one of Indonesia's most important commodities for trade with Europeans and an Asian merchants much-fought-over commodity. A large amount of salt had been delivered from Juwana, Pati to Banten and then distributed to Sumatra and other Asian regions (Roelofsz 2016).

Chinese people's salt businesses dominated when the Dutch colonial government introduced a salt monopoly policy on 25 February 1882 with the issuance of *Bepalingen tot Verzekeringvan het Zout Monopolie*, a regulation expressly controlling salt production, distribution, and trade in the Dutch East Indies (*Indische Staatsblad* 1883). The regulation contained express sanctions for any violation, including fines to replace losses, confiscation of salt and/or warehouses and its mode of transportation and the imprisonment of offenders (de Jonge 2011). The salt monopoly policy practiced by the Dutch colonial government was implemented through a third-party mechanism (*verpachte middelen*). The government, at that time, gave the entire contract, which amounted to the total tax collection on the purchase and sale of salt, to the Chinese people. They were even given a special right to manage salt businesses; they had the right to determine the number of salt workers needed and to propose the extent of the salt land and the number of farmers required. It was provided to the regent to be submitted to the assigned Chinese merchants (Balassa 1965). The integrated salt business from upstream to downstream was conducted from production to processing, to packaging, and selling/marketing processes. Some salt factories were built and professionally managed with modern business management practices. For example, salt processing and the first salt-packaging factories were built in Madura. The study revealed that there were several salt-packaging factories built in Madura, such as in 1889 and the factory built in Kalianget, Sumenep, which was led by Dr. van Buuren, director of Salt Packaging (*zout verpakking*). This type of development was followed in Mangunan, Pamekasan, and Krampon, Sampang in 1903 (Wisnu et al. 2018). The salt business, which integrated upstream and downstream processes, constructed a social structure in which raw material salt farmers served as workers at the upstream level, while the downstream level (buyers), from the salt-processing industry to marketing, was the Chinese people's domain.

In certain cases, upstream and downstream were not wholly differentiated by this dichotomy, as Chinese people had authority in the two areas simultaneously. As Butcher (1996) stated in his study, the presence of the salt business in Bagan Si Api-Api stimulated the growth of related industries such as the fishing industry. This business growth was inseparable from the role of the Chinese people who were established in that area and gained the trust of and privilege from the Dutch colonial government. Here, a mutual relationship existed between the Dutch colonial government and Chinese salt entrepreneurs. In this context, the Dutch colonial government gained a nominal income from providing permits and leaseholds to Chinese entrepreneurs, while Chinese entrepreneurs might perform productive activities in salt making and related industries, which are economically quite profitable. Under this regulation, the Dutch colonial government regularly tendered the exclusive right to buy and sell salt at or under the maximum price. Tenders were only given to Chinese entrepreneurs who controlled salt businesses. During the colonial era, they controlled not only market distribution, but operational production. They operated the salt business from upstream to downstream, together with other Chinese syndicates. These syndicates controlled the market where salt should be sold in the whole region of Straits Settlement. Butcher (1996) revealed that the Dutch colonial government gained a great deal of revenue from farms rented by the Chinese. In 1905, the monthly rent was raised to *f*13,550—the government collected *f*162,600 from salt farm revenue.

In addition, the fishing industry developed by Chinese entrepreneurs in Bagan Si Api and other places other than Java was also supported by the cheap salt delivered from Java and Madura. The salt price in Bagan Si Api was almost equal to that in Java and Madura, and even Bagan Si Api became a centre to control the salt price. This was related to the construction of warehouses for fish processing at fishing settlement centres in coastal areas and relatively good salt transportation management (Butcher 2004).

At the end of the 19th century, the Dutch government monopolised the salt supply chain by involving local Chinese who received a commission according to the amount they sold (Butcher and Dick 1993). In 1882, the Dutch colonial government issued a regulation on salt monopoly, which was stated in *Gazzete van Nederlandsch-Indie*: the prohibition of producing salt except in the following areas: (1) Java and Madura, (2) west coast of Sumatra, (3) Bengkulu, Lampung, Palembang, east coast of Sumatra, western, eastern, and southern Sulawesi; and (4) Belitung. In the following years, salt contributed to the Dutch government's revenue through commodity exports. Rochwulaningsih (2012) noted that the export value of salt in 1902 was *f*9,456,466, *f*12,633,988 in 1913, *f*17,221,346 in 1922, and *f*27,172,378 in 1931 (Rochwulaningsih 2012).

Table 1 shows that salt production decreased in the period 1931–1940, because of the global economic depression. The situation also allowed the colonial government to adopt strategic policies to fulfil the need for salt throughout the Dutch East Indies, one of which was through an economic protection system.

Dutch East Indies in critical situation

The 1930s was characterised by global economic depression, commonly referred to as the Great Depression. The crisis occurred at various times in countries globally, but most of them began in 1929 to the end of the 1930s. It was the longest, widest, and the greatest economic crisis throughout the 20th century. It commenced in the United States, triggered by the stock market crash on 29 October 1929 which quickly spread globally, affecting wealthy countries (such as the United States, United Kingdom, Holland, Canada, France, Germany, and so on) and poorer countries, including colonised countries such as Indonesia. Personal income, tax revenue, profits, and costs decreased. Likewise, international trade levels reduced from half to two-thirds,

Table 1. National salt production in Indonesia's colonial regimes, 1931–1940 (in millions of kg).

Year	Non-Government Production*	Government Production	Total
1931	32	212	244
1932	29	208	236
1933	14	85	99
1934	11	82	93
1935	16	86	102
1936	16	91	107
1937	17	59	76
1938	16	74	90
1939	18	141	159
1940	42	389	431

*Production is not on behalf of the government.
Source: Statistical Pocket Book of Indonesia 1941: with comparative date for 1940 or earlier.

and even the price of agricultural products fell to about 60%, while unemployment, in the United States, for example, was 32% (Samuelson 2012).

As a colonized region, the Dutch East Indies also suffered during the Great Depression. This related to the economic structure of the Dutch East Indies, which only produced raw material for export to industrial countries, i.e. their target market suffered from adversity (Prince 1989). Consequently, while the Dutch East Indies' export products suffered a price breakdown, most commodities (such as sugar, rubber, tin, and copra) were unsold, causing them to pile up in the warehouses. Such economic conditions caused many companies to become bankrupt, leading to the termination of employment for many labourers. In 1929, for example, there were still approximately 320,000 plantation labourers in East Sumatra. In 1933, they were reduced to 170,000 labourers. Most of the discharged labourers returned to Java, causing the economy in Java to worsen (Dick 1990). They expected that their families in Java would help them (Ingleson 2015). The farmers in Java who lacked food later sold their land to loan sharks (Burger 1975).

Countries employed various methods to solve the problems that arose during the economic depression. Principally, each country responded to the economic depression by protecting its national economic interests, despite destroying other countries' interests. Although economic depression was a global crisis, its resolution was not based on international cooperation; it was responded to by excessive national economic protection in international trade. It was also a condition that triggered the protective *trade policy war*, which suspended international trade (Temin 2010). In Indonesia, this led to declining income, especially of European companies exporting primary products, particularly sugar—a product mostly affected by the Great Depression (Maddison 1989).

The contraction in international trade and decreasing income also affected traditional sectors, including food production and trade sectors, especially rice. This occurred in one of the Southeast Asian countries, Siam, which is one of the main rice exporters in this region. During the Great Depression, many countries that imported rice from Siam attempted to protect their own products by taking measures to reduce rice imports from Siam. A similar phenomenon also occurred in the Dutch East Indies. Because of the downfall of the sugar business, sugarcane planting in Java was shifted to rice culture for domestic consumption, as it needed food because the island was densely populated. The Dutch colonial government prohibited any rice imports, except under official approval (Chankrajang 1930).

Interestingly, the Dutch colonial government attempted to save its colonial economy, particularly in traditional sectors, by raising inter-island trade. Since the primary products produced by Java and other islands in Indonesia were more export-oriented in international trade, the inter-island trade was more oriented to food trade to meet society's daily needs. Rice played an important role in inter-island trade, contributing to saving the native people's economy. Since the pre-colonial period, rice has been one of the important commodities of inter-island trade in the Indonesian islands and even in Southeast Asia. However, the need for rice also increased during the expansion of modern sector capitalism. During World War I, rice exports from Java to the Outer Islands were significant. For example, in 1916, rice exported from Java to the Outer Islands comprised 25% of the total exports to the Outer Islands (Altes 1991). After a slowdown in the 1920s, rice exports from Java to the Outer Islands increased again during the Great Depression. In 1940, the amount of rice exported from Java to the Outer Islands was 7% of the total imports from Java, which was 11,157,000 Dutch Guilder (Maddison 1989, 213–215). In addition to rice, the commodities traded on inter-islands included soybean, coconut oil, castor oil, various types of spices, folk crafts, textiles, sugar, cigarettes, and so on (Sulistiyono 2003).

Pre-new order: persistence of Chinese people's salt businesses

Following Indonesian independence, particularly after the independence revolution, the *Benteng Programme* was launched to build national economic power, in 1950 and ran until 1957. Since the 1950s, the nationalisation began by employing domestic employees into salt companies to reduce the dominance of foreign employees (Cahyono 2014). Nationalisation had a relatively big impact on the structural change, which induced a reduction in Dutch capital dominance in Indonesia's modern economy (Cahyaningsih 2018).

The programme was intended to change the country from a colonial to a national economic structure by growing and developing the economic role of local entrepreneurs and by reducing the economic domination of Chinese people, in particular, and foreign people in general (Sjahrir 1986). Various facilities were given to native entrepreneurs by the government for them to compete with non-native and foreign entrepreneurs, such as granting import licenses for easy-to-sell goods and restricting the import of certain goods. However, the *Benteng Programme* failed largely because many native entrepreneurs took a shortcut by 'selling' various facilities obtained to Chinese entrepreneurs. Consequently, the Chinese people continued to dominate economic activities in Indonesia. Therefore, in 1951, Sumitro, who found himself in charge of this programme when he assumed the position of the Minister of Trade and Industry, stopped this programme (Wie 2005). The government suffered deficits in 1958 to 1962 of Rp 3,6 billion in 1954 and Rp 9,7 billion in 1958 and more than Rp 16 billion in 1962 (van der Kroef 1971).

During the implementation of the *Benteng* Programme in Indonesia (1950–1957), salt, as a strategic commodity, affecting the livelihood of a considerable part of the population was monopolised considerably by PN Garam. This was pursuant to the

Decision of the Minister of Finance dated 31 October 1945 No. 796 concerning the *salat* monopoly implementation by PN Garam as a substitute to *Jawatan Regie Tjandu dan Garam* of the colonial period. Under the condition of monopoly by PN Garam and amidst the flow of *the Benteng* Programme implementation driven by the spirit to reduce Chinese people's economic domination, Chinese salt businesses did not develop, and some even ceased to operate. An interesting case occurred in Lasem, Rembang Regency, Central Java, where it was found that to remain in the salt business, some Chinese businessmen cooperated with local entrepreneurs who were owners of extensive salt land, local officials and landowners, for business permits, and land leases. With such a strategy, Chinese salt businesses in Rembang gradually resumed dominance and often paid lower prices for raw material (rough salt); thus, the salt price fluctuated. For example, at a time towards the end of the 1950s, the salt price in Rembang and surrounding areas reached 75–80 cent/kg, but in 1957, the salt price changed to 2–8 cent/kg (Rochwulaningsih 2012).

After removing the salt monopoly by PN Garam in 1957, which lasted until the end of the old order's ruling period in 1965, the salt sector became more open, and this allowed the Chinese people to re-engage in the salt business. Chinese business players started to hire salt land in the salt centre areas, particularly in Madura and Java. However, Chinese people's salt business activities were not yet free, since even though PN Garam's monopoly had been removed, in practice, it still monopolised production, distribution, and marketing processes (*Warta Bhakti* 1962). In addition to developing the raw material salt-making business (upstream) by hiring salt farmland, Chinese people also engaged in the salt-processing industry by making salt briquettes, salt blocks, and other items (Fitriya 2011; Rochwulaningsih 2012).

The salt business was increasingly sluggish in the 1950s due to bad climatic weather, which made salt production by PN Garam incapable of meeting market needs. Some records have shown these situations. In 1952, salt production only reached 6,600 tonnes. In 1954, it was 1,283 tonnes, in 1955, it was approximately 1,543 tonnes, and in 1956, it was only 964 tonnes (Fitriya 2011).

In 1955, the production was recorded at only 46,000 tonnes, because of the high rainfall throughout the year; 1,721 mm/year in Surabaya and 2,577 mm/year in Semarang, the salt production areas in Madura and Java (Central Bureau of Statistics 1956). The same occurred in 1964 because of high rainfall, and the amount of salt production decreased drastically. Table 2 shows national salt production in the 1950s. Meanwhile, compared to the rice price in 1957–1968, the salt price was under more control, although there was hyperinflation in 1963–1966 because salt had a fixed price as released by the military or Territorial Commander (see Table 3). This effort was to ensure the availability of the salt supply needed by the people (Rochwulaningsih 2012, 31–32). Under such conditions, local and supra-local business actors, including farmers and traders, as well as salt cooperatives, conducted their business under the control of the Territorial Commander until the end of the emergency condition in 1960, as represented in Emergency Law No. 74 of 1957.

The salt price set by the government includes the price of salt raw material and the price of processed salt. However, the price of salt raw material prevailing in the market was often below that set by the government, both during the colonial era

Table 2. National Salt Production in Indonesia, 1950–1965 (in millions of kg).

Year	Government Production
1950	163
1951	481
1952	323
1953	268
1954	130
1955	46*
1956	109
1957	347
1958	235
1959	315
1960	198
1961	445
1962	256
1963	449
1964	53*
1965	252

*Long rainy season

Source: Central Bureau of Statistics 1956; *Statistical Pocket Book of Indonesia 1968 & 1969.*

Table 3. Salt and Rice Prices in Indonesia, 1957–1968.

Year	Salt Rp/briquette (0.5 kg)	Rice Rp/per 10 litres
1957	0.83	35.44
1958	0.91	59.33
1959	1.19	63.49
1960	0.99	60.49
1961	1.41	101.04
1962	4.75	304.67
1963	12.13	610.19
1964	23.49	1,616.66
1965	197.3	5,808.33
1966	1,254.16	47,812.50
1967	6.38	141.46
1968	7.71	549.48

*Long rainy season

Source: Central Bureau of Statistics 1956 *and Statistical Pocket Book of Indonesia 1968 & 1969.*

(*Soerabaijasch Handelsblad* 1933) and after. In addition, processed salt was sometimes sold at a higher price than that set by the government (Java-bode: *nieuws, handels- en advertentieblad voor Nederlandsch-Indie* 1956).

The year 1969, marked the founding of the private salt-processing industry, and PN Garam's difficult times, caused by a shortage of raw materials and processing machinery equipment because it had begun to deteriorate and needed repair. In 1970, PN Garam failed to compete with the salt business operated by the people in Java (*Kompas* 1969). This failure caused PN Garam to continue to suffer losses until it was difficult to pay employee salaries. Some employees even sold scrap metal due to late salaries (*Kompas* 1970).

New order: Chinese people's dominance in the salt business

Finally, the relationship between Chinese entrepreneurs in the salt business and the government officially strengthened after the New Order regime emerged in the Republic of Indonesia (Grabowski 2011). From the 1980s and the 1990s, private

Table 4. Details of Chinese-owned salt-processing companies.

No	Name of Company	Year Established	Location	Owners
1	PT Sumatraco	1969	Surabaya	Chinese
2	PT Niaga Garam Cemerlang (PD Niaga)	1972	Cirebon	Chinese
3	PT Budiono Madura Bangun Persada	1975	Pamekasan	Chinese
4	UD Kalian	1977	Pati	Chinese
5	PT Susanti Megah	1978	Surabaya	Chinese
6	PT Unichem Candi Indonesia	1980	Sidoarjo	Chinese
7	PT Garindo	1989	Gresik	Chinese
8	PT Elite Star Prima Jaya	1992	Gresik	Chinese
9	PT Cheetam Garam Indonesia	1998	Cilegon	Foreign Investment Australia

enterprises induced significant changes in private investment and trade regimes. Thus, the government significantly reduced their investment (Resosudarmo and Irhamni 2008). As mentioned above, the government prioritised the economy as 'the commander', and they considered Chinese people as the economic players with human resources and capital (Pramono 2018); thus, the New Order government's economic policy reinstated Chinese people's legitimacy as the main players in business, including in the salt industry. This was proven by the progress of Chinese people's salt businesses; for example, PT Sumatraco established a salt-processing factory in 1969 in Surabaya and; then opened a branch in Gresik in the 1980s; followed by Jakarta in the 1990s and; Cikarang and Losarang Indramayu, West Java, in 2000 (Interview with Yoni, 16 July 2019). Besides, other salt-processing companies emerged and developed, such as PT Niaga Garam Cemerlang (PD Niaga), established in 1972 in Cirebon; PT Budiono Madura Bangun Persada, inaugurated in 1975 in Pamekasan (Interview with Ali Wafa, 14 September 2020); PT Susanti Megah, founded in 1978 in Surabaya; PT Unichem, formed in 1980 in Sidoarjo; PT Garindo and PT Elite Star Prima Jaya (ESPJ), established in 1992 in Gresik; and PT Cheetam Garam Indonesia, launched in 1998 in Cilegon (Interview with Toni, 13 September 2020). Table 4 shows the details of these salt companies.

Exploitation of salt farmers

In contrast to the Chinese people's bright history in the salt business in Indonesia, salt farmers tended to be less favoured by government policies and even became objects of exploitation by other salt business stakeholders. During the colonial period, the Dutch colonial government and the Chinese people who engaged in the salt business at that time, dominated, and the marginalised were raw material salt farmers. Moreover, during the New Order governance period, those favoured were Chinese businessmen, and those less favoured and even exploited were salt farmers. Thus, regardless of who was in power in the salt industry, salt farmers in Indonesia were less favoured; even marginalised and exploited (Rochwulaningsih 2012).

This exploitation was manifested in the polarisation of salt business activities upstream and downstream. The upstream-downstream business relations should have complemented each other, but was otherwise. Chinese companies operating in the salt-processing sector tended to drastically reduce the price of salt produced by salt farmers. This was mainly after the stipulation of the Ministerial Decree of Industry No. 77/SK/5/1995. The regulation required that salt sold out of the salt centre must first be thoroughly washed. In practice, however, the salt-processing companies were willing to wash farmers' salt after it was sold to them (*Kompas* 2005).

It was this regulation that reduced the salt farmers' prices. Despite unsatisfactory salt prices, the salt farmers continued production, although their incomes were inadequate to fulfil their needs. Traditional salt farmers assumed that they could still have a decent life considering their sustainable productivity using additional workforces and the existence of income (Chambers and Conway 1992). Salt farmers, especially on Madura Island, deemed salt production their inherent culture. They are disciplined, diligent workers. Moreover, they have a strong work ethic, and their trade is influenced by dry climatic conditions. This led to the Madurese local people *ngakan asella areh* [eating intermittently]. This is the Madurese people's modesty. They are strict, persistent and they prioritise work over income— with values that is less calculating and with less self-interest (Wail 2019).

In addition, they applied the agrarian-feudal concept, in the salt business, which in practice was not separated from patron-client relations (Leirissa 1999), in which salt farmers had culturally inherent asymmetric economic bonds; thus, it is difficult to alter. This caused salt farmers to keep producing, although they did not obtain a decent income.

The New Order government's policy meant that salt farmers did not prosper, even if economic activities ran well. The benefits of the *trickle-down effect* did not apply to salt farmers. This condition became evident with more polarised business players of salt commodities in two starkly different segments, partly due to the government's policy. During this era, salt farmers were segmented in the upstream section as raw material salt producers with traditional technology; with low quantity and quality of production and without access to the market. Meanwhile, the processing industrial entrepreneurs in the downstream section had capital and dominated the market. In this context, the policy, as the regulator, favoured the development of downstream sectors, which emphasised processing industrialisation and was dominated by the Chinese regarding imported salt raw material and foreign investment. Consequently, salt as a commodity did not lead to prosperity for upstream business players—salt farmers— local Indonesians. Although the government had adopted a policy aimed at improving the economic status of local people regarding Chinese-owned companies, it did not have the desired result (Booth and McCawley 1986). On the contrary, the plight of local entrepreneurs worsened in some economic respects.

Sociocultural factors contributed to the exploitation of independent salt farmers in that their economic activities tended to focus on the fulfilment of basic needs, that is, subsisting, and were not oriented toward maximising benefits or profits. This aim meant that, in conducting their businesses, they tended to avoid production failure, which would destroy their lives, instead of pursuing large profits by taking risks. They were local people who lacked the courage to take risks (Scott 1993) and paid less respect to material rewards. This caused salt farmers to be unable to compete with the Chinese in the salt business. In addition, they lacked access to sufficient education, technology, loans, land ownership, and markets (Mufti 2018). Therefore, they were more prone to exploitation.

In their social production relationship, salt farmers were clearly exploited during the colonial era by the colonial government and salt merchants, particularly Chinese people. In 1915, Chinese people, together with Arabs and local merchants, gave loans to salt farmers for the duration of the production season at a high interest rate. Yang explained, in detail, that according to the 1930 census, there were 5,336 Chinese loan sharks in Java and most of them (4,342 people) were *totok* ['unacculturated' or 'purer' Chinese]. Outside Java, only 347 Chinese loan sharks were registered (Yang 1998). The loan shark profession was formed, among other reasons, for local people's need for loans that could not be fulfilled by banking institutions; the banking institution at that time was the Chinese Bank and it only served its own people's need for loans. Thus, Chinese people lent their money individually to local people and, in return, received a higher credit interest (Kunio 1990). The loan sharks also often functioned as merchants, buying salt at a low price, and selling it to the colonial government at a high price. The colonial government preferred Chinese people since they were financially shrewd (Kuntowijoyo 2002).

Amidst the flow of the salt business by the Chinese people, there was an irony for PN Garam. As a company, PN Garam ought to be capable of competing with purely private companies, but as a PN, it also has a mission to secure the availability of and even the distribution of salt, nationally. Moreover, in accordance with Presidential Instruction No. 14 of 1974 concerning the Folk Food Menu Improvement (Pusat Data 2021), PN Garam was assigned health issues to solve. These related to the eradication of endemic goitre and other diseases, which could arise from iodine deficiency *Gangguan Akibat Kekurangan Iodium* [iodine deficiency disorders] (GAKI). The GAKI handling assignment meant that PN Garam needed to modernise management, production, and marketing processes to improve the quality and quantity of salt production and fulfil the need for industrial and consumptive salt, particularly for the basic chemical industries, such as caustic soda and soda ash, and to improve food nutrition, as mandated by the President Instruction (INPRES).

Such conditions did not stimulate PN Garam to grow and develop; indeed, its position worsened, as reflected by some field facts, such as PN Garam failing to execute a 1,271 ha land expansion in Madura to modernise the salt production process in 1975. In this case, although most of the land had been successfully obtained from farmers and private sector parties with violence, coercion, and pressure, 300 ha could not be acquired and it led to a land conflict with salt farmers, leading to PN Garam's failure to modernise in the local salt sector. PN Garam's failure to modernise management and production processes caused its salt production to be low, both in terms of quantity and quality (*Kompas* 1975).

Likewise, as, the number of salt transportation ships was limited because of unworthy condition. Until early 1967, there were only 15 'coaster' vessels with capacities of 600–2,300 tonnes; thus, calculated by cost accounting, it might potentially inflict loss (*Kompas* 1967). This was also an obstacle that prevented PN Garam from fulfilling domestic and foreign market demand. For example, in 1968, there was a demand for 30,000 tonnes of salt from Singapore, Japan, Taiwan, and Malaysia that could not be met (*Kompas* 1968). Indonesia even imported salt during this time. The unacceptable conditions continued throughout the New Order with low productivity and quality, indicating that PN Garam was unsuccessful in its role as a PN.

Meanwhile, Chinese salt businesses developed well, during the New Order, but this development was incapable of transforming the life conditions of salt farmers as

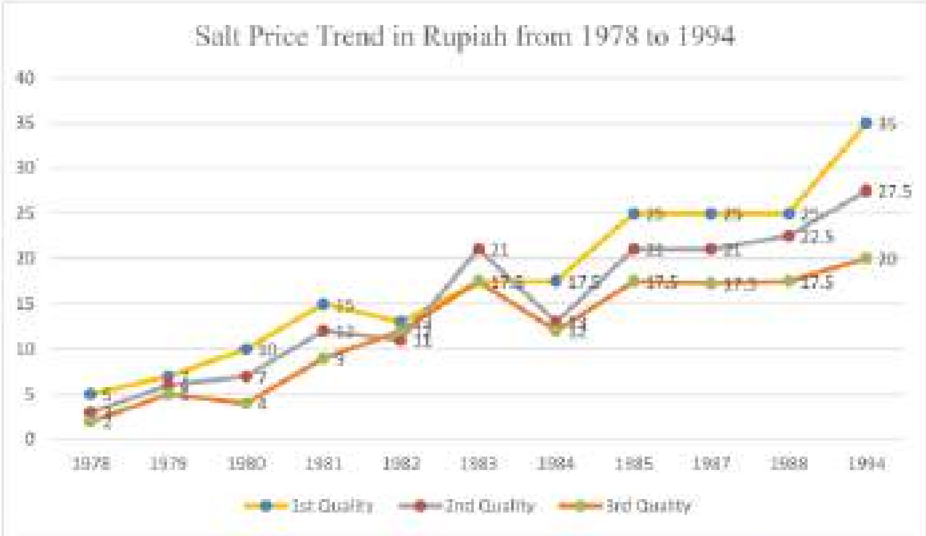

Figure 1. Salt Price Trend in Rupiah from 1978 to 1994. Source: Kompas, 1978–1994.

producers in the upstream sector. Polarisation occurred in the salt sector between the upstream and downstream. The upstream region remained in the salt farmers' domain, while the downstream region was mostly controlled by Chinese entrepreneurs. The interesting fact was that downstream, the salt-processing industry, grew and developed sufficiently under Chinese dominance because of support under the government's policy. Among the domination of salt-processing industry entrepreneurs and salt importers, salt farmers were segmented into the raw material salt production business and lacked access to technology, capital, and markets. Under these conditions, salt farmers tended to be only labourers who were always mistreated and even bullied through an exploitative production relationship pattern.

The salt price was determined by salt-processing industry entrepreneurs since they were able to access the market, while the New Order government exercised protection over the market and tended to disregard it. Therefore, throughout the period, even if the salt price was treading upward, it was still below the production cost. Figure 1 tracks the salt price trends, at the salt farmer level that was randomly sampled from *Kompas*, one of the national daily newspapers.

According to Figure 1, the salt price tends to be low, followed by the currency rate. At its highest, the salt price was approximately Rp 5/kg in 1978 and Rp 35/kg in 1994. The price is the selling price by the salt farmers. When the salt price received by farmers was Rp 2,25/kg in 1977–1978, assuming that a farmer had 1 ha of salt land with productivity of approximately 40 tonnes/ha/season (*Kompas* 1978), the farmer would only earn Rp 90,000 per year. Using the 1966 living cost index in Surabaya (prior to 1979, using the 1966 index) was Rp 590,421 (Central Bureau of Statistics (1981); Strauss et al. 2004). This means that the salt farmer's income was much lower than the cost of living. Thus, to obtain sufficient yields to fulfil their needs for one year, a salt farmer required a minimum of 6.5 ha; this was almost impossible for them to own.

The government was then considered to have created conditions similar to the colonial period, which created local people's helplessness in the salt commodity business, despite, Indonesia obtaining its political independence. Meanwhile, compared to other commodities, such as rice through *Badan Urusan Logistik* [the Indonesia Logistics Bureau/BULOG], the price is determined to ensure the distribution of economic prosperity and growth (Ali 1966; Timmer 1996). Moreover, during the New Order governance, the situation was preserved through the regulation of partnerships with Government Regulation No. 44 of 1997 and the Plasma Core Partnership Pattern, which practically encouraged the control of mostly Chinese owned large corporations over small-scale businesses owned by local people.

Salt farmers always lacked good bargaining power. They waited for their salt products to be bought because they lacked access to the market. At the salt farmer level, market access was always controlled by a *middleman* with direct access to Chinese entrepreneurs. Such a bargaining position meant that salt farmers were unable to dictate the price of their product. This also negatively affected the ability to improve the quality of their salt for a higher selling price. Although there was the state-owned enterprise (BUMN) PN Garam, which in 1991 changed its name to PT Garam and dealt with salt production, it did not help local salt farmers. Moreover, it often became the local farmers' competitors by selling raw material salt.

Conclusion

Our historical study found that Chinese people were intensively involved in the salt business in Indonesia since the end of the VOC's ruling period. The escalation of Chinese people's involvement in the salt business occurred when they acquired a monopoly in the salt land leasehold as *pachter* in the *pachtstelsel* system during the colonial period. The Chinese people were given vital roles by the Dutch colonial government, including as salt exporters to some Asian countries, especially with the issuance of a salt monopoly policy, in which the practice of that policy was implemented through a third-party mechanism (*verpachte middelen*). The government created an entire contract to implement a monopoly for tax collection, purchasing, and retailing salt commodities to the Chinese. Moreover, Chinese people were given special rights to manage their salt businesses. Thus, they could determine the number of salt workers required and propose the necessary size of salt land. Hence, the colonial government's policy to gain maximum benefits from the salt sector made salt a profitable commodity.

The upstream and downstream elements of the business became polarised, positioning Chinese people at the downstream level and salt farmers upstream. The government's policy was, in fact, favoured development in the downstream sector. The Chinese dominated the processing sector, raw material salt imports, and foreign trade. Finally, the upstream business players—that is, salt farmers—did not prosper from the commodity they produced. Instead, salt farmers even became the object of exploitation in the salt business in Indonesia, as indicated by the salt price which is always below production costs and the cost of living. Farmers lacked access to capital, technology, and markets. Therefore, although the New Order government made a policy aimed at improving salt farmers' economic activities, it did not have any significant result. The resultant conditions established the potential for conflict between salt farmers at the upstream level, who tended to be harmed by the industry, and Chinese entrepreneurs at the downstream level, who always benefit.

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Data availability statement

The primary data is obtained under the colonial and the New Order period. These data include salt production, salt price, salt trade, as well as salt actors and businessmen. It was obtained from various publications, for instance from *Kompas*, a national newspaper in which has been published since the New Order; statistical report from the Central Bureau of Statistics in which have collected data of salt production and trade since pre- independence to present. Tables 1–3 mainly contains data from Central Bureau of Statistics. Meanwhile data in Table 4 was obtained from the selected interviews. The recordings and transcriptions of the original interviews are not available due to confidentiality requirements.

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PAGE 1

PAGE 2

PAGE 3

PAGE 4

PAGE 5

PAGE 6

PAGE 7

PAGE 8

PAGE 9

PAGE 10

PAGE 11

PAGE 12

PAGE 13

PAGE 14

PAGE 15

PAGE 16

PAGE 17

PAGE 18

PAGE 19

PAGE 20

PAGE 21