Stanvac in Indonesia

Why the American oil company Standard-Vacuum managed to stay in Indonesia 1945-1970

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‘If we knew what we were doing it wouldn’t be called research, would it?’ - Albert Einstein

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Once back in the Netherlands, it was time to start putting the pieces together. Thanks to Professor Remco Raben for his many critical questions that helped me not to get too carried away by all the stories that the source material held. His advice on drafts of this thesis helped me to determine a structure. Remco Raben’s kind and encouraging words of advice were essential to focus my research.

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<td>BERDIKARI</td>
<td>Economic policy of ‘standing on your own feat’ or ‘berdiri di atas kaki sendiri’</td>
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<td>BPM</td>
<td>Bataafscbe Petroleum Maatschappij</td>
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<td>CSR</td>
<td>Corporate social responsibility</td>
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<td>Finec</td>
<td>Financial and economic agreement</td>
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<td>GOI</td>
<td>Government of Indonesia</td>
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<td>KLM</td>
<td>Koninklijke Luchtvaart Maatschappij</td>
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<td>NEI</td>
<td>Netherlands East Indies</td>
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<td>NIAM</td>
<td>Nederlandsch Indische Aardolie Maatschappij</td>
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<td>NKPM</td>
<td>Nederlandsche Koninklijke Petroleum Maatschappij</td>
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<td>OPEC</td>
<td>Organization of Petroleum Exporting Countries</td>
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<td>Stanvac</td>
<td>Standard-Vacuum Oil Company</td>
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<td>SU</td>
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Introduction

‘Stanvac must have had no choice. They [the Indonesian government] were very powerful. From 1947 it was all in full swing. So it took a long time.’¹

The wife of a former Stanvac employee argued that it was striking that the American company Stanvac was able to stay in Indonesia for so long. By 1966 all foreign investment in Indonesia, except for the oil companies Stanvac and Caltex, had been eliminated.² Nationalizations of foreign companies took place in two waves from 1957 to 1958 and from 1963 to 1965. Stanvac managed to escape both waves of nationalizations. In the period of 1945-1970 the company increasingly shared its decision-making power, money, assets, and expertise with the Indonesian government. A crucial moment in Stanvac’s history takes place in 1963 when Stanvac became a contractor of the Indonesian government company Permina.³ Permina bought its marketing facilities and the agreement stated that other parts of the company would be sold to the Indonesian company in five to ten years. Stanvac continued its operations in Indonesian and shared its knowledge and profit with Permina. In 1968 the national companies Permina and Permigan merged into the Indonesian enterprise Pertamina. In 1969 Pertamina bought Stanvac’s large refinery at Sungai Gerong on the island Sumatra. By the end of the 1960’s, Stanvac had lost much of its power to Pertamina. Stanvac continued to exist as a contractor in the 1970s.⁴ It was exceptional that Stanvac continued its operations throughout the period of 1949-1970 in Indonesia.

The aim of this thesis is to explain why Stanvac was able to stay in Indonesia for so long. As an influential American oil company with a colonial history, Stanvac’s existence in Indonesia clashed with the ideal of an ‘Indonesianized economy’. This ideal prevailed in Indonesia in the period 1945-1970 and originated from the Indonesian version of economic nationalism.⁵ Economic nationalism is defined as ‘the national aspiration to have nationals own and control the productive assets owned by foreigners, or residents considered to be aliens, and perform the important economic functions hitherto performed by foreigners or resident aliens.’⁶ The idea of an ‘Indonesianized economy’ is expressed in the term ‘Indonesianisasi’. The idea of Indonesianisasi stems from the wish of Indonesia to improve economic

¹ Interview Mrs Walter-Killian, 11 December 2012, Vorden, the Netherlands. Quote translated from Dutch.
² William A. Redfern, Sukarno’s Guided Democracy and the Takeovers of Foreign Companies in Indonesia in the 1960’s. (Dissertation, Michigan 2010), 569.
⁶ Thomas Lindblad and Nederlands Instituut voor Oorlogsdocumentatie, Bridges to new business: the economic decolonization of Indonesia (Leiden 2008), 2.
conditions for all Indonesian nationals—including for example Indonesian nationals of Chinese or Indian
descent. Historian John Sutter identified nine kinds of Indonesianisasi. Professor Thomas Lindblad
explains how six of the nine kinds of Indonesianisasi were of importance in Indonesia’s economic
decolonisation. The first is the set-up of businesses by Indonesians in sectors that used to be foreign-
dominated. The second is the transfer of former colonial businesses to the Indonesian government. The
third is the setup of state-led companies. The fourth is increasing control by the Indonesian government
over foreign companies in Indonesia. The fifth is the increasing participation of Indonesians in the
management of foreign companies in Indonesia. And last is the take-over or nationalization of foreign
companies by the Indonesian government. Except for nationalization, these different kinds of
Indonesianisasi are processes that require involvement of both the Indonesian government and a foreign
company. The case of Stanvac turns out to be quite exceptional: where most other foreign investment
left Indonesia, Stanvac stayed. It is quite striking that Stanvac was able to stay for so long. Was there
something that Stanvac did right, or at least different from other companies, that was beneficial to
Stanvac’s continued operations in Indonesia? What were the most important moments, actors and
processes that were decisive in Stanvac’s continued operations in Indonesia? And in what way were
these moments, actors and processes influential? To what extent could Stanvac’s cooperation or
noncooperation with the Indonesian government be a factor in its ‘feat’ of staying in Indonesia?

To find out which factors influenced Stanvac’s continued existence in Indonesia, external
influences on Stanvac and internal influences from within Stanvac are examined. Two types of external
influences are given much attention in this thesis: Indonesian policies fueled by economic nationalism,
and foreign relations. The latter entails the often-problematic relation of the Indonesian government with
the Dutch and American governments, and Indonesia’s position in the Cold War. Two types of internal
influences can also be distinguished. The first is the way that Stanvac dealt with Indonesianisasi of the
company. This thesis takes up Thomas Lindblad’s exhortation to study Indonesianisasi ‘from within’
companies. How did Indonesianisasi affect the company and possibly its continued operations in
Indonesia? The second internal influence relates to the process of Indonesianisasi but is somewhat
broader. It entails Stanvac’s efforts to keep up its relations with Indonesian officials. To maintain close
relations with Indonesian officials, Stanvac had to make a good impression. The thesis will argue that
to a certain extent, Stanvac made use of a strategy called ‘corporate social responsibility’ or ‘corporate
citizenship’. When practicing corporate social responsibility, a company expresses a sense of
responsibility towards the community and its environment. A company could for example spend money

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7 Jasper van den Kerkhof, ‘Colonial enterprise and the indigenization of management in independent Indonesia
and Malaysia’, paper presented at the ‘Economic decolonization in Indonesia in regional perspective’ conference
(Leiden 2005), 1-27.
9 Lindblad, Bridges to New Business, 3.
10 Lindblad, Thomas, ‘The importance of Indonesianisasi during the transition from the 1930s to the 1960’s’,
paper prepared for the conference on Economic Growth and Institutional Change in Indonesia in the 19th and
20th Centuries’ (Amsterdam 2002), 18.
on projects that promote social or ecological change. Such projects do not necessarily have to bring more profit for the company; their use to the company is that such projects boost the company’s positive image. Corporate citizenship is expressed by a company’s role in and responsibilities toward society.11 It is investigated what efforts Stanvac made in order to be – and be perceived as - ‘a good citizen’ in Indonesia. What efforts did Stanvac make in order to continue its operations and in what way did Stanvac use its Indonesianisasi and ‘corporate citizenship’ policy in order to increase its positive image and be perceived as ‘a good citizen’ by Indonesian officials and society at large?

The distinction between external and internal influences is somewhat problematic: some influences ‘from the outside’ were internalized by the company and so became influential ‘from the inside’ as well. One example is that Indonesian economic policies such as that of Indonesianisasi at first were an external influence – but once they became internalized into Stanvac’s policy they are influential from within Stanvac too. So instead of presenting findings on internal and external influences separately, the thesis examines important moments, actors and processes that positively or negatively influenced Stanvac’s continued existence in Indonesia from the outside or from within the company. These factors will appear in a chronologically structured history of Stanvac. Together, they show how Stanvac was able to stay in Indonesia during a turbulent period, while all competitors had to leave.

Historical debate

Until the end of Dutch colonial rule, Indonesians had subordinate roles in major entrepreneurial businesses in the Netherlands Indies. They were for example not allowed in management positions.12 After independence, the Indonesian government wanted to improve the nation’s economy and take control of the Indonesian economy.13 This originated from the idea of Indonesian economic nationalism: the Indonesian economy did not change immediately. Throughout the 1950’s a big part of the economy was still in the hands of foreign companies, ‘despite the privileges afforded to native enterprise by the national government’.14 In a context where economic nationalism was on Indonesia’s political agenda, foreign companies in Indonesia had a difficult time. They experienced the impact of the process of economic decolonization first hand since the companies had to leave Indonesia as a result of it. Most foreign businesses in Indonesia were nationalized in the period 1945-1965. In this way economic nationalism and the process of Indonesianisasi had a major impact on Indonesia’s economy. In the period 1945-1965 two big waves of nationalization took place, after which almost all foreign businesses had left Indonesia. The first wave of nationalizations in 1957 in 1958 impacted Dutch companies that were nationalized. This was because of the West Irian issue between the Netherlands and Indonesia: both

13 Lindblad, Bridges to New Business’, 2.
14 Allen and Donnithorne, Development Economics, 273.
claimed the region to be part of their nation. In the heat of the West Irian issue, the continued existence of Dutch companies was perceived as symbolic of a continued Dutch hold on Indonesia. Anti-Dutch sentiments rose to a high. In the first half of the 1960’s the Indonesian economy still existed for 65 percent out of Dutch companies. These companies left in 1957-1958. The second wave of nationalizations took place in the early 1960’s. This time many British and American companies left Indonesia or were nationalized. By 1966, only the oil companies Stanvac and Caltex had remained in Indonesia.

The American historian William Redfern has studied the historical problem of nationalization of foreign investment in Indonesia extensively. He explains how a couple of issues led to the nationalization of many foreign companies in the 1950’s and 1960’s. The most important issues were the deterioration of the Indonesian economy over the long term, with a climax in 1965; a political struggle that led to the collapse of Sukarno’s ‘Guided Democracy’ and Indonesia’s anti-imperialist anti-foreign policy that created suspicion amongst Indonesians against foreign business. Where most companies left Indonesia or were nationalized, the oil companies continued to exist after 1965. In 1966, Shell sold its assets to the Indonesian Government and left when the company decided to focus on business elsewhere because of low profits. Stanvac and Caltex remained in Indonesia as contractors of the Indonesian government. This made the foreign oil business ‘the least nationalized of all sectors’. So the oil companies’ histories can be seen as exceptions to the rule of the elimination of foreign business in Indonesia. Redfern explains the relative success of oil companies with what he calls ‘oil exceptionalism’. He argues that oil companies were so successful because of their exceptional wealth, influence and perseverance. This perseverance to stay at a certain place can be explained by the companies’ dependence on the location of oil. The oil sector in the 1950’s was indeed an exceptional sector. Before the rise of OPEC in the 1970s, oil was controlled by seven large oil companies: Exxon (Esso), Shell, BP, Gulf, Texaco, Mobil and Socal (Chevron). These companies were called ‘The Seven Sisters’. These companies were extraordinarily rich and had great international networks in which knowledge could be shared. The seven sisters were multinational conglomerates of companies which operated in multiple nations. This gives a multinational ‘an international viewpoint detached from the special interests of any one nation.’ As multinationals the seven oil companies used ‘supranational expertise [that] was beyond the ability of national governments’. In a not yet so globalized world, the

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15 William A. Redfern, Sukarno’s Guided Democracy, 569.
17 Redfern, Sukarno’s Guided Democracy, 569.
18 Ibidem, 3-4.
19 Lindblad, Bridges to New Business, 162. And Howarth, Stephen and Joost Jonker, Stuwmotor van de koolwaterstofrevolutie, deel 2 (Amsterdam 2007), 240.
20 Redfern, Sukarno’s Guided Democracy, 7-8, 18.
21 Ibidem, 154.
23 Sampson, The Seven Sisters, 22.
oil companies were ‘the first of the global giants’. Exxon, Stanvac’s contemporary mother company, “was a multinational corporation at least fifty years before the term was commonly used”. The foreign oil sector in Indonesia was owned by these multinationals. As affiliates of huge multinationals, the oil companies in Indonesia held a strong position, which might have been useful in the companies’ efforts to prevent nationalization.

Redfern’s dissertation leaves several questions unanswered. How was it possible that oil companies in other parts of the world – companies that were similarly wealthy, influential, and perseverant as those in Indonesia – were nationalized nevertheless? In Iran for example, the large Anglo-Iranian oil company in Abadan was nationalized in 1951. This shows that even though an oil companies’ strong position could be of influence, it did not necessarily prevent nationalization. Even more so, its wealth might make an oil company an interesting target for nationalization. Since oil was a very valuable and useful commodity for the new Indonesian nation that had set the goal to take control over its economy, it seems surprising that the oil sector was not one of the first to be nationalized. This left me to ponder which other factors were of influence on Stanvac’s continued existence in Indonesia. Redfern also does not give an answer to the question what role the foreign oil sector had exactly in its continued stay in Indonesia. In other parts of the world, oil companies made serious efforts to prevent nationalization. Shell for example hired managers from the local population for their business in Venezuela. This policy of ‘localization’ was a reaction to the threat of nationalization in Venezuela. By making the company more ‘Venezuelan’ Shell tried to adapt to nationalistic sentiments that were prevalent in Venezuelan society and politics. So Shell adapted to the local situation in the hope that it would be able to continue its operation. Since oil companies were multinationals, it would be relatively easy to adopt strategies that they used elsewhere and to apply such strategies in Indonesia. Could oil companies in Indonesia have used similar strategies to prevent nationalization? This thesis will delve deeper into this yet unresolved issue of how the company Stanvac attempted to stay in Indonesia.

As mentioned before, Lindblad suggested to study the process of Indonesianisasi from within companies. Where Lindblad mostly studies Indonesianisasi by finding figures of how many Indonesians were actually promoted or educated, this thesis will take a step further by looking at Stanvac’s internal organization and by studying the way the company tried to adapt to the local situation. In order to do so, Stanvac’s company publications are examined. The thesis argues that the policy of Indonesianisasi fitted within Stanvac’s strategy of ‘corporate social responsibility’ or ‘corporate citizenship’. Emeritus professor of management Archie B. Carroll traces back the concept of corporate social responsibility (CSR) to the 1950’s when the topic became more widely discussed. The concept of corporate citizenship

24 Sampson, The Seven Sisters, 18.
27 Jan Luiten van Zanden (ed.) A History of Royal Dutch Shell, IV volumes (Amsterdam 2007).
was developed later, yet it resembles the concept of CSR. In the editorial of *The Journal of Corporate Citizenship*, general editor Sandra Waddock gives a definition for corporate citizenship:

> ‘Corporate citizenship really means developing mutually beneficial, interactive and trusting relationships between the company and its many stakeholders – employees, customers, communities, suppliers, governments, investors and even non-governmental organizations (NGO’s) and activists through the implementation of the company’s strategies and operating practices. In this sense, being a good corporate citizen means treating all of a company’s stakeholders (and the natural environment) with dignity and respect, being aware of the company’s impact on stakeholders and working collaboratively with them when appropriate to achieve mutually desired results.’

This definition makes the concept of corporate citizenship more concrete. Its use is keeping good relations with all kinds of stakeholders. This can be achieved by showing respect to employees, customers, communities, suppliers, governments, investors, NGO’s, activists, and the natural environment. In short, corporate citizenship is a strategy that a company uses to express its role in, and responsibilities toward, society. Waddock also explains how assessment of corporate citizenship should be based on ‘the perceived level of corporate responsibility a company exhibits, which inherently involves accountability to relevant stakeholders for one’s actions, which stakeholders see in a company’s actions, impacts and practices.’ It is interesting that she speaks of a ‘perceived’ level of responsibility: this implies that it might matter more how stakeholders view the company than how good the company actually is as a corporate citizen. As ‘companies will be judged for their corporate citizenship, largely by external stakeholders but also by internal stakeholders such as employees, investors and suppliers’, it is important to create such a strategy as a company. Waddock argues: ‘Corporate responsibility is not just social, it is *integral* to practice and strategies; it is unavoidable and is the building block on which the company’s reputation for citizenship is built.’ This thesis investigates a concept that originates from the 1950’s but is still very relevant today. Waddock argues that practicing corporate citizenship today is of the utmost importance: ‘Not since the worldwide depression of the 1920s have the internal practices and external relationships of companies come under such public scrutiny or has distrust been so common. (…) Perhaps the only way to rebuild trust in corporations, whether they are global firms with long supply chains or small to medium-sized enterprises struggling to survive, is to recognize that corporate citizenship is integral and that responsibility, accountability and transparency are part of the manifestation of corporate citizenship.’ In this way, Waddock argues, ‘the relationships that a company

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31 Ibidem, 3-4.
has with its many stake-holders are tied to that firm’s very success.’ In this thesis, it will be investigated to what extent Stanvac used this strategy of corporate citizenship. Since Stanvac’s position as a foreign company in Indonesia was contested, it had to counter sentiments of distrust. A good way of doing so was implementing a strategy of corporate citizenship. By maintaining good relations with stakeholders and by presenting Stanvac as a ‘good citizen’ in events and publications, Stanvac could have a positive effect on how such stakeholders perceived the company.

Case and source material

Stanvac was not the only oil company in Indonesia at the time. Its main competitors were Caltex and BPM. Stanvac and Caltex’s continued operations in Indonesia after 1965 makes their histories even more ‘exceptional’ than that of BPM who left Indonesia in 1966. The focus of this thesis is on Stanvac. To better explain Stanvac’s position, Stanvac’s history will sometimes be compared to the history of other oil companies. Since I was unfortunately not allowed access to Caltex’s archives, Caltex does not appear as a comparative case in this thesis. Since a lot more research has been done on Shell in Indonesia, this companies’ history will now and then be used for comparison to Stanvac’s history. Source material on Stanvac Indonesia was not easy to come by. The archives of the Indonesian affiliates Stanvac and Caltex are partially destroyed and lost and what is left is scattered all over the world. The Briscoe Center for American History’s Exxonmobil Collection in Austin, Texas provided me with source material of Stanvac Indonesia. Among other publications it holds the company magazine Panorama. The UCLA collection holds annual reports of the parent companies of Stanvac. The Johnson Presidential archive in Austin, Texas gave a look into American policy-making regarding the U.S.A’s multinational oil sector. So does the online ‘Declassified Documents Reference System’ archive and the online Foreign Relations United States (FRUS) archive. An unpublished compilation of ‘Indonesian Memories’ - collected by Jack Wexler - came to my attention during an interview with Jan Hendriksen and Margie Pecko-Hendriksen. And last but not least, the SMGI collection of the KITLV in Leiden, the Netherlands provided some ‘inside stories’ of Dutch Stanvac employees that give insight in the daily life on the oil compounds.

This thesis is structured in three chapters. The first chapter provides a historical background of Stanvac as a colonial company in the Netherlands East Indies (1912-1949). In the second chapter Stanvac’s operations during Indonesia’s first years as an independent nation are examined and important moments, actors and processes in Stanvac’s continued operations are determined (1949-1957). The third chapter analyzes important moments, actors and processes that influenced Stanvac’s continued operations during Sukarno’s Guided Democracy and the first years of Suharto’s new order (1957-1970).

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33 Luiten van Zanden (ed.) A History of Royal Dutch Shell, IV volumes.
In chapter two and three, external influences are discussed first as they provide Stanvac’s history on a macro-level of international relations and domestic Indonesian politics. Then moments, actors and processes that took place within the company are analyzed in order to provide insight in internal influences on Stanvac’s continued operations.
Chapter 1. Stanvac: from a colonial to a postcolonial company

Stanvac has a colonial history in the Netherlands East Indies. In this introductory chapter Stanvac’s colonial history is examined to provide insight into the nature of Stanvac’s organization and its origins. Some of Stanvac’s particular characteristics as an oil company originate from its early years. The company soon developed into a big, multinational corporation that operated in sometimes very isolated parts of the Netherlands East Indies. The company had to be inventive and rather self-sufficient. Foreign employees lived in compounds that were built by the company. During World War Two and the struggle for Indonesian independence that followed, Stanvac had a difficult time. By the time that Indonesia’s independence was recognized in 1949, Stanvac Indonesia was already rooted in Indonesia and had an interest in continued operations in the new nation.

Stanvac and the oil industry in the Netherlands Indies 1912-1945

Stanvac’s predecessor the Nederlandsche Koninklijke Petroleum Maatschappij or NKPM started its operations in the Netherlands Indies in 1912. NKPM was established by the American oil company Jersey Standard. Its headquarters were based in The Hague. By having a Dutch headquarters, the American company could operate in the Dutch colony the Netherlands Indies.35 NKPM began mining in Central Java in 1914. In 1922 the company built a new refinery in South Sumatra, where new oil wells had been discovered. Then the Nederlandse Koninklijke Petroleum Maatschappij changed its name to the Standard-Vacuum Petroleum Maatschappij or SVPM. Stanvac came into existence in 1933 when the multinational Standard Vacuum Oil Company —or Stanvac in short— was created.36 Stanvac incorporated SVPM’s oilfields and two refineries. In 1934 Stanvac was awarded its first concession in Central Sumatra where it found several oil wells, for example in Lirik.37 So Stanvac Indonesia was established in 1933, yet operations were already ongoing before this time. Stanvac Indonesia was an American company with a connection to the Netherlands: SVPM’s office was in The Hague. Because of this Dutch connection the company was awarded a concession which made it possible to operate in the Netherlands Indies. Stanvac was created in the process of several merges between American oil

35 SVPM was housed in the ‘Esso building’ on the Benoordenhoutscheweg number 7 in The Hague. Picture originates from this website: http://www.aukevisser.nl/esso/id19.htm
36 Benjamin Higgins, Stanvac in Indonesia, (Washington 1957), 20.
37 Jack Wexler (ed), Indonesian Memories (year unknown), 3.
multinationals. In 1933 Standard Oil Company (New Jersey) co-founded Stanvac. Socony and Standard Oil became the parent companies of Stanvac; they both held a fifty percent interest in the company. The reason for creating Stanvac was that Standard Oil Company of New Jersey had production and refining facilities in Sumatra, but lacked the marketing facilities of Socony. Soon, Stanvac ‘functioned as an integrated oil company in countries from the east coast of Africa all the way to New Zealand. With broad authority to run its own business, it did just about everything that needed doing in the oil industry- and did it in a huge area extending two-fifths of the way around the world. Its operating area encompassed more than 50 countries and territories containing over 900 million people’.

Stanvac in the Netherlands East Indies consisted of three relatively small oil companies that worked closely together. The three companies were the Standard-Vacuum Petroleum Maatschappij (SVPM), the Standard -Vacuum Sales Company (SVSC) and the Standard-Vacuum Tankvaart Maatschappij (SVTM). Stanvac was not the only foreign oil company in the Netherlands East Indies. Its biggest competitors were the American company Caltex, The Anglo-Dutch oil company ‘Bataafsche Petroleum Maatschappij’ (BPM), and the Nederlands-Indische Aardolie Maatschappij or NIAM which was co-founded by BPM and the Netherlands East Indies government. Apart from the big oil companies, several small oil companies operated in the Netherlands East Indies. One example is the Japanese-owned Borneo Oil Company that was founded in 1930. Before the start of World War Two, seven refineries operated in the Netherlands Indies. There were three in Sumatra, three in Java and one in East Borneo. This was possible because the oil companies who built the refineries were multinationals. The companies ‘were the instruments by which technical innovations in oil-mining, refining and distribution, wherever they might originate, were introduced to the East Indies.’ It was a challenge to start operations in the Netherlands East Indies. The oil companies not only had to build refineries and offices but had to set up the entire infrastructure. They built roads, dredged rivers in a ‘jungle-covered terrain’ that ‘presented obstacles far more formidable than those met with in desert countries’.

38 Sampson, *The Seven Sisters*, 37.
41 ExxonMobil Collection, 2.207/ G160 Book ‘Socony-Vacuum Oil Company, Inc.’, section ‘General Historical Background’.
44 Ibidem, 179.
As a Dutch company, BPM had the closest relation to the Netherlands East Indies (NEI) government. BPM and the NEI governments both had interests in the co-owned company Nederlands Indische Aardolie Maatschappij or NIAM. NIAM was established in 1921. It was exclusively managed by the Dutch. The picture from 1935 shows Dutch high officials of NIAM and their wives at the opening of a pipeline. Dutch flags are hanging in the background. Stanvac’s relation with the NEI government was a little more distant. During World War Two fear of a Japanese attack led to further collaboration between BPM and the colonial government. BPM produced oil for the Dutch army at cost price and provided fuel for airplanes of the NEI government. Stanvac only delivered some smear oil and tried to keep a more neutral position. One could imagine that BPM’s Dutch nationality explains the close relationship with the Dutch army, and that Stanvac as an American company did not have such a connection to the NEI government.

In 1942 Japan took over the Netherlands East Indies. An important motive for the attack of the Japanese was having access to oil. Japan’s oil supply in 1927 was only 25 percent of what was needed for its economy and in 1932 only 44 percent. To the Japanese, oil was liquid gold since it needed oil for its war effort. To prevent the Japanese from gaining access to oil, Stanvac and BPM employees were instructed to destroy the refineries on Sumatra. The destruction of Stanvac’s refinery was quite successful. The BPM refinery came into the hands of the Japanese before it was completely destructed. The Japanese company Oka Dai 10303 Batai took over Stanvac and BPM and resumed oil production. The little oil that could be produced by the damaged refineries was used for the Japanese war effort. Both the Stanvac and BPM refineries never reached pre-war volume during the 1942-1945 period. The Japanese occupation inspired Indonesian nationalism and a dream of independence. In March 1945 an investigating committee for Indonesian independence was set up. The Japanese encouraged Indonesians

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46 Allan and Donnithorne, Western Enterprise, 178.
48 Boer, Koninklijke Olie, 41, 54, 111.
51 Boer, Koninklijke Olie in Indië, 9, 27.
to speak the national language Bahasa Indonesia. The Japanese expropriated all foreign businesses and left a power-vacuum for the high positions at these companies. Right before Japan was defeated ‘high administrative posts [opened up] to Indonesians, both to persons from the old aristocracy civil service and to some of the younger group of nationalist intellectuals’. Indonesians without an aristocratic background made use of this new social mobility. In July 1945 the Japanese had a concrete plan to make Indonesia independent. On August 6 a nuclear bomb was dropped on Hiroshima. After a second bomb hit Nagasaki two days later, Japan surrendered. After World War Two, there was a power-vacuum in Indonesia. In this period—often referred to as Bersiap—the Japanese were supposed to keep order. Many Dutch people, among them oil company employees, were interned in camps. Stanvac’s refinery on Sumatra was shortly operated by the Indonesian company Perminir after the Japanese occupation, before the refinery was returned to Stanvac in 1947.

Stanvac during the struggle for Indonesian independence 1945-1949

In the period of 1945-49 a struggle for Indonesian independence took place. Sukarno and Hatta declared Indonesia independent on the August 17, 1945. They wrote the 1945 constitution that sets several goals for the future of the Indonesian nation. Most importantly, colonialism should be abolished, Indonesia should be a republic with a constitution and a democratic system to protect its people and the land of Indonesia to ‘promote the general welfare, (...) improve the standard of living’, and establish ‘a world order founded upon freedom, eternal peace and social justice’. Under the theme ‘social welfare’ the 1945 constitution states that oil would become property of the Indonesian government as it was one of Indonesia’s most important natural resources:

‘The State shall control those means of production which are important for the state and which dominate the economic life of the people. (...) The land, the water, and the natural resources contained therein shall be controlled by the state and exploited for the greatest prosperity of the people.’

So it was Sukarno and Hatta’s intention from the start to gain more control over Indonesia’s rich natural resources and to use it in their nation-building effort. From 1945 to 1949 Indonesia’s struggle for independence took place. Sukarno established a parliamentary cabinet under Shahrir, and official political parties. However, the Netherlands was determined to keep Indonesia as a part of its colonial

54 Feith, The Decline of Constitutional Democracy, 92.
55 Ibid, 7.
56 Vickers, A Modern History of Indonesia, 85-88, 94.
57 Lindblad, Bridges to New Business, 153-54.
58 Vickers, A Modern History of Indonesia, 85, 95.
60 Lev, The Transition to Guided Democracy, 297.
empire. In 1946 the British forced the Indonesians and the Dutch to sign the Linggadjati Agreement in which the Dutch recognized the Indonesian Republics’ authority over Java and Sumatra. The agreement mentioned that Indonesia would be sovereign by 1949, however under ‘a “heavy” Netherlands-Indonesian Union’.61 Both the Dutch and Indonesians were not content with this agreement. In 1947 the first Police Action of the Dutch started: the Dutch tried to repress the Indonesian independence movement and wanted to take back control over their former colony. By 1948 the Dutch were in control of more Indonesian territory. Negotiations resulted in a cease-fire. After signing the Renville Agreement, negotiations though the United Nations were resumed.62 The United States (US) pressured the Netherlands with a warning to cut off economic Marshall Aid funds and urged Indonesia to continue the negotiations by promising financial support.63 This led to the recognition of Indonesia by the Dutch in 1949. Today, Indonesia celebrates the birth of the nation on August 17, 1945: the day that Sukarno and Hatta declared Indonesian independence.

In this turbulent political time Stanvac in Indonesia faced the difficulty of rebuilding its refineries. It could start to rebuild in 1947 when its assets were returned.64 In 1947 the refinery only produced one percent of pre-war capacity. Stanvac decided to stay in Indonesia since it had concessions to drill oil and hoped to find more oil sources. After World War Two the oil market to the East of the Suez Canal developed quickly. For Stanvac this was a good business opportunity as it could to sell its products to this new market.65 By 1948 the company exceeded pre-war production. Foreign businesses, including the foreign-dominated oil sector, feared nationalization because of Indonesia’s nationalism and determination to take control over its resources.66 During the Round Table Conference in 1949 a financial and economic agreement that was called Finec was reached. The Finec Agreement ‘more or less guaranteed unrestricted operations by Dutch business enterprises in an independent Indonesia’.67 Article one ordered a restoration of legal rights as they were during colonial rule. Article three offered guarantees against nationalizations: a company could only be nationalized if this was deemed in the interest of the public. If nationalized, compensation had to be paid.68 So the Finec agreement ‘contained the maximum attainable guarantees for the unhindered continuation of Dutch Business’.69 While Stanvac was an American company, SVPM had a headquarters in The Hague. In this way, the Finec Agreement was also applicable to Stanvac. This was the same for the American company Caltex which had an affiliate called the ‘Nederlandse Pacific Petroleum Mij’.70

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62 George McTurnan Kahin, Nationalism and Revolution in Indonesia (Ithaca 1952) 128-129.
63 Boer, Koninklijke Olie in Indië, 16.
64 Lindblad, Bridges to New Business, 153–154.
65 Higgins, Stanvac in Indonesia, 2-3.
66 Redfern, Sukarno’s Guided Democracy, 239.
67 Jan Luiten van Zanden and Daan Marks, An Economic History of Indonesia 1800-2010 (London 2007) 137.
68 Ibidem, 137.
69 Baudet en Fennema, Het Nederlands belang bij Indië, 213.
70 Allen and Donnithorne, Western Enterprise, 179.
Stanvac’ interest in and concerns about Indonesia by 1950

By 1953 the oil industry had a crude oil output of 10,200 thousand tons, compared to 7,400 thousand tons in 1938. By 1950 the oil sector had to deal with the new postcolonial situation and with Indonesian nationalistic economic politics and policies. The oil sector had to adapt to these new circumstances. BPM for example started to cooperate with the Indonesian government who took over 50 percent of the equity of NIAM that used to be held by the NEI government. This changed NIAM from a colonial company to an Indonesian company. This was noticeable in the top policy making of the company, where there was an Indonesian majority. The day to day management however rested with the Dutch executives of BPM. To accommodate itself to the new political environment the company Standard-Vacuum Oil Company publicly started using it its American name Stanvac instead of the Dutch SVPM. In this way it distanced itself somewhat from its colonial history.

The multinational company Standard Vacuum Oil Company – that was co-owned by Standard Oil New Jersey and Socony-Vacuum - had a great interest in the Far East. It owned four refineries in the Far East: the largest refinery was at the Sungai Gerong compound in Sumatra, two were in Australia and one was in Japan. By 1951 the multinational company Stanvac produced an average of 69,000 barrels of crude oil per day in the Far East. Stanvac earned extra income by refining oil for other companies such as Caltex who did not have a refinery on Sumatra. In this way, Stanvac’s refineries had an average throughput of 81,000 barrels each day. With an expanding oil market in the Far East and a big refinery on Sumatra, Stanvac Indonesia was an important part of the multinational company Standard Vacuum.

Stanvac’s office in China had been taken over by the communist government. Standard-Vacuum offices in this area were ‘closed to the Company’. In 1951 the nationalization of the Anglo-Iranian oil company in Abadan in 1951 was thus also a reason for concern for Stanvac. On the other hand, it was a business opportunity for one of its parent companies. During World War Two was a less profitable period for Socony. In 1951 its sales rocketed: it sold more oil because the Abadan refinery was shut  

71 Allen and Donnithorne, Western Enterprise, 180.  
72 Lindblad, Bridges to New Business, 163.  
73 ExxonMobil Collection, 2.207/ G160 Book ‘Socony-Vacuum Oil Company, Inc.’, section ‘Far East’.  
74 Allen and Donnithorne, Western Enterprise, 180.  
75 Stanvac had several affiliates in Indonesia next to SVPM, SVSC and SVTM. These other affiliates were for example the two oil companies in Papua: the Australiasian Petroleum Company Pty. Ltd. (about 43 percent of stock owned by Vacuum Oil Co. Pty. Ltd.) and the ‘Islands explorations company, pty, ltd’ (About 47 percent of stock owned by Vacuum Oil Co. Pty Ltd). Stanvac also co-owned a company in the then Dutch New Guinea: the N.V. Nederlandse Nieuw Guinee Petroleum Maatschappij (40 percent owned). For this research about Stanvac Indonesia these companies are left out of the investigation as they are owned for less than 50% by Stanvac. ExxonMobil Collection, 2.207/ G160 Book ‘Socony-Vacuum Oil Company, Inc.’, section ‘Far East’.  
76 Stanvac operated in Japan, the Philippines, Hong Kong, Korea, Formosa (now Taiwan), the Associated States of Indo-China (now Vietnam, Cambodia and Laos), Thailand, Singapore, the Federation of Malaya (now Malaysia), Burma (now Myanmar), India, Ceylon (now Sri Lanka), Pakistan and China. ExxonMobil Collection, 2.207/ G160 Book ‘Socony-Vacuum Oil Company, Inc.’, section ‘Far East’.

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down. Stanvac had reason for concern about its future in Indonesia: the 1949 Finec agreement only protected the company against nationalization to a certain extent. The company could still be taken over if deemed necessary and it was unclear how much the government would decide to pay for its assets.

Conclusion

In this chapter the first years of Stanvac’s operations in Indonesia are examined. Stanvac started its operations in Indonesia in 1933 when it incorporated SVPM. SVPM had already built a large refinery on the island Sumatra, near Palembang. Stanvac employed Dutch employees through its office in The Hague. Stanvac was an American company with two big parent companies: Standard Oil of New Jersey and Socony-Vacuum. The companies’ headquarters was in New York. In 1934 Stanvac gained its first concession from the NEI government. Operations were rather successful: oil was found at Lirik, among other places. Stanvac’s biggest competitors were Caltex, BPM and NIAM. NIAM was co-owned by BPM and the NEI government. BPM’s relations with the NEI government were close as they cooperated in NIAM. As an American company, Stanvac’s relation with the NEI government was somewhat more distant.

Setting up operations in the Netherlands East Indies was challenging since Stanvac not only had to construct oil plants but also the entire infrastructure that was needed to drill for and refine oil. Stanvac for example built roads and houses and dredged canals. Stanvac lost its operations several times in the period 1933-1950: first to the Japanese and later to the Indonesians. To prevent the Japanese from using the refinery, it was destructed. By 1947 Stanvac’s assets were returned and the company rebuilt its operations in the period 1947-1950. Soon Stanvac had exceeded pre-war production. Its refinery near Palembang was the biggest refinery of the company Standard-Vacuum. This made Stanvac’s Indonesian business of significance to its parent companies. By 1950 Stanvac operations had been rebuilt. The company now operated in independent Indonesia. Stanvac decided to stay: it had interests in Indonesia’s oil. The company feared nationalization as Stanvac experienced the nationalizations of its assets in China. And in 1951 a large oil company in Iran was nationalized as well. The Finec agreement of 1949 was created to protect the company from such a nationalization. This gave Stanvac good hopes for the future, but did not eliminate Stanvac’s concern for nationalization completely.

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Chapter 2. Economic nationalism, Indonesianisasi and corporate citizenship 1949 – 1957

‘Indonesian views on economic development were likewise conditioned by the exploitative nature of Dutch colonialism - which concentrated much of the economy in foreign hands and oriented it toward production of commodities, such as rubber, tin, palm oil, and petroleum, for the world market. Consequently, Indonesian nationalists, beginning with the country’s first president, Sukarno, hoped to take back control of the economy from foreigners and establish a basis for national unity development, and self-sufficiency.’\(^{78}\)

The decades of post-independence in Latin America and Africa are labeled as ‘lost decades’ because of the violence and instability and poor economic growth that typified this period. The Indonesian case was similar in certain respects. The Indonesian post-independence years were ‘transitional decades’ where nation-building had a priority over economic development.\(^{79}\) Indonesia’s economy was put to use in its nation-building efforts.\(^{80}\) In the 1950’s postcolonial Indonesia had to develop a new policy for its economy. Some politicians advocated Western or American capitalism. Others preferred an Indonesian version of socialism. A consensus was not reached: ‘there was general agreement that Indonesia should move from a colonial economy to a national economy, but there was far from a consensus on just how this national economy should be constructed’.\(^{81}\) In the 1950’s President Sukarno set a political course that became increasingly nationalistic and anti-imperialistic. State involvement in foreign business in Indonesia became a heavily debated topic. As a foreign company, Stanvac’s position in the new nation Indonesia was contested.

In the period 1949-1957 several external and internal factors had an impact on Stanvac’s continued stay in Indonesia. This chapter will investigate these influences that threatened or contributed to Stanvac’s continued existence. First the chapter provides a historical overview of the influential domestic processes and economic measures that resulted from the process of economic decolonization. Here the sometimes problematic relations between Stanvac and the Indonesian government are examined. Stanvac had to negotiate over new oil concessions and taxes with the Indonesian government. In the meantime, Indonesian-Dutch relations deteriorated which impacted Stanvac. By examining the relation between Stanvac, the Indonesian and the American government, Stanvac’s position in Indonesia is put into its historical context. The first part of the chapter explains how Stanvac’s position in Indonesia was connected to larger political-economic (inter)national issues and how the company was


\(^{79}\) Van Zanden and Marks, *An Economic History of Indonesia*, 132.

\(^{80}\) Bartlett, *Pertamina*, 1-17.

\(^{81}\) Redfern, Sukarno’s Guided Democracy, 91.
effected by these issues. In the second part of the chapter significant moments, actors and processes are examined that had an influence ‘from within the company’ on Stanvac’s continued operations. Here Stanvac’s strategy of corporate citizenship and Indonesianisasi is investigated to better understand what efforts the company took to stay on good terms with the Indonesian government and the Indonesian community.

Economic decolonization policies and Stanvac – Indonesian relations

Several economic plans were set up to make the Indonesianize the economy. This was a difficult task which was even more difficult because the Indonesian government changed seven times in the period 1949-1957. The different governments set up economic plans. The Benteng (fortress) program was the first Indonesianisasi measure: it was coined in April 1950 with the intention to ‘foster the creation of a class of indigenous Indonesian businessmen’. It was abandoned in 1957 since it resulted into a ‘national scandal and allegedly did much to discredit the very idea of free private enterprise in Indonesia’ since it favoured indigenous traders over others by giving licenses to import only to enterprises of which at least 70 percent of its equity was indigenous Indonesian. This led to discrimination of local Chinese and foreign importers and resulted in Ali Baba constructions where Indonesians applied for licenses for Chinese traders. The Economic Urgency Plan, also known as the Sumitro Plan, after Minister Sumitro Djojohadikusumo, was implemented in 1951. The plan was not very successful, but laid out the groundwork for new plans that followed. As an economist, Sumitro was mostly concerned with the economic development of the nation. Historian Farabi Fakih finds Sumitro exemplary for a group that he calls an Americanized Indonesian managerial elite. Sumitro was one of many Indonesians that would be trained in the United States throughout the 1950’s. The Americanized managerial elite ‘challenged the primace of nationalists’, Fakih argues. The managerial elite favored an Indonesian version of liberalism where foreign enterprise would be allowed. Nationalists mainly focused on creating a national, Indonesian economy. They regarded liberalism as an idea that was Western: it would not work in Indonesia. So clearly Indonesian politicians in the 1950’s were unable to reach a consensus on the question whether the Indonesian economy should serve nation-building, and if so, how.

An example of a successful plan was the ‘Hassan motion’ that was adopted in 1951. The motion was named after the former governor of Sumatra who initiated the idea. The motion forbade the approval of new contracts to drill for Indonesian oil by foreign companies until a law regarding this matter was

82 Luiten van Zanden and Marks, An economic history of Indonesia, 143.
83 Lindblad, ‘The importance of Indonesianisasi, 6.
84 Ibidem, 7.
85 Redfern, Sukarno’s Guided Democracy, 94.
87 Fakih, The Rise of the Managerial State, 4.
installed. This caused uncertainty about the future for all foreign oil companies in Indonesia. As Stanvac’s future was now in the hands of the Indonesian government, it was important to remain on good terms with the national and local authorities. From the Indonesian perspective, this plan was quite successful as the oil companies were now forced to negotiate conditions with the Indonesian government. A less successful measure to decolonize Indonesia’s economy was Indonesia’s first Five Year Plan, set to run from 1956-1960. The name of this plan already reveals how Indonesia’s national economic policy adopted rather socialist shapes. The implementation of the Five Year Plan proved difficult as it ‘suffered from a number of shortcomings, including its modest scope and overall lack of coordination among different GOI ministries.’ Because of several political issues in the period 1957-1960 such as a civil war between rebels and the Indonesian army, Indonesian-Dutch conflict over West New Guinea and the subsequent takeovers of Dutch companies, the plan was only partially implemented. And so the Five Year Plan was abandoned in the same year that the Indonesian parliament had finally officially approved it.

Throughout the period 1945-1957 President Sukarno emphasized Indonesia’s intention to decolonize. During the Bandung Conference of nonaligned nations in 1955 Sukarno held an opening speech. In his speech Sukarno stated that colonialism is not only what Indonesia had known during Dutch rule:

“Colonialism has also its modern dress, in the form of economic control, intellectual control, actual physical control by a small but alien community within a nation.”

The idea that Indonesia’s economy should be controlled by its government was a socialist, but even more so an anti-colonial sentiment. Because capitalism and liberalism were so closely associated in the minds of many GOI leaders with the hated colonialism and exploitation, many of these leaders nominally espoused socialism as their primary economic ideology, but this perhaps had more to do with anticapitalism than it did with attraction toward principles of socialism’, Redfern argues. Indonesia held on to a non-aligned foreign policy. In 1956 Sukarno visited the United States and accepted aid from both the U.S. and the Soviet Union (SU), however Sukarno was ‘unwilling to take sides in the Cold War’. Sukarno was wary of Western influence and refused to change its non-aligned policy in return

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88 James W. Gould, Americans in Sumatra (The Hague 1961), 70.
89 Higgins, Stanvac in Indonesia, 4.
90 Hopper, ‘Petroleum in Indonesia’, 62.
91 Redfern, Sukarno’s Guided Democracy, 94.
92 Ibidem, 95.
93 Simpson, Economists with Guns, 18.
94 Redfern, Sukarno’s Guided Democracy, 92.
95 Ibidem, 92.
96 Simpson, Economists with Guns, 16-7, 26.
for American aid. To the increasing fear of the anti-communist Americans, Indonesia did accept aid from the SU. Sukarno visited the Soviet Union and received 100 million in aid. The U.S. in turn followed Indonesia’s developments and was wary of Indonesia’s anti-capitalism and socialism: the Indonesian government let the Communist party (PKI) prosper. Indonesia did accept American aid in the form of education and research – for example about Indonesia’s economic situation. Such education and research was funded by among others the Ford and Rockefeller foundations. In the period 1950-1960 American investments in Sumatra’s oil and rubber industry rose considerably. America’s stake in Indonesia grew: where in the interval 1949-1954 the U.S. had invested $262,000,000, in the interval 1954-1959 this has grown 54 percent to $401,000,000.

The Indonesian government set up negotiations with foreign companies such as Stanvac about the terms to which the companies could stay in Indonesia. The first agreement on the matter between the Indonesian government and foreign – and especially Dutch - companies was the Finec Agreement that emerged from the Round Table Conference of 1949. Under article 12d, ‘Dutch employers were obliged to make efforts in including qualified Indonesians in management and staff (also board of directors) of the companies as soon as possible. The aim was that after ‘a reasonable time’, the majority of the supervisory staff of the firms would consist of Indonesian citizens. No time span was given for the implementation and execution of this policy. But in 1950 Prime Minister Natsir urged the Dutch companies again to train managers and supervisors. Before Indonesia became independent, Stanvac had been granted oil concessions from the Dutch colonial government. Such concessions were granted in return for taxes. When Indonesia became independent, the Indonesian government issued Law 44. The law that stated that oil found on Indonesian terrain would be owned by the state. The foreign oil sector feared to lose their business in Indonesia. In 1948 Stanvac received a Let Alone Agreement which made it possible to continue its operations in Indonesia. In return, Stanvac sent three Indonesian employees to the US to study. Concessions were only extended for short periods: this made further negotiations with the Indonesian government necessary. The let alone agreement would end in 1952.

By 1950, negotiations about a new agreement were in full swing. Stanvac planned to invest 70 to 80 million dollar to enhance the productivity of the refinery at Sungai Gerong on the island Sumatra. Djojohadikusumo Sumitro, Minister of Finance, wished to see an outline of Stanvac’s Indonesianisasi plans before he would agree to support the plans of continued operations and investment. In March 1953 the Indonesian government decided that foreign oil industries should be stimulated to stay. A tax that competed with other nations was installed. In 1954 the government set two conditions for the oil

98 Ibidem, 256-258. One of these studies is Higgins, *Stanvac in Indonesia*. Simpson finds the MIT Indonesia project ‘as much prescriptive as descriptive’.
100 Lindblad, *Bridges to New Business*, 150.
101 Ibidem., 150, 163-169, 172.
102 Ibid., 172-173.
industry. New investments had to be made by the companies so that a good profit could be made that had to be shared with the Indonesian government. And the sector needed to express its intention to ‘Indonesianize’: if Indonesians were available to do technical and administrational work for the company, they had to be hired. Stanvac agreed to these conditions. The Indonesian government installed strict immigration controls to speed up the Indonesianisasi process. And Stanvac now had to demonstrate that the vacancy could not be filled locally. This led a reduced number of work permits for expatriate employees. In 1953 only 1000 work permits were extended, which was insufficient to fill the expat positions. Since Stanvac employed American and Dutch expatriates it was affected by this measure of the Indonesian government.

Stanvac faced several challenges in the 1950’s. Some challenges had to do with Indonesian domestic issues, others with international developments in the oil market. First, the company had difficulties to invest in new assets because Indonesian banks were unable to exchange high amounts of U.S. dollars into Indonesian rupiahs. The rupiah was very unstable and foreign investors in the company feared inflation of their investment if their dollars were exchanged for rupiahs. Stanvac therefor proposed to directly invest U.S. dollars into its Indonesian business. The Indonesian approved this proposition. A second problem was that from 1954 onwards, Stanvac Indonesia did not produce enough oil to keep its refineries running. Stanvac bought crude oil in the Middle East. The crude oil was refined in Indonesia and sold in the Far East. Stanvac continued to invest in its refinery and was able to make some profit: even during the Suez crisis in 1956 it made a profit of 3.7 percent. After the Suez crisis there was so much oil on the market that the oil price dropped, which affected the earnings of Stanvac and many other international oil companies. Another challenge was that with the rise of the Middle East oil business, Stanvac Indonesia gained a strong competitor. Where an average oil well in Indonesia produced 21.7 million barrels, some oil wells in Saudi-Arabia produced 1500 million barrels. Yet Indonesian oil was cheaper to transport to Standard Vacuums’ East and Southeast Asian market. And Indonesia itself was a big market for oil. Unfortunately for the foreign oil companies located in Indonesia, the Indonesian government kept prices artificially low to stimulate the economy. Stanvac was obliged to sell their refined product in Indonesia oil without making a profit, which became more problematic for the company because the Indonesian production lowered and oil consumption increased. A lack of crude oil remained an issue up to 1957. In a case study of Stanvac Indonesia that was published in 1957, Higgins states that Stanvac would not be able to keep up its production if the oil situation would not change soon. New contracts to explore for new oil were still not granted by the GOI

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103 Higgins, Stanvac in Indonesia, 42.
104 Lindblad, Bridges to New Business, 167. For more on expatriates in Indonesia see Fechter, Anne-Meike, Transnational lives : expatriates in Indonesia (2007)
105 Lindblad, Bridges to New Business, 40.
106 Higgins, Stanvac in Indonesia, 40.
107 Ibidem, 37.
108 Briscoe Center, booklet on the history of Standard Vacuum, 39.
109 Higgins, Stanvac in Indonesia, 49, 55.
by 1957. Finding new oil wells in Indonesia was essential for the company to remain competitive on the global market. Stanvac wanted the U.S. to interfere, but had to be careful as this could be perceived as foreign imperialism by the Indonesian government.

In this nationalistic anti-Western climate, Indonesian workers and their unions became increasingly anti-Dutch. By 1956 communist and nationalist parties advocated against the presence of foreign companies and pressured the government to ‘kick the Dutch out’. On December first that year, Indonesians held strikes at all Dutch companies. Dutch publications were banned. The Royal Dutch Airlines (KLM) was not allowed to fly anymore and the Royal Package Company (KPM) was not allowed to deliver packages anymore. By December 1957, Indonesian unions overtook virtually all Dutch companies in the archipelago. During these take-overs, most Dutch employees except for some specialists were repatriated and their functions were taken over by Indonesian personnel and the army. Dutch employees of non-Dutch foreign companies had to leave Indonesia as well. This led to an increase in American and British personnel in the foreign companies that remained. Even though Stanvac was affected by Indonesia’s economic decolonization plans and the Indonesian communities’ anti-foreign sentiments to a certain extent, it did not seem that these processes had a very negative impact on Stanvac. The most important this that the company had to do was to continue its negotiations with the Indonesian government to obtain new permits to drill for oil. In the next paragraph it is explained how Stanvac attempted to maintain a relatively good relations with the Indonesian government.

Indonesianisasi from within Stanvac

Stanvac implemented its Indonesianisasi program in 1949 to accommodate both its own employees and the government. Operator jobs were made available for Indonesian employees: the first-class and second-class operators in the refining department of Sungai Gerong for example had been one hundred percent foreign before the war, by 1953 they were one hundred percent Indonesian. The I-program also aimed to create more possibilities for Indonesians to obtain higher positions.

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110 Higgins, Stanvac in Indonesia, 36, 40.
111 Howarth and Jonker, Stuwmotor van de koolwaterstofrevolutie, 239.
112 Higgins, Stanvac in Indonesia, 40.
113 Boer, Koninklijke Olie in Indië, 307-308.
114 Ibidem, 309.
116 Boer, Koninklijke Olie in Indië, 309.
117 Lindblad, Bridges to New Business, 71.
Through schooling on the job, laboratory internships and sending employees abroad, Stanvac prepared Indonesian employees for management positions. The company sent 22 Indonesians to the United States in 1955-1956 and 42 in 1957-1958. Others went to Europe. Ramadanus Berai was for example sent to Europe in 1955 for a nine month training course along with 19 Indonesian colleagues. On the photo you can see Mr Berai in Paris in 1955. Stanvac’s company magazine Panorama mentions the educational and training programs often. The article ‘Foreign interest in Stanvac’s training program’ for example explains that the training program is Stanvac’s contribution to ‘the Indonesian Governments’ drive to acquire a corps of technical and crafts experts’. Another article in Panorama explains how the head of the Indonesian Language Department of Cornell University, Mr. Echols, visited Stanvac to learn about its English and Bahasa Indonesia courses. Panorama also reports on Indonesian employees who would leave for the United States. In the picture below for example, three young Indonesian employees are photographed in front of a Stanvac office in Pendopo in Indonesia. The article announced that the three Indonesians would go to the New York Trade school. They were the second trio that went to this particular school.

4 SECOND TRIO FROM PENDOPO OFF TO NEW YORK TRADE SCHOOL

118 Higgins, Stanvac in Indonesia, 75-76.
119 E-mail correspondence with Mr. LeBran Ramandanus, Indonesia.
Stanvac’s training programs were part of its Indonesianisasi efforts: through schooling, Indonesians could obtain higher positions in the company. By January 1957 SVPM’s general manager R.J. Bard explains how Indonesianisasi can be achieved by education:

‘Inauguration of the company Adult Education Program will be one of the most significant new steps in this direction. No employee who wishes to share the benefits and opportunities of the modern world of the future should allow illiteracy or lack of basic education to stand in his way (...) 1957 will also be an important year for our other training activities. On the one hand, specific programs to train particular individuals for certain positions will be emphasized, while, at the same time, generalized training will also be stepped up.’

So Stanvac implemented several training programs in order to make Indonesianisasi possible. And the company urged its Indonesian employees to use this opportunity. One way of getting attention for the adult education program was to publish a cartoon about it in the company magazine Panorama Stanvac. Here the characters Ali and Saleh are introduced. In the cartoon Saleh asks Ali: ‘Ali why don’t you sign up for the Adult Education Course?’. Ali says that he is too old to learn. But when a lovely Indonesian women asks Ali if he can learn a new dance, Ali says: ‘Hey, you know me, I’m never too old to learn!’ Under the cartoon it is written: ‘That’s right Bung [dear colleague]. You’re never too old to learn! And what you learn through SVPM’s Adult Education Program will help you at home, in the community and on’

5 YOU ARE NEVER TOO OLD TO LEARN

Here Stanvac expresses a concern for not only its employees but for the Indonesian community.

In the mid-1950’s the impact of its Indonesianisasi policy became clear. Lindblad defines Indonesianisasi as the growing participation of Indonesians in management positions. Stanvac’s efforts resulted in a considerable growth of Indonesian personnel both in management and non-management functions. In 1948 80 percent of management positions were Dutch and zero were held by Indonesians. In 1949 supervisory employees consisted of 68 percent Dutch, 13 percent US and an unknown but probably very low amount of Indonesians. By 1956 this picture had drastically changed: now the management existed of 40 percent Dutch, 30 U.S. and 28 percent Indonesian employees and two percent unknown. These numbers are quite similar to the estimation Lindblad gives of respectively 40, 35 and 25 percent.

From the few figures that are available, it becomes clear that Stanvac already employed a large number of Indonesians in non-management functions in 1949. In 1949 Stanvac’s manufacturing department for example existed out of 7 percent of foreign, 90 percent Indonesian and 3 percent of local foreign employees. And Stanvac’s production department existed of 7 percent foreign, 85 percent Indonesian and 8 percent local foreign personnel. By 1957 97 percent of Djakarta’s sales department employees were Indonesian. To better understand what Stanvac’s Indonesianisasi results mean, it would be interesting to compare Stanvac’s results to those of BPM. Lindblad argued that BPM was an example when it comes to the implementation of Indonesianisasi. Unfortunately BPM’s percentages cannot be compared to those of Stanvac as Stanvac’s give information over management positions and the BPM figures include both management and supervisory staff positions. Yet from BPM’s figures it shows that BPM indeed made an effort to Indonesianize: by 1956 BPM’s management and supervisory staff of BPM existed of 39 percent foreign, 50 percent Indonesian and 11 percent local foreign employees. Lindblad argued that Stanvac’s investment in human resource development was considerable in comparison with most Dutch firms, with the possible exception of BPM. This seems very plausible as BPM’s Indonesianisasi results are presented as very positive.

One way in which BPM made its results seem so positive was by replacing local non-indigenous groups such as Peranakan Chinese with Indonesian employees. The histogram below shows how the

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124 ExxonMobil Collection. Box 2.207C146. Folder nr. 4 Panorama Stanvac (Standard-Vacuum) February 1958, 18.
125 Lindblad, Bridges to New Business, 173.
126 Higgins, Stanvac in Indonesia, 75.
127 Lindblad, Bridges to New Business, 173.
128 SVPM leaflet (KITLV).
129 Higgins, Stanvac in Indonesia, 49, 55.
130 Lindblad, Bridges to New Business, 162.
131 Sluyterman and Wubs, Over Grenzen, 163.
132 Ibidem, 173.
composition of BPM’s Production and Business department changed in the period 1949-1955. While the number of indigenous Indonesian rose, the percentage of local hired personnel that was not indigenous Indonesian went down. So a major part of Indonesianisasi took place by replacing one group of local personnel with another. This might not have been the original intention of the Indonesian government, as its goal was to decrease the influence of foreigners – especially in high management positions. The histogram shows that the number of foreign personnel dropped: the total numbers of personnel from abroad decreased from 1364 employees by 1949 to 907 employees by 1955. So the histogram shows that Indonesianisasi at BPM’s department of ‘produksi & handelszaken’ took place in two ways: by replacing local hired personnel that is not indigenous Indonesian with indigenous Indonesians; and by replacing foreign personnel with Indonesian personnel. Since BPM used this strategy, it is very plausible that Stanvac did the same. It is not clear if and to what extent the same strategy of replacing local personnel that was not indigenous Indonesian – such as Peranakan Chinese -

KIT, BPM. Kroniek August 1956, 10. Source found during collaborative research with PhD Candidate Aniek Smit, MA from Leiden University. Used here with her permission. The category ‘local hired personnel’ probably includes peranakan Chinese and is not perceived as Indonesian here: under the diagram the percentages of ‘from Indonesia’ are derived from the ‘local personnel’ parts only.
by indigenous Indonesians was used by Stanvac in order to make its Indonesianisasi efforts seem successful.

In the period 1949-1957 not only the growth of the Indonesian percentage but also the shift from Dutch to American personnel is very visible. Where in 1949 86 percent of foreign staff was Dutch and 13 percent American, this had shifted to respectively 40 and 30 percent by 1956. Indonesian employees mockingly described Stanvac’s Indonesianisasi program as the ‘Americanization program’. This quite accurately describes the situation since the top management positions remained filled with foreign personnel. The best jobs were usually occupied by Americans. Stanvac apparently was aware of the Indonesian criticism on replacing one expat by another and promised to make an effort to make Sungai Gerong less of an ‘island of Americanism’. Within the category of foreign staff of BPM, a change was apparent too. Its staff was further internationalized which meant that less Dutch and more British, French and Swiss managers were hired. This lessened the ‘Dutchness’ of the company. So it seems that where Stanvac ‘Americanized’ – to the extent that this is possible for an American company – and that Shell internationalized. This of course was not exactly what the Indonesian government had hoped and aimed for when negotiating over Indonesianisasi.

A multinational as an Indonesian citizen: Stanvac’s public relations strategy
To what extent did Stanvac use a strategy of corporate citizenship, and how did this affect the company and its employees? Where did Stanvac’s strategy originate from? Stanvac’s parent company Standard Oil of New Jersey expressed that it made efforts to present itself as an ‘open, friendly and communicative’ organization that ‘considers the public interest in framing its policies and arriving at its decisions’. Standard oil stresses that it ‘contributes to the strength and well-being of the nation’ and that it is a ‘good employer’ and that:

‘(…) it is alive and readily assumes its responsibilities as a citizen’.

As explained in the introduction of the thesis, the idea of corporate social responsibility originates from the United States in the 1950’s. A little later, the term corporate citizenship became more commonly used. The nature of Stanvac’s operations asked for a fairly high level of self-sufficiency: often, no public works were available at places where Stanvac started new operations. It could be argued that Stanvac

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134 Higgins, Stanvac in Indonesia, 77, 86.
135 Ibidem, 77.
136 Memories of the East Collection SMGI nr 1439.2 September 1999. KITLV, Leiden
137 Higgins, Stanvac in Indonesia, 86.
138 Sluyterman and Wubs, Over Grenzen, 169, 230.
139 ExxonMobil Collection Briscoe Center. 2.207 Box G249 Human Relations. Booklet ‘So you are going overseas’, 12.
was an early example of a company that implemented corporate social responsibility in the sense that it provided all kinds of amenities not only to its employees but to their families and to people who lived near the compound. In the 1930s and 1940s the company already had expressed a concern for its social environment by building roads, company towns, schools and hospitals in little developed areas. However, to make a statement about whether Stanvac was exceptional in its corporate social responsibilities in the 1930s and 1940s, more comparative research should be done. This chapter focuses on the period 1949-1957. By then, Stanvac had also built entire company towns for its employees. The biggest town was ‘Sungai Gerong’, next to its refinery on Sumatra. The compound had a hospital, a Dutch, American, Chinese and Indonesian school, different housing areas, sporting facilities and the ‘soos’ where parties were held. By 1956 the compound Sungai Gerong had new sporting facilities and a swimming pool. The existing living quarters improved as well. The company magazine Panorama explains that ‘in line with the company’s policy to provide better houses for all classes of personnel, work will begin in June on 96 workers’ quarters in the Kampung Bali area to replace some of the overcrowded quarters in the Komering area. These quarters will consist of a living-room, parents’ bedroom, kitchen and bathroom on the ground floor, and a bedroom for children on the mezzanine level.

Stanvac provided not only homes and facilities such as hospitals, shops and swimming pools, it also provided in the religious needs of its employees. In 1956 plans were made for a new mosque that would be ‘much bigger than the present one’. So Stanvac took care of its employees. It also contributed to its own Stanvac community that surrounded the compound, by for example treating Indonesians in the Stanvac hospital. And Stanvac’s operations stimulated the local economy. This cartoon below that was published in Panorama proudly shows Stanvac’s contribution to the local community.

140 For more on company towns see Borges, Marcelo J., and Susana B. Torres, (eds), Company towns: labor, space, and power relations across time and continents (New York: Palgrave Macmillan, 2012)
143 Ibidem, 4.
So Stanvac indeed provided all kinds of amenities to its employees and contributed to the local community in several ways. Yet to see if and to what extent Stanvac had a strategy of corporate citizenship it is also important to note how the company presented these contributions. By presenting itself as a ‘good citizen’, Stanvac could make a good impression on local and national authorities. One occasion in which Stanvac presented itself as such a good citizen was at a public relations event on November 17, 1949. A reception cocktail party was held to celebrate the new ship ‘Stanvac Sumatra’.145

The cocktail party was held. Apart from high-ranking Stanvac employees, ‘His excellency and mrs. Abdul Malik, Lt. Colonel Bouman and Lt. Colonel Navis’ attended the event. The press was well represented.146 Directions from New York instructed local managers how to organize the event. In October 1949 a letter was sent to Mr. H.A. Gibbon from SVPM at Sungai Gerong, Sumatra, from the Stanvac office in New York. 147 The letter explains that ‘the first visit to Sumatra (Palembang) of the [ship] STANVAC SUMATRA provides an opportunity for both S.V.P.M. and S.V.T.M. to achieve

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145 ExxonMobil Collection Briscoe Center. 2.207 box F133 Stanvac Sumatra. Reception cocktail party 17 nov 1949, list of all guests.
147 ExxonMobil Collection Briscoe Center. 2.207 Box F133 Stanvac Sumatra. Letter sent on October 27 from Edw. N. Leibacher, Standard-Vacuum Oil Co. Room 1543-26 Broadway New York. The letter was cc-ed to Mr. R. F. Koch and Mr. W. F. Dunning of the Public Relations Department.
favorable public relations images in Indonesia [emphasis mine]. 148 It is then explained how this event will contribute to such favorable public relations: ‘A) ’The fact that the vessel is named “Sumatra” has a certain appeal to those whose thinking tends to follow along nationalistic lines. B) The Company’s actions in naming this newest addition to the Stanvac fleet the “Sumatra” is an indication of its regard for and belief in the future of Sumatra and the Sumatran people. C) The fact the Mrs. Elliott, wife of the president of the organization, personally christened this vessel is of particular interest to all those who are acquainted with her and who know the background of her efforts on behalf of Indonesia.’ 149 The letter also explains that this event can be used:

‘(…) to remind the Indonesian community that Stanvac is a “good citizen” – that it contributes to the economy by providing jobs, wages, taxes, etc., etc.’ 150

So Stanvac organized events such as this one to promote the company and achieve favorable public relations with local officials. The message that the company wanted to get across was that Stanvac proves itself to be a good citizen. It seems that Stanvac indeed had a strategy of corporate citizenship, and that this strategy was implemented in a rather top-down fashion by the Stanvac office in New York. The letter from New York contains a detailed list of directions. It instructs to have speakers and guests from outside, to hold a ‘selamatan’, an Indonesian traditional opening ceremony and to exhibit something. 151 With the letter a photograph was sent that should be given to the Captain of the ‘Stanvac Sumatra’ by a prominent Indonesian. And last it is requested to ‘please provide full report, press material, pictures and news clipping to New York for company publication use.’ 152 On January 12, 1950 a memo to the head office mentions states that such a report was indeed published in ‘STANVAC SVPM NEWS’. 153 In this way Stanvac’s headquarters in New York instructed Stanvac Indonesia to portray itself as a good citizen.

Stanvac not only made an effort to maintain its public relations, it was also concerned with employee relations. Stanvac was doing relatively well in preventing troubles with their Indonesian employees. The union-management relations were quite difficult. To make negotiations with unions or individual employees more agreeable for both Stanvac and their employees, Indonesian counsellors

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148 ExxonMobil Collection. 2.207 Box F133 Stanvac Sumatra. Letter sent on October 27 from Edw. N. Leibacher, Standard-Vacuum Oil Co. New York.
149 Ibidem
150 Ibid.
151 Ibid. Instructions are given to have speakers and guests from outside, hold a ‘selamatan’, an Indonesian traditional opening ceremony and to exhibit something. And a publication about the events in Stanvac News is requested.
152 ExxonMobil Collection Briscoe Center. 2.207 Box F133 Stanvac Sumatra. As requested, a report of the event is sent on November the 26th of 1949 Report is sent nov 26th 1949. By Albert Wright Jr., by M.J. Drijver. Cc to WFD, The Hague, HBW and CJvC.
153 ExxonMobil Collection Briscoe Center. 2.207 Box F133 Stanvac Sumatra. Memo January 12 1950 to Mr. Drijver.
were hired to attend to the worries and problems of the employees. The counsellors then made sure that the problem would be taken seriously. Indians united in the worker union SOBSI. There were not many strikes. The Indonesian unions were able to resolve a part of the differences between Indonesian and foreign employees. For example, by 1954 foreign employees were still paid more salary than their Indonesian colleagues. And they were allowed to go on a long leave. In 1954 the Indonesian unions made the long leaves possible for all Stanvac employees. The employee relations department of Stanvac made sure that the good salary, housing, medical care, schooling and hours were made public to gain Indonesian personnel and gain support for the companies’ presence in Indonesia.

The New York Employee Relations department of Stanvac’s parent company Standard Oil of New Jersey was also concerned with the way that its expatriate employees would behave overseas. As expatriate employees would represent the company overseas, efforts were made to instruct them on how to behave abroad. The New York Employee Relations department for example issued a booklet in 1954 entitled *So you are going overseas*. It was made for use by the company and its affiliates, such as Stanvac Indonesia. It addresses how American Stanvac employees are supposed to behave when abroad:

‘Getting along with people in other countries is not a case in “our side” and “their side”. “They” can become “us”. The main thing is to treat others as you would want them to treat you if positions were reversed. Look for things you like in the people you meet and the places you visit. If you do, you’ll find them. And you’ll find friendliness and success in your assignment abroad. (…) You go abroad as a representative of Jersey’s policies or cooperation, coordination and decentralization.’

*So you are going overseas* discusses what attitude Stanvac employees should have towards local politics: ‘Visiting personnel obviously must stay out of politics. We Americans are accused of trying to tell other people how to run their government and country.’ In ‘no case it is a guest’s privilege to indulge in public condemnation of either the wisdom or the morals of the nation he is visiting.’ The booklet also instructs expatriate employees how to deal with communism: ‘The United States of America is principal target of Communists in all countries. Anti-Americanism is fomented at every opportunity by Kremlin agents. You, the individual, may be the victim. You need not be the cause of additional anti-Americanism. In fact, you can help to decrease it. By your example, you can help beat Kremlinism and

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154 Higgins, *Stanvac in Indonesia*, 49.
155 Memories of the East Collection SMGI nr 1439.2 September 1999. KITLV, Leiden
156 Higgins, *Stanvac in Indonesia*, 55.
157 ExxonMobil Collection Briscoe Center. 2.207 Box G249 Human Relations. Booklet ‘So you are going overseas’ (1954), 38. Published by Employee Relations Department, Standard Oil Company (New Jersey), 30 Rockefeller Plaza, New York 20, New York.
158 ExxonMobil Collection. Booklet ‘So you are going overseas’, 33.
159 Ibidem, 35.
160 Ibid., 38.
disprove unfriendly generalizations against Americans. Vulnerability to Communism may be due to hardships suffered by people in the country you are visiting. Anti-U.S.A. feeling may be due to things said by U.S. politicians and public figures at home. They may be due to misrepresentations and lack of information about U.S.A. policies and programs. The main thing is to be aware of the situation. The second thing is to be careful not to excuse yourself from taking anti-Americanism seriously on the grounds that people who don’t like us must be Communists. So Stanvac advises its employees to stay out of heated political debates with locals to avoid problems. By behaving well, a positive image of Americans can be created. This is considered to be in the best interest of the employee and the company. Stanvac’s expatriate employees are warned to avoid clannishness, as this can improve the company image and that of American citizens in general:

‘All humans tend to be clannish, Europeans, South Americans, Asiatics and others cluster together in New York City. American people often live in “colonies” abroad. To the extent that circumstances permit, and you as a “foreigner” are accepted, mix socially with the nationals of the country. You can cause unfriendliness by separate housing, separate clubs, separate schools, separate thinking.’

Stanvac and its parent companies’ policy was one of good corporate citizenship. It organized events to show that Stanvac was involved with the local and national community. Indonesian officials visited the compound and good relations were forged. By implementing Indonesianisasi and publicizing its results, Stanvac improved its image. As a foreign company in a nationalist environment, it was of the utmost importance to maintain a close relationship with Indonesian officials. Yet, at the same time, Stanvac was still making a transition from a colonial to a postcolonial company. Some former employees who had lived in the Netherlands East Indies before and sometimes during the war, had difficulties to adapt to the new situation. Did these expatriate employees really follow the instructions of their companies as mentioned above? In the period 1949-1957 it seems that within the Stanvac community:

‘You had separate groups. The Indische people, the Hollanders, and the Americans. Three groups. And of course, the Indonesians. You had some talented ones but they hardly came to our parties.’

While these groups worked together, not all the groups played and partied together. A distinction was made between foreign and local personnel. The newer and bigger pool for example, which was built at

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161 ExxonMobil Collection. Booklet ‘So you are going overseas’, 33.
162 Ibid, 38.
163 SMGI nr. 1423.1 KITLV, Leiden. The same quote was also used at a paper presentation of Aniek Smit and I at the ESSH conference in Vienna in April 2014.
the Sungai Gerong compound by Stanvac in 1956, was only accessible to the club of foreign staff. \textsuperscript{164} So here Indonesians were not allowed to go to this swimming pool. A Dutch former employee is not sure whether this was not allowed. Some Indonesians came to the pool and the ‘soos’ later on. ‘But to say that we had great contact, one often thought differently, and did not have many social common interests [in Dutch: ‘raakvlakken’] to talk about. But there were no issues, they were there too.’ \textsuperscript{165} When asked whether Indonesian and foreign employees visited each other at home, the employee explained that he met Indonesian mostly in the classroom or at the boy scouts, so during group activities. There were some Indonesians he became befriended with and whom he visited at their house. By the late 1950’s the Indonesian attitude towards Dutch employees became ‘more distant’. Indonesian personnel united in unions and the atmosphere changed into an ‘unpleasant one’. By the end of the 1950’s, Dutch employees only spoke in Dutch when they were sure there were no Indonesians around to hear it. \textsuperscript{166} So clearly, the fact that Indonesian and Dutch employees worked together did not mean that they mixed socially as Stanvac requested. This confirms Lindblads argument that the fact that Indonesianisasi took place on the workfloor did not necessarily affect social relations amongst Dutch and Indonesian Stanvac employees. \textsuperscript{167} At Stanvac, there were groups of Dutch and American expatriates and ‘Indische’ people - who were born in Indonesia but had a connection to the Netherlands-, and Indonesian employees. Stanvac warned again clannish behavior as separate housing, separate clubs, separate schools, separate thinking can cause unfriendliness. Yet in reality, at Sungai Gerong there was separate housing for expatriate and Indonesian personnel. There were separate sport clubs such as the foreign staff club at the new pool. And there were separate schools where children were taught in Dutch, English or Indonesian. To establish whether there was ‘separate thinking’ is harder to say. This needs further investigation.

An analysis of the stories of two employees with a very different outlook on the social situation at Stanvac give some insight into the question ‘separate thinking’. Interviews are a great source to learn more about how former Stanvac employees felt about working and living together with Indonesian colleagues. The first story is told by a Dutch Stanvac employee who resisted the change that Indonesianisasi brought about on the workfloor and who noticed how the worlds of Indonesian and foreign employees remained separated. Second the story of a Dutch Stanvac employee who got along very well with his colleagues is analysed. This employee did not want to leave Indonesia but eventually had to because of his Dutch nationality. This Dutch former lawyer had already worked for Stanvac in the Netherlands Indies. He started to work with Indonesian colleagues after independence and argued that social integration did not occur at the same pace as Indonesianisasi. On a social level:

\textsuperscript{164} Higgins, Stanvac in Indonesia, 49.
\textsuperscript{165} SMGI nr. 1384 2a. (1999).
\textsuperscript{166} SMGI nr.1384 2a.
\textsuperscript{167} Lindblad, Bridges to New Business, 173.
This particular interviewee had a past in the former colony and had difficulties to adjust to the new reality of an independent Indonesia. He noticed that Indonesianisation took place, and questioned the abilities of Indonesian employees. He was not sure that Indonesians were 'not ready yet' for independence. The employee does not believe that independence was a good thing for Indonesia: ‘It is unfortunate for the country itself that under ethical norms that a part of the world - among which the Americans themselves - gave this country its freedom too fast. It is too bad. Since it has not become better’. The interviewee was rather skeptical about some of his Indonesian colleagues: ‘there are of course some who have had an education elsewhere, my younger colleague was an Indonesian jurist and he did quite well (...) But in general, the greater mass is still fogy [in Dutch: ‘onderontwikkeld’] and will for long not be ripe to, let me say have a certain standard of living and certain worldviews’. The interviewee explained that after he left Indonesia, a Chinese attorney from Palembang was hired to work along with the Indonesian who replaced him: ‘That is how it was, you did hire an Indonesian boy who had to be a jurist but for the difficult things a Chinese attorney was hired, he became an employee there.’ The interviewee resisted these changes but did realize that he ‘had to follow his American management who completely accepted Sukarno.’ The Americans followed what their government did: ‘there was nothing to be done about it.’ So this particular employee was aware of Stanvac’s policy, but he clearly did not agree with Stanvac’s policy. He experienced quite a distance between Indonesian and foreign employees.

The second story is told by a Dutch employee who sailed for Stanvac stayed up to 1961. While most Dutch employees had left Indonesia by then, he was able to stay. Professionally he had a lot of contact with other nationalities on his ship, which he speaks enthusiastically about. He met many Indonesian students on his ship and they got along well. From the interview it seems that out of this employee’s behavior resembled the way Standard of New Jersey’s booklet had advised its foreign employees to behave. He for example interacted with groups of different nationalities. The interviewee noticed that more Americans and British came to live at the Sungai Gerong compound to replace the Dutch. In the ‘soos’ he met colleagues and some Dutch and Indische people of the terminal. In the office he noticed that more and more Indonesians came to work for the Standard. When he spoke to people

169 SMGI nr. 1439.2
170 Ibidem.
171 Ibid.
172 Ibid.
173 Ibid.
174 Ibid.
175 Memories of the East SMGI Oral History Collection, SMGI nr. 1696.2.
from outside the company, politics were not discussed. In this respect, the employee followed Stanvac’s policy as well. The former employee was often confronted with his Dutch identity in relation to the ongoing New Guinea matter. It was regarded as weird that the Dutch were still in Indonesia. He was not allowed to be a captain because he was Dutch. In 1961 the employee had to leave Indonesia. He did not like the Netherlands and considered Indonesia his country. So, this employee perceived a closer connection with Indonesia and with his Indonesian colleagues.

From these examples it becomes clear that the relations between specific Dutch and Indonesian colleagues differed. It seems that some factor might have problematized the social mixing of Dutch and Indonesian employees in the period 1949-1957. A colonial attitude of some Dutch employees towards their Indonesian co-workers did not help to forge good relations. And anti-Dutch and anti-colonial sentiments in Indonesia negatively impacted the way that the Dutch were perceived. Stanvac’s company hierarchy might have had an impact too on Dutch-Indonesian contacts: as the management was mostly made out of foreign employees, fewer Indonesian-Dutch friendships might be made due to a lack of contact on the workfloor. Changes are apparent though in the period 1949-1957: more Indonesians employees came to work for Stanvac at the office and some Indonesians started to come to the pool and the soos later on in this period. However, Stanvac’s employee relations policy could not prevent a certain distance between the different nationalities that worked for Stanvac in this period.

Conclusion

During Stanvac’s first years of operations in Indonesia, Stanvac’s future was uncertain because it had to negotiate over new concessions. The company experienced trouble with the unions, and found it hard at times to find both foreign and Indonesian staff. International issues such as the Middle Eastern Oil Crisis that was caused by the nationalization of a large oil company in Iran also affected Stanvac. In the 1950’s President Sukarno set an increasingly anti-Western political course which fuelled existing anti-Dutch sentiments. Stanvac had to maintain close relations with the government since negotiations about renewed approvals to drill for oil were ongoing. The government connected these agreements to a request to invest in the companies and to ‘Indonesianize’. This meant that Stanvac had to make efforts to implement this policy and had good reason to show its results when they were favourable. Stanvac implemented its Indonesianisasi program in 1949. Through this program Stanvac educated and promoted Indonesians which resulted in an increased number of Indonesians in all kinds of positions in the company, including management positions. Stanvac’s results for the period 1949-1957 are considerable – even when compared to BPM which is seen as exemplary when it comes to Indonesianisasi. Stanvac’s implementation of Indonesianisasi was published in the hope that this would improve the companies’ image towards the Indonesian government and the Indonesian community.

176 SMGI nr. 1696.2.
Stanvac implemented its Indonesianisasi program very quickly and with this anticipated on the demands of the government. Because of this, Stanvac was granted a ‘Let Alone Agreement’ by the Indonesian government in 1948. This was crucial for the companies’ continued operations. Because the Indonesian government demanded Indonesianisasi, Stanvac continued with this policy throughout the 1950’s. It published its rather positive results and stories of Indonesian employees who went abroad in its company publications. Stanvac also advised its foreign employees not to get into trouble and to adjust to the local situation. Its policy is directed towards cooperation with the Indonesian government, and cooperation within Stanvac amongst different nationalities. This however did not have an immediate impact on social relations within Stanvac. Indonesian nationalism, anti-Dutch sentiments and colonialist or paternalistic ideas of some Dutch expatriate employees made it difficult to the create harmony on the workfloor and in the community in the way that Stanvac advocated. Apart from implementing Indonesianisasi at an early stage by setting up (adult) education programs, Stanvac contributed to its immediate surrounding community by providing housing, food, a good salary, schools and hospitals to its employees and the surrounding community. At first, these provisions were mostly intended for foreign employees but with some pressure of the Indonesian unions these were made available to the entire Stanvac community. Stanvac’s public relations events and its company publications stressed that the company contributed to the Indonesian community. This policy was implemented by Stanvac’s office in New York. The purpose of presenting the company as a good citizen was to increase the companies’ image in a time of anti-foreign sentiments. So in nationalistic Indonesia, the multinational company Stanvac presented itself as a citizen of this country. It presented its Indonesianisasi program results to get the message across that Stanvac was assisting Indonesia’s efforts to decolonize its economy.

Introduction

The year 1957 marked a transition in Indonesian history. With the initiation of Sukarno’s ‘Guided Democracy’ in February 1957, Indonesia was no longer a (Western-style) democracy. Historian Daniel S. Lev characterizes the post February 1957 period by ‘the decline of the parties and parliamentary institutions, the rise of the army, the growing power of the communist party PKI, and the apparently dominant influence of President Sukarno’. Sukarno led a nationalist elite. Fakih argues that ‘Guided Democracy should be seen as an effort by the old, nationalist elite to control both the dangerous rise of (...) a hybrid army-managerial elite and to control the rise of a raucous civil society, under the control of the communist party, the PKI.’ The period 1957-1965 was full of political tensions between the nationalist elite of Sukarno, an ‘army-managerial elite’, and the active communist political party and its followers.

At the same time, Indonesia was in conflict with other nations. When Sukarno implemented ‘Guided Democracy’ in 1957, Indonesia turned away from what Sukarno called neo-colonialist and imperialist nations of the West. In the late 1950’s Sukarno’s anti-imperialist stance was directed towards European powers and especially toward the Netherlands which led to a wave of nationalizations of Dutch businesses. After these nationalizations Sukarno’s anti-imperialism became more directed toward the entire Western world and towards the United States (U.S.) especially. Sukarno’s confrontation towards Malaysia led to deteriorating Indonesian-British relations. This affected foreign investment in Indonesia: most companies left Indonesia or were nationalized in the period 1957-1965. Sukarno continued to make Indonesia less attractive for foreign investment while at same time the PKI became more powerful. Serious efforts were made by the U.S. to maintain U.S.-Indonesian relations to decrease Sukarno’s anti-imperialism. U.S. president Kennedy introduced a ‘decade of development’. As part of its foreign relations policy the U.S. gave aid to developing nations such as Indonesia. Fakih distinguishes two periods of American aid. The first one took place during the 1950’s and focused on ‘technical assistance, economic development and the expansion of the managerial class of client

177 Lev, The Transition to Guided Democracy, 1.
178 Ibidem, 1.

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The second period of American aid in the 1960’s focused on a ‘strong state and the rise of military-managerial elite’.

After Suharto took over power from Sukarno in 1965-1966, Indonesia’s stance towards the Western world changed drastically: foreign investment was welcomed again.

In Indonesian historiography, the years 1965-66 are considered a big turn. During Suharto’s rule and after, the period when Sukarno was in power is called the Old Order, and the period under Suharto is called the New Order. These periods are often studied as separate entities. In this chapter however, they are connected because the entire period was one of increasing difficulties for Stanvac. In his research on the rise of the ‘managerial state’, Fakih connects the two periods as well. In Indonesian historiography, the Old Order is perceived as a period with a too liberal character: its ineffective system with many political parties was not successful to implement development policies. And even worse, it left the economy under foreign domination. Fakih argues however that the period of Guided Democracy ‘had lasting effects for Indonesian state-society relations in the second half of the twentieth century’.

In order to understand which moments, actors and processes were decisive in Stanvac’s continued existence in the period of 1957-1965, the first part of the chapter examines Indonesia’s political-economic landscape. It also explains the position of important ‘actors’ such as the Indonesian government, Sukarno, the Indonesian army, the PKI, Indonesian unions, the United States government and especially its Embassy in Djakarta and of course Stanvac itself. In this way, more insight is given into the positive and negative influences on Stanvac’s continued existence in Indonesia from both outside and within the company. This chapter examines the increasingly difficult U.S.-Indonesian foreign relations and U.S. efforts to maintain these relations as a process that influenced Stanvac’s continued existence in Indonesia. Where the first part of chapter three analyzes a macro-level history of international relations and domestic issues that can be perceived as ‘external influences’ on Stanvac’s history, the second part of the chapter focuses on changes that took place within the company.

The 1958 rebellion and the first wave of nationalizations

Guided Democracy gradually made politics less free and more authoritarian. The main political figures did not change, but the system and its institutions did. In this new system the ruling elite became less controlled by institutions. These institutions came under attack as Indonesian politicians started to search for Indonesian traditions and ways to gain political power. An issue was that the ruling elite lessened its moral responsibility when they became less controlled by institutions. During Guided Democracy, the

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184 Ibidem, 13.
185 Ibid, 3.
army that had participated in the revolution in the 1940s stayed politically involved. Army officers used their political connections to create a career for themselves, and others protested against the civilian inadequacy that created corruption and bureaucracy. There were a couple of ‘affairs’ where the army tried to claim more power. The regional commanders of several militarily districts found common ground with some regional civilian politicians in their anti-Javanese domination effort. This resulted in the 1958 rebellion that led to illegal proclamations of martial law in certain parts of Sumatra and Sulawesi in 1959. A combination of several factors explains this rebellion, of which the domination of the Javanese over other cultures might have weighed most heavily. Lev argues. The attempt to create a ‘Javanese-dominated nation’ created hostilities within other groups such as the Sundanese. In this center-periphery issue both sides in the conflict had nationalistic ideals.

The conflicts between political parties were often so deeply-rooted and hostile that in 1956 and 1957 it were the army officers who decided that they should act and repair the state. This had an impact on Stanvac as well since in 1958 some of Stanvac’s operations were temporarily taken over by a rebel army. This was the case for Stanvac’s operations in Lirik and Pendopo. Head of Transportation at Lirik and Pendopo, Mr. Christman experienced the take-over first-hand: he and the Manager of Lirik were captured by the rebels when they took over the camp. Women and children had been evacuated before this time. Later the Indonesian army came in and took over Lirik. Mr Christman did not seem to be very impressed by either army. He wrote on the margins of an article about the events that he sent to his parents in the United States:

‘I worked with both armies – rebels first and then the government forces – we lost 25 automobiles – to both sides – so far none returned.’

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187 Ibidem, 3-4.
188 Ibidem, 7.
189 E-mail correspondence with daughter of Mr Christman, United States.
The Sungai Gerong refinery was protected by the Indonesian army to prevent a take-over by the rebel army. The families that remained now lived among soldiers of the Indonesian army. The army supported Sukarno and was very nationalistic. One night, an Indonesian man who worked for Stanvac and who was educated in the United States was taken from his house at the compound by the army men. He was never seen again. Mrs Pecko-Hendriksen—who lived at Sungai Gerong at the time—suspects that he might have said something that was not in tune with the nationalist ideas of the army.\footnote{Interview Mrs Pecko-Hendriksen, Purmerend 2015.}

By the end of the 1950’s Sukarno grew more hostile towards the Western World. Indonesia was in conflict with the Netherlands over West New Guinea. United Nations resolutions failed to solve the issue.\footnote{Lindblad, ‘The importance of Indonesianisasi’, 8} Sukarno and minister Subandrio warned that if the problem would not be solved in a way favorable to Indonesia, measures against Dutch business in Indonesia could be expected.\footnote{Nicholas Tarling (2008). \textit{Britain and the West New Guinea Dispute, 1949-1962}. Lewiston, New York: Edwin Mellen Press, 114-119, 129-132. The West Irian issue was only resolved in 1962 when it became part of Indonesia.} Dutch businesses in Indonesia were targeted because of their colonial past and the ongoing dispute between Indonesia and the Netherlands over West Irian.\footnote{Van de Kerkhof, ‘Colonial enterprise’, 2.} In December 1958 the communist party PKI and affiliated unions expropriated Dutch businesses. The army took over these businesses and so gained more political power. Redfern describes the events of December 1958:

\begin{center}
\includegraphics[width=\textwidth]{Civil_War_in_Indonesia_1958}
\end{center}
‘On 5 December, the cabinet met and announced that all taken-over companies were to be placed under GOI responsibility, and committees of authority (...) began appearing at some of the seized enterprises. On 5 or 6 December, the army also began taking control of the Dutch companies out of labor union hands; in addition, over the next few days in many provinces such as North Sumatra the army even began to place unaffected Dutch estates and other businesses under its authority, ostensibly as a means of preventing labor unions from seizing them. On 13 December, army commander General Nasution announced that all seized Dutch companies were to be placed under army control.’

After these events the Indonesian government announced the expulsion of most Dutch personnel. In total 700 Dutch companies were seized and about 33,000 Dutch citizens left Indonesia. It became almost impossible for new Dutch expatriate employees to get a work visa. Explanations for the expropriation of Dutch businesses vary: some say it happened rather ad hoc, some say it was pre-planned. Redfern states that the takeover of Dutch companies in 1957-58 was not preplanned by the Indonesian government as its policies were ‘very much of an ad hoc nature, driven much more by shorter term factors of domestic politics and foreign relations instead of grand economic visions of socialism or Indonesianization.’ When Sutters definition is followed, nationalization can be seen as the most intense form of Indonesianisasi. So I have to disagree with Redfern when he argues that the expropriations were not part of the process of Indonesianisasi: that these events took place in an ad hoc fashion does not necessarily mean that they did not fit into the vision of economic nationalism and Indonesianisasi.

The companies Stanvac and BPM were both able to escape nationalization because they were able to show their ‘non-Dutchness’. Stanvac, employer of many Dutch expatriates and with an office in The Hague, put forward its American identity. The Anglo-Dutch company BPM put its British identity forward. But the companies did not escape increased government control over their company by the Indonesian government: they had make promises of further Indonesianisasi. In the years after the first wave of nationalizations, the influence of the Indonesian government on foreign companies was growing. The first wave of nationalizations can best be understood in a context of anti-Dutch and more generally ant-imperialistic or anti-colonial sentiments that were prevalent in Indonesia at the time. The deterioration of Dutch-Indonesian relations and quite possibly the lack of cooperation between Dutch businesses and the Indonesian government made Dutch business a target for take-over. These take-overs resulted in closer government control over the remaining foreign businesses. As a result of

196 Redfern, Sukarno’s Guided Democracy, 99.
197 Ibidem, 99.
199 Redfern, Sukarno’s Guided Democracy, 96.
200 Sluyterman and Wubs, Over Grenzen, 169, 230.
201 Redfern, Sukarno’s Guided Democracy, 20.
the nationalizations, Indonesia’s economy became less foreign-dominated. And after the nationalizations, government influence on foreign business increased. Important actors in this process were the Indonesian unions, the Indonesian government and president Sukarno especially.

A crucial contract: negotiations over the ‘Work Contract’ 1957-1963

In the 1960’s Indonesia’s foreign relations with countries in the Western world deteriorated. Economically Indonesia was doing poorly which concerned the United States. When U.S. president Kennedy met Sukarno at the Belgrade conference of non-aligned nations in 1961, Kennedy asked Sukarno why he didn’t get on with economic development. Sukarno said:

\[\text{Politics comes first.}^{203}\]

This is typical for the period of 1960-1965: where Sukarno increasingly was concerned with his anti-imperialist policies, the U.S. increasingly worried about how to safeguard their economic interest in Indonesia. In the period 1957-1963 the U.S. was concerned over its oil companies in Indonesia. A year before Guided Democracy began, Law 44 terminated the mining right of the ‘Big Three’ Shell, Caltex and Stanvac.\(^{204}\) New contracts would have to be signed within a short period of time that would be determined by the government. The law can best be understood in a context of increased assertiveness of oil producing nations to take control over the production of oil in their country. In September 1960 the Organization of Petroleum Exporting Countries (OPEC) was formed. Initially OPEC was formed by Iraq, Iran, Kuwait, Saudi Arabia, and Venezuela. Indonesia joined in 1962.\(^{205}\) Negotiations over the work contract started in 1960. Sutowo created an overarching institution called the BPN to supervise the three Indonesian-owned oil mining companies that arose from these contracts: Permina, Permigan and Pertamin. These companies already operated parts of Shell that were never returned after World War Two. In 1960 the ‘Oil Law’ was introduced. The law stated that all foreign oil refineries had to work as a contractor for the Indonesian government.\(^{206}\) So Stanvac, Caltex and BPM had two options: to leave Indonesia or to sign a contract.

During the negotiations with the Indonesian government about the work contract, the multinational Stanvac and its parent companies were split up. In 1960 Standard Oil (New Jersey), Socony-Vacuum Oil Company and some other big oil companies to split up its major multinational companies into smaller, more competitive enterprises. The U.S. court had ordered the companies to stop

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\(^{203}\) LBJ Library Oral History Collection Online Interview Rostow http://www.lbjlibrary.net/assets/documents/archives/oral_histories/rostow/rostow1.pdf
\(^{204}\) Howarth and Jonker, Stuwmotor van de koolwaterstofrevolutie, 240. The law was introduced in 1956.
\(^{205}\) Bartlett, Pertamina, 187.
\(^{206}\) Howarth and Jonker, Stuwmotor van de koolwaterstofrevolutie, 240.
monopolizing the world oil market the U.S. court.\footnote{ExxonMobil Collection. Box 2.207/H23 Stanvac. Folder #2: Standard-Vacuum Reorganization. 'United States District Court Southern District of New York, Civil No. 86-27. United States of America, Plaintiff against Standard Oil Company (New Jersey), Socony-Vacuum Oil Company, Inc., Standard Oil Company of California, The Texas Company, Gulf Oil Corporation, Defendants. Superseding final Judgment. Dated and entered May 29, 1968'. On November 14, 1960 a Final Judgment was made. After this a Superseding Final Judgment was made on May 29, 1968.} This led to a big reorganization of the parent companies of the Standard Vacuum Company.\footnote{Ibidem, 40-41.} Socony split up in several oil companies, among them the Mobil Petroleum Inc. which had the responsibility of ‘of overseeing Socony Mobil’s 50 percent investment in the assets of Standard-Vacuum.’\footnote{ExxonMobil Collection. Box 2.207/H23 Stanvac Folder #1 Affiliates, Subsidiaries & other companies, Stanvac, Reorg. The Oil and Gas Journal ‘Division of Stanvac special report’, 1962.} Standard-Vacuum’s other parent company Jersey agreed in 1960 to terminate its joint ownership of Stanvac. So the division of Stanvac was ordered by the U.S. court to prevent further monopolization of the oil market. On March 30, 1962 the assets of Standard-Vacuum were split between its parent companies.\footnote{ExxonMobil Collection. Box 2.207/H23 Folder Stanvac. Folder #2: Standard-Vacuum Reorganization. Statement of Intent, 4, 18-20.} The court did however allow Jersey and Socony to continue its jointly owned operations in Indonesia. \textit{This was because the Indonesian government required this joint ownership.}\footnote{ExxonMobil Collection. Box 2.207/H23, Folder # 4. File Standard-Vacuum Reorganization ‘Background Information on the Jersey Standard – Socony Mobil Reorganization Agreement Affecting Standard-Vacuum Oil Company and its Eastern Hemisphere Operations’, 10.}

So, where most parts of the company underwent a major reorganization, Stanvac Indonesia is kept as it was. This shows on the map where Indonesia remained a ‘jointly owned operation’ where all other parts of Stanvac were divided.\footnote{Ibid., 17.} Stanvac Indonesia kept its parent companies Socony and Jersey who both maintained a 50 percent interest in the business. It was decided that Stanvac Indonesia should be managed by Jersey.\footnote{ExxonMobil Collection. Box 2.207/H23 Stanvac Folder #2: Standard-Vacuum Reorganization. Superseding final judgment, 2.} Socony’s new company Mobil Petroleum took over the 50 percent interest in Stanvac Indonesia in 1962.\footnote{Ibid., 40-41.} Under the joint ownership construction, Standard and Socony (later Mobil) shared the risk of a possible

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10 \textbf{THE DIVISION OF STANVAC 1962}
nationalization of Stanvac Indonesia.\textsuperscript{215} So the Indonesian influence on Stanvac extended to all the way to a court room in the United States. Its demand not to change Stanvac made it possible for the company to continue to exist while Stanvac was split-up in most other parts of the world.

The Indonesian-Stanvac negotiations continued. The ‘Let Alone contracts’ of the companies ended on January 1961. Three issues were discussed. Indonesia demanded a 60-40 percent split of operation profits to which the companies agreed. Next up was the discussion to what extent the Indonesian government could get more control over oil pricing. In the first years of the 1960’s the oil price had dropped. The companies explained that this was due to an oil surplus because of new discoveries in the Middle East. The Indonesian government asserted that it were the oil companies who had lowered the export price. The duration of the contract was the third point of discussion. The companies asked for forty years, the Indonesian government offered less. Negotiations stalemated and by August 1961 no agreement was reached. A Presidential decree was issued which stated that the 60-40 split would take place, and that the Indonesian government had to participate in future determinations of the selling price of oil and oil products. So this decision was not made with the Big Three but for them. Negotiations remained problematic throughout 1962 and the first months of 1963.\textsuperscript{216}

The United States monitored the negotiations. By April 10, 1963 the U.S. government did not expect oil and rubber takeovers anytime soon.\textsuperscript{217} Yet on April 26, 1963 Indonesia issued a regulation that set an expiration to the negotiations on the first of June. If no agreement would be reached by then, ‘the three companies would have to liquidate their operations’.\textsuperscript{218} The oil companies responded with an ultimatum of their own by threatening to walk out.\textsuperscript{219} In a U.S. report on the status of oil in Indonesia it is explained how in 1963 Stanvac, Caltex and Shell produced 90 percent of all the petroleum in Indonesia: ‘American oil company investment in Indonesia is approximately $300 million. Indonesia derives in foreign exchange from the export of oil approximately $120 million a year.’\textsuperscript{220} So the U.S. had an interest in the American oil companies in Indonesia.

The oil companies found the regulations as posed by Indonesia unacceptable and informed the Department of State that the Indonesian government demanded a 60-40 share, after deducting operating costs: ‘The oil companies have informed the Department that administration of Regulation 18 by the GOI would be tantamount to expropriation of their properties. (..) After June 15, they will cease exports unless agreement is reached [emphasis mine]. Governor Harriman, other officers of the Department of State and officers of the American companies having interests in Indonesia, agreed on a plan of action.

\textsuperscript{216} Bartlett, \textit{Pertamina}, 188-189, 192.
\textsuperscript{218} Ibidem.
\textsuperscript{219} Bartlett, \textit{Pertamina}, 192.
on May 17.' U.S. involvement in the negotiation between the Indonesian government and the oil companies can best be explained by its interest in the oil business. The threat of the oil companies to stop exporting oil from Indonesia concerned them. But in the context of the Cold War, the U.S. was also concerned that if the oil companies would leave, ‘Indonesia could be expected to turn to the Soviet bloc for aid, further pushing Indonesia into the communist camp.’ It was not only fear of the communist PKI and communism that kept the U.S. so interested in Indonesia, Simpson argues, it was a fusion of concerns. It was the Soviet threat, but other geopolitical issues and matters of national security were of importance as well. The Straits of Malacca, between Malaysia and Sumatra, and the Sombok, Makassar and Ombai straits are of importance for military traffic. For these reasons, the U.S. expressed a concern of increased Indonesian government control over the oil sector. The Indonesian governments’ basic aim in these negotiations has been to eventual state ownership of all domestic marketing facilities and supporting elements including refineries and processing plants. The foreign oil companies would remain and be primarily concerned with exploration, exploitation, production and export. Concessions would be replaced by contractual relationships between the companies and the GOI.

The issue of the work contracts had now become part of an international clash of interests between the Indonesian and United States governments. The United States made an effort to influence the course of these negotiations by having the U.S. ambassador in Indonesia, Mr Jones, take up the case on the highest level. He is asked to speak to Sukarno who could then influence Saleh, minister of Basis Industries:

‘(...) to stop over-trading and come to prompt agreement on a 60/40 basis and end attempts to whittle the companies 40 percent down. Ambassador Jones replied on May 19 that he is seeking an appointment with Sukarno prior to his departure for Tokyo which is scheduled May 22. He hopes to reach Sukarno, May 21.’

At the Tokyo convention where Indonesia’s confrontation with Malaysia was discussed, ‘oil talks’ were held on a top-level. Indonesian negotiators, parent companies representatives of Caltex and Stanvac and a team of U.S. advisors with among them Ambassador Jones attended these talks. Shell representatives were in Tokyo but did not attend the meeting. The meeting finished early in the morning of June 1st. On

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222 Bartlett, Pertamina, 193.
223 Simpson, Economists with Guns, 9.
224 Ibidem, 251.
227 Ibidem, 1.
that same day, a first agreement was signed by Stanvac, Caltex and Shell.228 On September 24, 1963 Stanvac signs the ‘contract of work between P.N. Pertambangan minjak nasional (Permina) and P.T. Stanvac Indonesia’.229 A twenty year exploitation contract was extended and Stanvac received a new area where it could explore for oil. Stanvac remained in control of its management. It was agreed that Stanvac’s refinery would be sold in ten to fifteen years. The sale of Stanvac’s marketing facilities would take place within five years. Stanvac also agreed to sell crude oil and oil products to the Indonesian market at a fixed price.230 The company was not content with this arrangement, yet it had little choice: the other option was to leave Indonesia. Signing the contract made it possible for Stanvac to stay in Indonesia. But a downside was that government control over the company increased.231 In this light, Stanvac’s decision to sign the contract makes sense: it was the least-worst option.

The contract or work was brought about through compromise, Bartlett argues. Some Indonesians would have wished to see a more favorable contract or the nationalization of the oil companies. For example, when the contract of work had to be ratified by the parliament, the communist party PKI fiercely attacked the idea as they regarded it as a ‘giveaway to foreign capitalist imperialism’.232 Others such as Dr. Ibnu thought that management should be controlled by Indonesians instead of by Stanvac. The United States seemed to be satisfied with the outcome of the oil talks in Tokyo. In a telegram sent from the U.S. Department of State to the embassies of Djakarta, Bonn, Canberra, Kuala Lumpur, London, Manila, Paris, Tokyo and Singapore, the U.S. explained how using a ‘carrot and stick approach’ regarding continued provision of aid to Indonesia ‘has prevented him [Sukarno] from behaving even more badly than he has and also has given us access and influence which we have successfully used for positive accomplishments of obtaining oil agreements (...).’233 The oil agreements were a success in the eyes of the United States because the American oil companies did not walk out and could continue its operations.

The oil talks coincided with two U.S.-Indonesian foreign relations issues. First, Sukarno was in conflict with Malaysia. Second, the U.S. was giving aid to Indonesia. The Kennedy administration had declared a ‘decade of development’: the idea of this policy was to speed developing nations such as Indonesia ‘along a road to a modernity’.234 This resulted in ‘military assistance, economic programs, and private training projects [that] reinforced American political influence’.235 Because of Indonesian

228 Bartlett, Pertamina, 193.
229 KITLV Contract of work between P.N. Pertambangan Minjak Nasional (PERMINA) and P.T. Stanvac Indonesia, Djakarta 25th September 1963.
230 Bartlett, Pertamina, 194-195.
232 Bartlett, Pertamina, 196.
235 Ibidem, 27.
anti-American sentiments U.S. officials had this aid appear as ‘modernization, not westernization and least of all Americanization’.\textsuperscript{236} It appeared that Sukarno hoped to receive more aid once the oil contracts were signed by the oil companies. The contract of work was eventually ratified by the Indonesian parliament on November 28, 1963. After, it took a long time before Sukarno put his signature under the Work Contract. On December 1963 a telegram from the Unites States Secretary Rusk asks the U.S. embassy in Djakarta to inform Subandrio and Saleh that ‘USG [United States Government] assumes, of course, that there is no basis for rumors that GOI [Government of Indonesia] delaying Presidential signature-promulgation oil contracts pending clarification US aid intentions and Malaysia outlook.’\textsuperscript{237} Rusk instructed the U.S. embassy in Djakarta to inform Subandrio and Saleh that the U.S. government did not intend of give more aid anytime soon. The embassy should also inform the ministers that more aid ‘to assist Indonesia depends on restoration of tolerable political climate in Southwest Pacific area which would allow recovery of Indonesian economy. Also dependent on Indonesian economic policies, availability of U.S. funds and developments in current foreign aid legislation.’\textsuperscript{238} The U.S. hoped that solving this ‘misunderstanding’, ‘would have helpful consequences for (a) attracting foreign investment; (b) forestalling renewal Congressional criticism of Indonesia; (c) encouragement expansion foreign exchange earnings by now uncertain foreign oil interests in Indonesia.’\textsuperscript{239} The U.S. had informed the oil companies on this issue.\textsuperscript{240}

Major actors in the oil negotiations were the Indonesian government, the oil companies and the United States. The oil talks can be understood as a part of deteriorating U.S.-Indonesian relations. The Indonesian government’s policies became increasingly anti-foreign. The United States was concerned about its foreign business in Indonesia. It was also concerned to lose influence over Indonesia as is feared that Indonesia would take the side of the Soviet Union in the Cold War. Stanvac’s negotiation over a contract so had become part of the increasingly problematic U.S.-Indonesian relations.

The second wave of nationalizations and Indonesia’s managerial elite

By the time that the Work Contracts were signed by the companies in September 1963, the future of the oil companies in Indonesia was very uncertain. The companies knew they would have to sell parts of their assets in the coming years. Apart from that, Indonesia’s economic situation was very unstable and its political situation very tense. By 1964, ‘many of the leading citizens were members of the Communist Party.’ When Assistant General Manager Gillert organized a party for these officials at his house on

\textsuperscript{236} Simpson, Economists with Guns, 252.
\textsuperscript{238} Ibidem.
\textsuperscript{239} Ibid.
Sungai Gerong, the communist ideas of the High Judge and his wife became clear when they expressed their belief that ‘everything in the country belonged to “the people”, including our house and furnishings.’ 241 The oil companies feared nationalization and developed ‘responses of sell out, fade out, or hide out’. 242 Stanvac initiated talks with the Indonesian government to sell its refinery and less productive fields. 243 By 1964 economic problems worried both U.S. and Indonesian officials. Sukarno did not take appropriate measures to stop further inflation, and the PKI used the economic hardship suffered by many Indonesians in their propaganda. So the United States betted on the army to be a better protector of their political and economic interest in Indonesia. 244 It started to support of the authoritarian military power in Indonesia in order to maintain Indonesia’s economic and political stability. 245

Ambassador Jones regularly met with General Nasution. They shared a concern about the PKI who they thought might exploit the economic problems in Indonesia and start riots and strikes. When General Nasution requested a loan of 1.2 billion rupiah for civil action, Jones advised the U.S. government to grant the loan:

‘His [Nasution] support, even protection, of US interests in Indonesia against PKI attack in coming months may be vital to our retaining any position here at all.’ 246

Ambassador Jones made serious attempts to maintain good relations with important Indonesian figures in order to protect American business interests. This came in useful when American business in Indonesia had to be protected. In a telegram Jones reports on an occasion where the army informed him about PKI union action against U.S. business: ‘General Yani told me this noon that he had received a telephone call from President Sukarno immediately after my conversation with Sukarno, instructing Yani to take immediate action to head off any PKI union action against US estates in North Sumatra. Gen Yani said he already dispatched telegraphic instructions to Medan to this effect prior to my call.’ 247

By March 1964 the U.S. government was concerned about a take-over of the oil companies:

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241 Wexler (ed.), Indonesian Memories, 53.
242 Bartlett, Pertamina, 197.
243 Ibidem, 197.
244 Papers of LBJ 963–1969. NSF, Country File, Asia and the Pacific, Indonesia, Box 246. Folder Indonesia cables, Vol. I 11/63-4/64. Incoming telegram Department of State. From Djakarta. Signed by Jones. March 6 1964. File nr 43. Jones explains how Nasution ‘avoided like the plague any discussion of possible military takeover, even though this hovered in air throughout talk, and at no time did he pick up obvious hints of US support in time of crisis.’ Jones expresses an intent to have more conversations with other military leaders, first with general Yani.
245 Fakih, The Rise of the Managerial State in Indonesia, 16.
'In case of PKI, it is obviously in commies’ interest to encourage present course toward mounting international tension and domestic economic collapse. Department has noted recent reports that PKI will not play up current economic troubles if Sukarno will keep up active confrontation, but that PKI is at same time pushing campaign against foreign business interests. PKI undoubtedly wants bread with US to permit takeover US investment including oil.'

The United States government was concerned and figured that ‘time has come to draw on relationship we have built with Indonesian military in effort head off GOI before it is too late.’ The telegram then explains how the U.S. embassy should persuade the military to side with them. One of the reasons was that the U.S. had helped Indonesia with the West New Guinea issue. Another reason that is given is that Indonesia could not be a strong military power ‘so long as industrial-technical base to sustain these forces are totally absent.’ The telegram ends with: ‘Department realizes carrying out foregoing will be delicate task, but believes that time for such an effort has arrived.’ In one of his meetings with Nasution, Jones learned that the ‘PKI was still supporting Sukarno and would not go so far as to adapt tactics directed at Sukarno. If PKI did, however, Madiun – the 1948 crushing of an attempted coup by PKI - would be mild compared with army crackdown today’. So the U.S. were concerned about its investment in Indonesia and sought military help from what Fakih calls a military-managerial elite.

There was reason for concern of nationalization of the oil companies, as almost all other foreign investment was eliminated in the period of September 1963 to December 1965. In the period of September 1963 to December 1965 ‘90 foreign companies of various nationalities, ranging from British to American to Belgian to Malaysian, were taken over’ by the Indonesian government. Redfern finds that ‘whereas the seizure and nationalization of Dutch companies was more a matter of economic and political decolonization, the events of the 1960’s were more closely intertwined with international relations, economic policy and domestic political conflict and struggle’. In 1963 Sukarno started his confrontation with Malaysia and in 1965 Indonesia also withdrew from the United Nations and made an alliance with the Peoples Republic of China. By 1965 the conflict with Malaysia and Sukarno’s anti-imperialism resulted in a ‘deterioration in the Indonesian–United States bilateral relationship’, which

249 Ibidem.
250 Ibid.
252 Redfern, Sukarno’s Guided Democracy, 2-3.
253 Ibidem, 12.
was the most important reason for the takeovers of American companies in early 1965 according to Redfern. These take-overs in early 1965 were 'not the result of a grand plan of the Indonesian government to eliminate all foreign investment but instead were targeted at specific groups'. Because the take-over did not come from one Indonesian policy, companies were able to negotiate and try to protect their assets in Indonesia. In April 1965 Sukarno implements a new economic plan, called 'standing on your own feet' (BERDIKARI). This new plan resulted in the prohibition on further foreign investment, and the takeover of remaining foreign companies in Indonesia in 1965. So the remaining takeovers that took place from April 1965 onwards were part of official Indonesian economic policy: 'it was the pinnacle of economic nationalism in independent Indonesia.' During these take-overs, the management was replaced first: instead of owner-appointed management, the GOI now appointed the management of foreign companies. This fits within the Indonesianisasi policy that Indonesia had been carrying out over the 1950’s. Then too, the ideal was to have an Indonesian management for foreign business.

As an American company, Stanvac was affected by second wave of nationalizations to some extent. By March 1965 the union of oil workers Perbum, that was associated with the communist party PKI, demanded a take-over of the oil companies. The Indonesian government held a close watch on these developments, as Sukarno reckoned that ‘Indonesia could not afford to nationalize the oil industry’ An official of labor relations at the institute MIGAS that watched over petroleum matters found out that the PKI wanted to conduct demonstrations on March 19, 1965. The heads of the companies were phoned to ask whether there were any disturbances. Around the same time Assistant General Manager of Stanvac, Mr. Pete Gillert averted a potentially dangerous situation at the Sungai Gerong compounds. He explains how in April 1965 there was a large uproar next to the Management Office:

‘One of Bill Myers’ sons asked what they were doing. I answered that they were there to take over the company. Someone in the group from New York not attuned to the electricity in the air said that wasn’t very funny. However, shortly after I reached the office, a group entered carrying a paper which, when translated, effectively stated that they were taking over the Company. (…) I responded to the group (naturally led by Perbum) that we had no authority to turn the Company over to them in that we were working in Indonesia under the term of the Contract of Work, wherein we were simply contractors to the Government. But if they sought

255 Redfern, Sukarno’s Guided Democracy, 4-6.
256 Ibidem., 2-3.
257 Ibid., 6-7.
258 Bartlett, Pertamina, 202.
to take the proposed action, they should cross the river and seek the approval of the Government. They followed my advice and left for Palembang.'

The Work Contract seemed to impress the angry crowd enough to follow Mr. Gillert’s advice and leave the refinery. The contract legitimized Stanvac’s existence: they were working for the government and had so connected its interest to the interest of the Indonesian community. A similar situation took place in Lirik and Jakarta around the same time. The Indonesian government took action by installing control teams. The teams were made up of representatives of the 12 unions and were led by an officer of the Indonesian army. In Stanvac’s case this was Colonel Bob Tobing. Gillert explains that ‘after these events and the formation of these groups (...) life in paradise became anything but a routine.’ The teams requested housing, cars, furniture, office space and much more. They did not let go of the idea of a take-over. A junior engineer of the refinery who was the leader of the Communist Engineering Society organized secret meetings. Mr Gillert kept a radio under his bed to communicate with other Stanvac areas: ‘On several occasions the situation became tense enough to seek the assistance of the military commander or his deputy.’

Tensions remained high. To keep the agitated people from taking over the company, General Ibnu Sutowo made a clandestine trip to speak to them personally. By then he was Minister of Petroleum, of Mines, and of Oil and Gas. And he was minister of MIGAS. Gillert was ‘not sure how much his visit helped, but it was a relief to know that someone cared enough to try.’

In the same month of April 1965, Stanvac ‘approached Dr. Ibnu, in his position as minister of state, offering to sell their Sungai Gerong refinery and several of their older south Sumatran fields for $50 million.’ By May 1965 it was prohibited by law to make direct foreign investment in Indonesia: the country closed itself off to foreign investment entirely. Economic nationalism had risen to a new high. Only the two oil companies Caltex and Stanvac remained. Caltex and Stanvac had a difficult time as they were put under GOI supervision and faced a continued threat of nationalization.

Sukarno’s power declined when General Suharto halted a ‘coup’ against Sukarno’s regime on 30 September, 1965. From then onwards Sukarno had to share his power with the military. Power officially remained with Sukarno until 1966 when Suharto’s authoritarian New Order started. When Suharto came to power, he was praised by U.S. officials and commentators ‘because of his anti-Communism, openness to Western economic influence and investment, and willingness to accommodate U.S. policy in the region.’ Suharto’s generals installed economists who had been

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260 Wexler (ed), Indonesian Memories, 54-55.
261 Ibidem, 54.
262 Ibid.
263 Ibid.
264 Bartlett, Pertamina, 204.
265 Redfern, Sukarno’s Guided Democracy, 2-3.
267 Simpson, Economists with Guns, 256.
trained in the U.S. in key planning positions. These economists ‘returned U.S. properties seized near the end of the Sukarno regime’. Yet about a month after 30 September, at a time where Sukarno and Suharto shared power, Stanvac messaged the U.S. embassy that it feared nationalization once again. The U.S. carefully monitored changes in Indonesia and worried about its foreign investment in Indonesia and especially about its oil companies. On October 22, 1965 Stanvac lets U.S. officials know that it is a target for nationalization:

‘According to a message we are passing for Stanvac, the Indonesian Government, despite political developments favorable to us, apparently remains determined to acquire the Stanvac refinery and producing fields in South Sumatra – and threatens nationalization if the GOI’s financial proposals are not accepted.’

So where Stanvac earlier had negotiated over the sales of its refinery, it now did not want to sell anymore as the political developments of the change of power from Sukarno to Suharto seemed favorable to the company. The Work Contract obliged Stanvac to sell the refinery eventually, but at the earliest by 1973. The Indonesian government threatened with nationalization if the sale was not made. The United States reacted with a threat of its own: on 16 December 1965 the US government threatened to stop its financial assistance to Indonesia if Indonesia would take over the oil companies. It is debated whether this threat saved the oil companies or not. Simpson and Aden argue it was of major influence, while Redfern finds it of less influence. It is not unlikely that the efforts of the U.S. embassy in Indonesia to protect the oil companies had some influence on Stanvac’s continued operations. But it was General Suharto who eventually decided not to nationalize the oil companies, on that same December 16th. He feared loss of production which would be problematic for the army. When Suharto came to power, his generals installed economists who had been trained in the U.S. in key planning positions. This managerial elite ‘returned U.S. properties seized near the end of the Sukarno regime’. And by the end of 1965, Suharto opened the country to foreign investment again.

During and after the change of power from Sukarno to Suharto in the period 1965-66, Indonesia was politically and economically unstable. Assistant manager of Stanvac Mr. Gillert explains how the General Manager of Stanvac in Jakarta, Jess Howard and his wife Joan would sometimes visit him to inform about the situation in Sungai Gerong. By this time there were rumors about a ‘huge hole that had been dug which would serve as a grave for the enemies of the state – i.e. all foreigners.’ Plans were made for the evacuation of personnel and it was decided that a small ship would be on the Musi river to

270 Redfern, Sukarno’s Guided Democracy, 546 who refers to Simpson, Economists with Guns, pp. 197-9; Aden, Oil and Politics, pp. 281-290, especially 287-8.
271 Redfern, Sukarno’s Guided Democracy, 546.
273 Wexler (ed), Indonesian Memories, 54.
bring them to safety. Standard Oil Company of New Jersey told Howard that Gillert and his wife had to come back to the United States. Shortly after they left, the ‘coup-countercoup’ where power passed from Sukarno to Suharto took place. Once returning to Sungai Gerong the following year, Gillert learned about the details of the ‘general cleansing of the Communist Party’. Gillert refers to the killing of approximately half a million of alleged communists in the period where power transitioned from Sukarno to Suharto. The son of an Indonesian employee who worked for Stanvac’s Security Department was eleven at the time, and still remembers this period as if it was yesterday. He remembers that two to three Stanvac employees were connected to the communist party PKI: they were caught by the local police. Most of the foreigners were sent home for a while. Soon after, they returned. Very little is known about the impact that the killing of the communists had on Stanvac employees. This needs further investigation. But as the main question of this research concerns Stanvac’s continued operations, it suffices to conclude here that after the difficult period of 1965-66, the company continued its operations in Indonesia. And that on several occasions in the years 1965-1966, Stanvac barely escaped nationalization.

In the period 1966-1970 more work contracts were signed with new foreign oil companies. Stanvac’s contractor Permina merged with Pertamin to form Pertamina in 1968. Permina and Pertamin were merged in order to create one big state oil company that could produce oil, market its products, and instructs its contractors. By 1969 domestic oil consumption and oil production had increased. Refinery capacity now had to increase as well. So Pertamina built a new refinery at Sungai Pakning, Sumatra. And Pertamina bought the Sungai Gerong refinery from Stanvac. The sale of the refinery came rather sudden to an American expatriate employee who came to Sungai Gerong in July 1969. It was an ‘idyllic life’ that came to an end with:

‘(…) the surprise (to me at any rate) sale of Stanvac’s refinery to Pertamina, the Indonesian State Oil Company late in 1969. This was followed by the announcement that the Exploration and Production staff as well as others would be moving to new offices in Djakarta. I was not pleased.’

It is not clear to me how much was paid for the refinery or how the negotiations took place. Bartlett does mention the Stanvac’s production declined in 1968 and 1969. It is plausible that Stanvac’s business was going slow and that a sale to the Indonesian government came at a good time. In the period of 1957-

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274 Wexler (ed), Indonesian Memories, 55.
276 E-mail correspondence Mr. Lebran Ramadanus, Indonesia.
277 Bartlett, Pertamina, 294-295.
278 Ibidem, 309.
279 Wexler (ed), Indonesian Memories, 61.
280 Bartlett, Pertamina, 313.
1970, Stanvac’s total employee number had dropped considerably. The total employee number had dropped from 12,639 employees to only 1415. See the graph below.\(^\text{281}\) It is exceptional that Stanvac was able to continue its operations throughout the very turbulent period 1957-1970. By 1970, Stanvac had ‘faded out’ to a large extent: it had managed to stay in Indonesia but had sold most of its assets to the Indonesian government. *Compared to 1957, Stanvac Indonesia’s total number of employees by 1970 had almost decimated.*

11 DROP IN STANVAC EMPLOYEE NUMBER

Stanvac’s refinery and its position in the Far East oil market 1957-1970

Where in the first part of the chapter international relations and Stanvac-Indonesian negotiations are examined, this part of the chapter will focus first on Stanvac’s business position in the Far East and second on Stanvac’s public relations strategies. Unfortunately not many figures of Stanvac sales in the period 1957-1970 could be found. Yet the reports from Jersey give an overview of its entire business in the Far East which includes its business in Indonesia.\(^\text{282}\) In the early 1960’s sales dropped in the Far East. Where in 1957 272,000 barrels were sold to the Far East, by 1961 only 207,000 barrels were sold. After 1961, oil sales picked up. How can this drop in oil sales be explained? It was not because there was not enough oil demand in the region. By 1950 there was a demand 519,000 barrels per day in the Far East. This had tripled by 1960 when there was a demand of 1,534,000 per day.\(^\text{283}\) This increase in demand was strongest in the second half of the 1960’s.

\(^{281}\) KIT, Stanvac Indonesia, 1974. For original graph see attachment. Source found during collaborative research with PhD Candidate Aniek Smit, MA from Leiden University. Used here with her permission.

\(^{282}\) Exxonmobil Collection. Human Relations Box 2.207/G248. Folder: Corporate Administration: Financial: Data on Jersey and Oil Industry 1959-1970 Series of booklets titled ‘Data on Jersey and Oil Industry’. For more tables with figures see the attachment to this thesis.


\[\text{Stanvac Indonesia employee trend}\]
Sales of oil (Standard Oil of New Jersey)

<table>
<thead>
<tr>
<th>Year</th>
<th>Region</th>
<th>x1000 barrels per day</th>
<th>Percent of Jersey’s Worldwide Sales</th>
<th>Total sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>Far East (100 Stanvac)</td>
<td>272</td>
<td>9.7</td>
<td>2796</td>
</tr>
<tr>
<td>1961</td>
<td>Far East (50 Stanvac)</td>
<td>207</td>
<td>6.3</td>
<td>3282</td>
</tr>
<tr>
<td>1962</td>
<td>Far East</td>
<td>254</td>
<td>7.1</td>
<td>3554</td>
</tr>
<tr>
<td>1963</td>
<td>Far East</td>
<td>291</td>
<td>7.8</td>
<td>3743</td>
</tr>
<tr>
<td>1964</td>
<td>Far East</td>
<td>326</td>
<td>8.4</td>
<td>3890</td>
</tr>
<tr>
<td>1965</td>
<td>Other Eastern Hemisphere</td>
<td>386</td>
<td>9.2</td>
<td>4192</td>
</tr>
<tr>
<td>1966</td>
<td>Other Eastern Hemisphere</td>
<td>424</td>
<td>9.7</td>
<td>4389</td>
</tr>
<tr>
<td>1967</td>
<td>Other Eastern Hemisphere</td>
<td>465</td>
<td>10</td>
<td>4647</td>
</tr>
<tr>
<td>1969</td>
<td>Other Eastern Hemisphere</td>
<td>515</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Demand of oil (Standard Oil of New Jersey)

<table>
<thead>
<tr>
<th>Year</th>
<th>Far East (Thousands of barrels per day)</th>
<th>Percent of total</th>
<th>Total (Thousands of barrels per day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>293</td>
<td>4 (Per cent of Free World)</td>
<td>7,091</td>
</tr>
<tr>
<td>1950</td>
<td>519</td>
<td>5</td>
<td>19049</td>
</tr>
<tr>
<td>1958</td>
<td>1235</td>
<td>7</td>
<td>16,781</td>
</tr>
<tr>
<td>1960</td>
<td>1534</td>
<td>8</td>
<td>n.a.v.</td>
</tr>
<tr>
<td>1963</td>
<td>2080</td>
<td>9</td>
<td>21793</td>
</tr>
<tr>
<td>1966</td>
<td>3650</td>
<td>12</td>
<td>29199</td>
</tr>
<tr>
<td>1967</td>
<td>4367</td>
<td>14</td>
<td>31304</td>
</tr>
<tr>
<td>1969</td>
<td>5762</td>
<td>15</td>
<td>37089</td>
</tr>
</tbody>
</table>

So the sales and demand figures of Jersey show that the Far East became an increasingly interesting place to sell oil products. Yet Jersey’s sales dropped in the period after 1957 and only reached the level of 1957 by 1966. The problem was that there was not enough oil to produce in the region to keep up with the growing oil demand. Crude oil reserves in the Far East were only a small percentage of the world’s total crude oil reserves by 1957: the Far East reserves only made up 3.9 percent of the total crude oil reserve. By 1966 this was even less: only 3.3 percent. Indonesia had Jersey’s largest refinery in the Far East, which was the Stanvac refinery at Sungai Gerong near Palembang. The products from this refinery could be sold in the Far East region. The table below shows that the refinery production and capacity was higher than the Far East oil production. To keep the refinery running, oil from the Middle East was shipped to the Far East to be refined there.\(^{284}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Far East Production (Thousands of barrels per day)</th>
<th>Total</th>
<th>Far East Refinery Runs (Thousands of barrels per day)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>467</td>
<td>15,561</td>
<td>921</td>
<td>15,528</td>
</tr>
<tr>
<td>1961</td>
<td>564</td>
<td>18,656</td>
<td>1390</td>
<td>18,902</td>
</tr>
<tr>
<td>1962</td>
<td>598</td>
<td>20,143</td>
<td>1587</td>
<td>20,425</td>
</tr>
<tr>
<td>1963</td>
<td>593</td>
<td>21,509</td>
<td>1930</td>
<td>21,895</td>
</tr>
<tr>
<td>1964</td>
<td>619</td>
<td>23,221</td>
<td>2242</td>
<td>23,581</td>
</tr>
<tr>
<td>1965</td>
<td>666</td>
<td>25,481</td>
<td>2631</td>
<td>25,481</td>
</tr>
<tr>
<td>1966</td>
<td>709</td>
<td>26,987</td>
<td>3019</td>
<td>27,488</td>
</tr>
<tr>
<td>1967</td>
<td>795</td>
<td>29,066</td>
<td>3560</td>
<td>29,648</td>
</tr>
<tr>
<td>1969</td>
<td>1104</td>
<td>36,377</td>
<td>4719</td>
<td>34,688</td>
</tr>
</tbody>
</table>

**Data on Jersey and Oil Industry 1959-1970**

The table shows how the refinery runs in 1969 in the Far East are 4,719,000 barrels per day. Far East production is ‘only’ 1104,000 barrels per day. The remaining barrels of oil had to come from another region. Stanvac’s refinery near Palembang was an important asset to Jersey. From the companies’ perspective it was important to maintain this refinery. Only when Stanvac became very concerned about its future in 1965, it offered to sell the refinery. And once Suharto had taken over power, Stanvac changed its mind and asked to United States for help when the Indonesian government tried to force the sale of the refinery. The sale of the refinery in 1969 marks the end of Stanvac’s of big part of its operations. After the sale of the refinery, Stanvac seems to ‘fade out’.

**Stanvac’s’ corporate citizenship strategy 1957-1970**

What strategy did Stanvac Indonesia and its multinational parent companies use in order to enhance Stanvac companies’ image in Indonesia? And to what extent was this strategy used and was it effective? To answer this question, in this paragraph company publications are analyzed to discuss several strategies of image-making. When anti-American sentiments in the 1960’s increased, it was important to Stanvac to maintain good relations with the Indonesian government and community and to portray itself as a good and cooperative company in the Indonesian community. Stanvac Indonesia’s parent companies realized that it was necessary to come across as a trustworthy company, especially since foreign business in Indonesia was regarded as imperialistic. So when Socony Mobil became the new parent company of Stanvac Indonesia after Stanvac’s split-up in 1959, Socony emphasized that:
Both within the company, and within the communities and nations in which it operates, Socony Mobil has a record of good citizenship. In filling its primary role as a provider of petroleum energy, Socony Mobil daily proves itself a good citizen in the countries in which it operates.285

Stanvac and its parent companies continued to describe themselves as good citizens throughout the period 1957-1970. In a company publication of Stanvac Indonesia the companies’ awareness of its corporate social responsibility is stressed.286 The article ‘A word from management’ emphasizes Stanvac’s corporate social responsibility towards the community:

'We recognize that joining the social and cultural activities of our communities is very important. Our management believes that a corporation has certain social responsibilities to the surrounding communities in which we operate. In this context, steps taken towards integration with the community include, among other things: assistance for upgrading and rehabilitation of local roads, financial assistance for renovating, remodeling and building mosques, churches and schools, donations to the teaching staff of several universities, giving scholarships, providing guest lecturers, etc.'287

So by Stanvac expressed its social responsibility efforts towards the community. The article not only stresses its responsibility towards the nearby community but also to the entire the Indonesian nation: ‘there are many things yet to be done in keeping our company healthy so that we may continue to be an asset to Indonesia and also to provide a source of foreign exchange for the Indonesian Government.’288 The article emphasizes the positive effects of Stanvac’s training programs.289 In 1975 an evaluation of the Indonesiasisasi and training program of Stanvac is published. Stanvac’s Indonesiasisasi program: ‘(…) in accordance with the governments’ objective that foreign capital investment in Indonesia is aimed at improving the nation’s economy and the standard of living of the people as well as developing the skill of the people, the education and training programs for employees of P.T. Stanvac Indonesia have been directed to serve the purpose and pursue the objective.’280

286 KIT, Stanvac Indonesia, 1974.
287 Ibidem, 1.
288 Ibid., 1.
289 KIT Stanvac Indonesia 1974. A part of the corporate citizenship strategy was that Jersey continued its efforts to educate its employees. One example of such an effort was the ‘Esso Education Foundation’s incentive Program for Individual Aid to Education.’ The program ran from 1958 to at least 1982. Employees of overseas affiliate of Standard Oil Company (New Jersey) such as those from Stanvac Indonesia were eligible to apply Briscoe Center Exxonmobil collection. Box 2.07/G252 Education. Folder Foundation: Grants and Programs, 1958-1982
280 Stanvac Indonesia, 1.
Stanvac’s training program was job oriented. The goal was set to ‘give additional knowledge and skill in the current position’, ‘to prepare the personnel for a higher position’, or ‘to introduce them to changing operational activities’. To find out who needed which kind of training, Stanvac did a training needs survey every two years where the potentials of each employee was measured. An employee was categorized as ‘Qualified and Promotable’, ‘Trainable’, ‘Static’, or ‘Retiring soon’. An employee that was deemed Qualified and Promotable was trained to prepare him for a promotion. In this way, Indonesian employees could replace foreign employees:

“This replacement training is closely related with staff and management development programs in realization of the program which has been formulated by the Government in the framework of the Indonezianization of company personnel.”

The idea of the program was to replace non-Indonesian employees with Indonesian employees as soon as an Indonesian employee was available. Indonesian employees were offered opportunities to get promoted to a new position. This replacement also showed clearly from the table that was published with the article.

A distinction is made between foreign and resident staff. With ‘resident’ all Indonesian employees are meant. The distinction between staff and non-staff indicates higher positons versus lower positions. Staff lived in better houses at the Stanvac compound and were paid more salary than non-staff. So the ‘resident staff’ numbers are telling most about Indonesianisasi since the aim of this policy was not only to promote Indonesians but to promote them to high positions in the company. The graph above is based on the figures that are presented in the Stanvac article. The figure shows the percentage of overseas and resident staff relative to total staff.

12 SHIFT IN OVERSEAS AND RESIDENT STAFF RELATIVE TO TOTAL STAFF 1957-1970

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291 Ibidem.
292 Ibidem.
293 Ibidem. See attachment for original graph
the overseas and resident staff relative to the total staff. In this way, a trend of Indonesianisasi becomes clear. Where the resident staff in 1957 was already 40 percent of total staff, this had increased to 88 percent by 1970. Resident staff now made up the biggest part of the total of staff positions. So, the participation of Indonesians in higher positions had increased: Stanvac’s efforts to Indonesianize resulted in a success.

However, the figures in the Stanvac article also show a growth in total staff relative to the total number of employees. The graph above visualizes the percentage of staff relative to the total number of employees. Where in 1957 the percentage of total staff relative to the total employees was 7 percent, this had increased to 19 percent by 1970. This means that in 1957 there were 7 members of staff to 100 Stanvac employees. In 1970 there were about 19 members of staff to 100 Stanvac employees. So overall, Stanvac’s staff positions increased. Lindblad doubts whether Stanvac’s Indonesianisasi efforts really had an impact, since Stanvac did not replace Dutch managers with Indonesians but simply added personnel. In the case of Stanvac, its total staff positions definitely increased. There are several explanations possible. Perhaps Stanvac’s organization changed in such a way that more staff was needed. Or Stanvac renamed some of the existing functions in such a way that more functions were now staff functions. In other words, the company could have broadened its definition of ‘staff’. One Stanvac employee remarked that when he left, he was replaced with a young Indonesian colleague who was assisted by an Indonesian colleague from Chinese origin. Perhaps some staff functions were taken up by two employees in a similar way. Unfortunately the limited information available makes it impossible to explain the growth in staff. But is should be noted that this trend is remarkable in the period 1957-1970.

When the report on Indonesianisasi on which the figures above are based on was published, there was good news and bad news for Stanvac. The good news was that its training program had indeed

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295 SMGI nr. 1439.2
been a success: a larger percentage of the staff was now Indonesian. From the graphs above it becomes clear that Stanvac had made an effort to Indonesianize, just as the Indonesian government had requested on several occasions. Training programs had been conducted to make it possible for Indonesians to replace highly skilled expatriate employees.\textsuperscript{296} Many Indonesians who were trained by Stanvac throughout the 1950’s and 1960’s took up high positions in the company. When Sungai Gerong was sold in 1969, many of its Indonesian employees stayed. By 1970, engineer Yahya Sumitramiharja became the first Indonesian General Manager of the Sungai Gerong Refinery. He replaced the American General Manager JT Ricks.\textsuperscript{297} The bad news – that is not made explicit in the publication apart from the kind of vague mentioning ‘that 1975 will be even more challenging than the past’ – is that Stanvac’s total employee number had decimated in the period 1957-1970.\textsuperscript{298} The company itself was doing poorly.

**Conclusion**

The period of 1957-1970 was turbulent for Indonesia and for Stanvac. In this chapter a couple of decisive moments, actors and processes are described that positively or negatively influenced Stanvac’s continued operations in Indonesia. Which moments were decisive, and to what extent? The moment that Stanvac was put under control of Sukarno’s army to protect it against rebel armies by 1957 seemed problematic at the time. Here the government and Stanvac’s interests were the same: to have continued operations of the Stanvac refinery at Sungai Gerong. The Indonesian army was an important actor here: in a time of political unrest it took charge and exerted its power. This can be seen as part of the process of increased military influence by the end of the 1950’s. The first wave of nationalizations did impact Stanvac and its employees since many Dutch employees had to leave Indonesia. Stanvac was not in grave danger of nationalization because it was an American and not a Dutch company. Processes that explain this event are the very prevalent Indonesian nationalism and the increasingly problematic Dutch-Indonesian relations.

A very decisive moment for Stanvac was the year 1963. In this year, the company negotiates over the Work Contract and signs it. On the short term, this Work Contract makes it possible for Stanvac to stay. Yet on the long term, the Work Contract ensures more Indonesian government control over Stanvac and the eventual sale of parts of the company. Actors of importance here are first and foremost Sukarno and the Indonesian government who decided upon the Work Contract and pressured Stanvac to sign it. Stanvac played its cards well by asking the United States government for help and by setting an ultimatum of leaving the country. This alarmed the U.S. who then started to mediate. This American concern can be explained in the context of the Cold War: the United States feared that Indonesia would become communist and seek aid from the Soviet Union.

\textsuperscript{296} KIT, Stanvac Indonesia, 1974.
\textsuperscript{297} E-mail correspondence Mr. LeBran Ramadanus
\textsuperscript{298} KIT, Stanvac Indonesia, 1974.
Two decisive moments for Stanvac occur in 1965. In March and April of this year, the labor union Perbum calls for the nationalization of the oil companies. When an angry crowd gathered in front of the Stanvac office in Sungai Gerong, assistant Manager Gillert referred to the Work Contract and explained that Stanvac worked for the government. The crowd left for Palembang to take the problem up with Indonesian government officials. This moment can be seen in the context of a highly politicized society. Indonesia’s economy was deteriorating at the time which fueled anti-imperialistic sentiments. Another decisive moment in 1965 was the ‘non-sale’ of Stanvac refinery at Sungai Gerong. Where Stanvac had offered to sell its refinery earlier, it did not want to sell anymore after Suharto took over power. Stanvac was pushed to sell its refinery and threatened with nationalization. Suharto who decided not to have the oil companies nationalized in 1965. When Suharto takes over power, he opens up the country to foreign investment again. This moment can best be understood in the process of what Fakih calls ‘the rise of the managerial state’: Suharto immediately appointed American-trained economists who returned nationalized property to its foreign owners. Eventually, Stanvac becomes contractor of Pertamina in 1968. It sells its refinery in 1969 which is earlier than it was obliged to by the work contract. By the end of the 1960’s, Stanvac lost most of its assets. By 1970 Stanvac had managed to stay in Indonesia and the company continued to exist in the 1970s. This is quite exceptional compared to all other foreign investment in the period 1957-1970. However, Stanvac had by then ‘faded out’: its companies’ employee number had decimated and it had sold most of its assets to the Indonesian government oil company Pertamina.

It seems that Stanvac’s corporate citizenship efforts and its efforts to Indonesianize were quite successful. The company had to a certain extent contributed to the local community by setting up an infrastructure, building roads, schools and hospitals. And there was a significant change in Stanvac’s staff foreign-local ratio. Instead of informing its personnel about the bad news, Stanvac filled its publications with good news. This shows in the entire period of 1949 to 1970: Stanvac’s company publications sketch a very optimistic scenario, and portray the company as friendly, cooperative and as a good Indonesian citizen. By providing something positive to report about, Stanvac made an attempt to boost its image in a time where foreign multinational oil companies were by no means popular.
Conclusion

What were the most decisive actors, processes and moments in Stanvac’s continued existence in Indonesia? And in what way were they decisive? This thesis argued how many different influences impacted Stanvac’s continued existence. However, not all of these influences were equally decisive in Stanvac’s stay in Indonesia. Here some of the most decisive actors, processes and moments in Stanvac’s continued operations in Indonesia are listed. It is examined to what extent they were influential and in what way. The most decisive actor, moment and process in the period 1949-1970 are then distinguished to better understand what Stanvac’s operations the most. Then the question to what extent Stanvac’s cooperation or noncooperation with the Indonesian government was of importance in its continued existence in Indonesia is answered. Finally the main question of this thesis will be answered: why could Stanvac stay in Indonesia while most other companies had left Indonesia?

A decisive moment in Stanvac’s continued operations was receiving its first oil concession by the Indonesian government in 1948. This meant that Stanvac would be allowed to stay in the new nation Indonesia. The Finec agreement of 1949 ensured Stanvac that a sudden nationalization would not take place anytime soon. A decisive actor in Stanvac’s continued stay was the Indonesian government who allowed the company to continue its production. Combined with Stanvac’s business incentive to stay, this resulted in Stanvac’s continued operations in independent Indonesia. In the period 1949-57 Stanvac faced several challenges. Most importantly, it had to negotiate over new oil concessions with the Indonesian government. The new concession was granted when Stanvac promised to invest in its companies and to Indonesianize. So the Indonesian government connected Stanvac’s continued operations with Indonesianisasi of the company. This can be understood in the process of economic decolonization as these measures were taken to decolonize the economy and to make the economy more Indonesian. In company publications, the common interests of the Indonesian government and Stanvac in creating a stable Indonesian economy are stressed. Stanvac set up an Indonesianisasi program and made an effort to show the Indonesian government that the company was a cooperative good citizen. By taking initiative in its Indonesianisasi efforts, Stanvac quite possibly influenced its continued operations in a positive manner. By implementing the program Stanvac at least prevented further issues in the somewhat problematic Stanvac-Indonesian government relations. An important actor again is the Indonesian government that demanded Indonesianisasi in return for oil concessions.

During Sukarno’s Guided Democracy from 1957 to 1965 there were several moments in which the situation of Stanvac in Indonesia became precarious. To Stanvac the first wave of nationalizations was not very dangerous as mostly Dutch companies were targeted. Around the same time, a part of Stanvac’s business in central Sumatra is taken over by rebels. A civil war between the rebels and the Indonesian army follows. A decisive process that took place by the end of the 1950’s was the growing influence of the army: during political unrest it was the army that took charge and by doing so, the army became more powerful. The civil war resulted in a dangerous situation for both Indonesian and foreign
Stanvac employees. Stanvac’s oil plants were targeted by the rebels, which is why the Stanvac refinery at Sungai Gerong was taken over by the Indonesian army in order to keep it out of the hands from the rebels. *The army protected Stanvac so that its operations at the Sungai Gerong refinery could be continued.*

By the 1960’s Stanvac situation became more precarious. The increasing problematic U.S.-Indonesian relations had a negative influence on American businesses in Indonesia: in the period 1963-1965 most American enterprises are nationalized. By 1963 Stanvac is set an ultimatum: to sign a work contract or to leave Indonesia. Here the Indonesian government is an important actor. The company asks the American Embassy and the State Department for help and asserts that it cannot accept the contract as it was presented by the Indonesian government because it would be the same as an expropriation. Stanvac threatens to leave Indonesia. Important actors here are the State Department and Ambassador Jones as they mediate in the Tokyo ‘oil talks’ which result in a work contract. *A decisive moment in Stanvac’s history is when it signs the work contract in September 1963.* This was the only way that Stanvac could stay: Stanvac bought more time in Indonesia. The downside of the contract was that the Indonesian government’s control over the company increased and would increase even more in the following years. The contract put an end date on Stanvac’s’ use of its refinery: it had to be sold in ten to fifteen years. *This marked the beginning of the ‘fade out’ process of Stanvac in Indonesia.*

In April 1965 a group of protestors went to the Sungai Gerong refinery to take over the company. They were sent away by Mr. Gillert who argued that Stanvac now worked for the Indonesian government and that therefore he was not authorized to hand over the company. Important actors here are the protestors and Stanvac’s Sungai Gerong management. Later in the same year, Stanvac offered to sell its refinery. *After the power transfer from Sukarno to Suharto however, Stanvac saw new opportunities in Indonesia and did not want to sell its refinery anymore.* The Indonesian government warned the company: if the company would not sell the refinery, they would nationalize Stanvac. The United States stepped in again and warned that it would terminate its aid program. It was Suharto who decided in 1965 that the oil companies would not be nationalized. He was advised by a group of economist who were trained in the United States. *This ‘managerial elite’ as Fakih calls it took over power in Indonesia. This was a process that positively influenced Stanvac’s continued operations, since Indonesia was opened up to foreign businesses again.*

Stanvac’s issues in Indonesia were often connected to bigger issues of international relations or domestic political unrest. This explains why not Stanvac but the Indonesian government and to some extent the United States government were often the most decisive actor who influenced Stanvac’s continued operations. However, some important moments in Stanvac’s continued operations in Indonesia took place within the company. One such an important moment that made it possible for Stanvac to stay was its decision to stay in Indonesia by 1965 instead of selling its operations as Shell did. This had to do with the change of power from Sukarno to Suharto: Stanvac hoped for more favorable conditions under the new regime. Stanvac was aware that communication with the Indonesian
government was of crucial importance to the continued operations of the company. Stanvac reacted accordingly by implementing a refined policy regarding its public relations. Stanvac was aware of the importance of keeping the communication lines open with the Indonesian government and with local Indonesian officials with among them army officials. So the company used a public relations strategy that was supported by the multinational Standard Vacuum Oil Company and its American parent companies who advocated a policy of ‘corporate citizenship’. Stanvac appealed to the government’s nationalistic line of thinking by for example introducing an Indonesianisasi program. By keeping the communication lines with the Indonesian government open, a sudden and unexpected take-over of Stanvac became less plausible. Stanvac’s policy of image-making and corporate social responsibility and corporate citizenship was created in the United States before it was transferred to Indonesia and other parts of the world where Stanvac operated. Stanvac Indonesia had to deal with issues that resulted from Indonesian nationalism and anti-imperialism. Around the same time similar processes took place in other parts of the world, for example in Venezuela. It would be interesting to see if the implementation of ‘corporate social responsibility’ and ‘corporate citizenship’ was typical for American businesses in economic decolonizing nations.

So what was the most decisive process, actor and moment that influenced Stanvac’s operations in Indonesia? This thesis argues that most decisive process that negatively impacted Stanvac’s continued operations was the process of Indonesian economic nationalism. The process was unfavorable to Stanvac because it resulted in increasing government control over the company. The most important actor in this process was the Indonesian government. As Fakih has argued, the PKI demanded more impact on Indonesia’s economy and wanted to erase all foreign investment from Indonesia while the rising army-managerial elite had an interest in foreign business in Indonesia. Sukarno was stuck in-between these two pressure groups. So on the one hand, Sukarno publicly aggravated anti-American sentiments. But on the other hand he did not want to nationalize the oil companies and sent officials to prevent the PKI from taking over the companies in early 1965. So instead of taking over the companies, the Indonesian government steered its policy towards a gradual change of power over the company over the years 1949-1965. The contract in 1963 determined how this change would take place. The most important moment that influenced Stanvac’s continued stay in Indonesia was the outcome of the oil talks in June 1963. Stanvac became a contractor to the Indonesian government. The most important actors here were the Indonesian government and the United States government and especially Ambassador Jones. Stanvac played its cards well before this moment by threatening to walk out.

Stanvac’s issues in Indonesia were often connected to bigger issues of international relations or domestic political unrest. This explains why it were the Indonesian government and army, and to some extent the United States officials who made it possible for Stanvac to stay in Indonesia. To what extent could Stanvac’s cooperation or noncooperation with the Indonesian government be a factor in its ‘feat’ of staying in Indonesia? Of course it was Stanvac who decided to stay in problematic times. But the context in which the company could make this decision was at large determined by the Indonesian
government who could implement economic measures that had a positive or negative effect on Stanvac’s continued operations. All that Stanvac could do was ask the United States to mediate in the oil talks. So what was Stanvac’s role in its continued stay in Indonesia? Of course it had a role, but apart from some decisive moments such as its threat to walk out before the oil talks in 1963, Stanvac’s role was to react to issues that arose. The company was able to make well-informed decisions as it was well-connected both to the American embassy and all kinds of Indonesian officials such as army officials.

Now the main question of why Stanvac could stay in Indonesia for so long can be answered. Stanvac was aware of the importance of keeping the communication lines open with the Indonesian government and with local Indonesian officials. So the company used a public relations strategy that was supported by the multinational Standard Vacuum Oil Company and its American parent companies who advocated a policy of ‘corporate citizenship’. By keeping the communication lines with the Indonesian government open, and by expressing a cooperative attitude, Stanvac made a serious attempt to prevent a sudden and unexpected take-over. And since the Indonesian government favored increased government control over a nationalization of the American oil company, it was possible to come to agreements time and again. Stanvac was in the position to negotiate and chose to present itself as cooperative company to buy itself more time in Indonesia. And the Indonesian government was in the position to demand more government control over Stanvac. This changed to a certain extent under Suharto’s New Order. But by then the company had signed a contract with the Indonesian government so ‘there was no way back’ for Stanvac. Even though Indonesia’s economy improved during the New Order, Stanvac had a hard time in the last years of the 1960’s. This shows from an immense drop in the employee number. By 1966, Stanvac set course for a ‘fade out’ in Indonesia.
Epilogue

Permina and Pertamin merged to become PN Pertamina in 1968. This is where my investigation ends. From this moment onwards, Stanvac’s history was tied to Pertamina’s history. Pertamina’s history is better documented and can be found in numerous publications. PT Stanvac however did continue to exist as a contractor of Pertamina in the 1970s. From 1968 up to 1974 Pertamina was a valuable resource to the Suharto regime. Its production rose by 15 percent in both 1968 and 1969 and nearly 20 percent in 1973. In 1973 it produced 28.2 percent of Indonesia’s oil. And it had signed agreements with Caltex and Stanvac who produced the rest of the oil. Pertamina’s oil revenues were used by President Suharto and the Indonesian elite. Due to corruption, many involved in the oil business took a percentage of the profit and in this way Pertamina lost money. In this manner Suharto and the Indonesian elite ‘ran this cash-cow into the ground, using it for both military and personal ends.’ In 1975 Pertamina could not pay back its creditors and it became clear that the company had a debt of 15 billion dollars. An investigation into Pertamina did not lead to charges against the head of Pertamina, the powerful Ibnu Sutowo. In 1978 a court stated that he had not been involved in criminal activities. In his forword in the work Pertamina, he writes very positively about Pertamina and its hopes for the future.

The Indonesian state had to increase the national debt in order to save Pertamina from going bankrupt. The company still exists today. If you visit the company website, a whole section is dedicated to ‘corporate social responsibility’. The picture below shows what the company does for the community: from teaching to dental plans to planting trees. In the 2014 annual report, large sections are dedicated to ‘good corporate governance’ and to ‘corporate social responsibility’. Its CSR programs are conducted through a partnership with the Indonesian government.

14 Pertamina’s Social Responsibility Webpage

299 Bartlett, Pertamina: Indonesian national oil. But also in works about Modern Indonesia such as Ricklefs and Vickers. And on the website of Pertamina: www.pertamina.com.
302 Vickers, A History of Modern Indonesia, 185.
303 Ibidem, 185.
Pertamina for example provides loans to “micro, small and medium-sized enterprises sector (MSME) and grants to nurture and develop targeted partners.” And,

‘Since 2004, the Pertamina’s Community Development Program has provided donations and assistance to communities living around the Company’s operational areas. Donations and assistance were given for natural disaster relief, education and training, public facilities, public health, places of worship, nature conservation as well as social community initiatives to eradicate poverty.’

The strategy that Pertamina uses today to increase its company image – that was dent in the 1970s when its debt was discovered – is quite similar to the strategies used by Stanvac in the 1950’s and the first part of the 1960’s. Today one can find information on corporate social responsibility on the web page of most multinational oil companies. As Waddock explained in her article- these is no way of avoiding corporate social responsibility today.

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307 Annual report Pertamina, 351.
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**Sources pictures**


3. Mr. Berai and colleague in Paris, 1955 – E-mail correspondence with Mr. Berai’s son Mr Lebran Ramadanus


5. You are never too old to learn - ExxonMobil Collection. Box 2.207C146. Folder nr. 4 Panorama Stanvac (Standard-Vacuum) February 1958, 18.


7. Stanvac pipeline stimulates local industry - ExxonMobil Collection. Box 2.207C146. Folder nr. 1 Panorama Stanvac (Standard-Vacuum), Panorama, Christmas 1957, 9.

9. Civil war in Indonesia 1958 – personal collection of Mr. Christman’s daughter, Mrs. Graham Christman.
13. Staff relative to total number of employees - KIT, Stanvac Indonesia, 1974.

Attachment

P.T. Stanvac Indonesia employee trend 1957-1974

SOURCE: STANVAC INDONESIA APRIL MAY 1973, KIT.
## Employee shift 1957-1970 table abstracted from graph above

<table>
<thead>
<tr>
<th>Year</th>
<th>Numbers</th>
<th>% of total employees</th>
<th>% of total staff</th>
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<tr>
<td></td>
<td>Total</td>
<td>resident non-staff</td>
<td>resident staff</td>
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<tr>
<td>1957</td>
<td>12.639</td>
<td>11.760</td>
<td>349</td>
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<tr>
<td>1958</td>
<td>10.736</td>
<td>9.864</td>
<td>445</td>
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<tr>
<td>1959</td>
<td>9.369</td>
<td>8.562</td>
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<td>1960</td>
<td>8.052</td>
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<tr>
<td>1961</td>
<td>7.817</td>
<td>7.082</td>
<td>562</td>
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<tr>
<td>1962</td>
<td>7.657</td>
<td>6.907</td>
<td>603</td>
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<td>1963</td>
<td>7.299</td>
<td>6.558</td>
<td>615</td>
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<tr>
<td>1964</td>
<td>6.829</td>
<td>6.117</td>
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<tr>
<td>1965</td>
<td>5.958</td>
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<td>544</td>
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<tr>
<td>1966</td>
<td>5.522</td>
<td>4.964</td>
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<td>1967</td>
<td>5.359</td>
<td>4.761</td>
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<td>1968</td>
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<td>1969</td>
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<tr>
<td>1970</td>
<td>1.415</td>
<td>1.150</td>
<td>232</td>
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Source: Stanvac Indonesia April-May 1973, KIT.
Proven crude oil reserves (Standard Oil of New Jersey)

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<th>Over the year</th>
<th>Far East Proved Crude Oil Reserves, (billions of barrels)</th>
<th>Total</th>
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<td>9.7</td>
<td>248.0</td>
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<tr>
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<td>10.8</td>
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<tr>
<td>1962</td>
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</tr>
<tr>
<td>1963</td>
<td>11.6</td>
<td>301.5</td>
</tr>
<tr>
<td>1964</td>
<td>11.6</td>
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<tr>
<td>1966</td>
<td>11.8</td>
<td>355.2</td>
</tr>
</tbody>
</table>

Source: Exxonmobil Historical Collection, Center of American History, University of Texas at Austin Human Relations Box 2.207/G248. Folder: Corporate Administration: Financial: Data on Jersey and Oil Industry 1959-1970