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SUMMARY

This study discusses the transformation from a colonial into a national economy in Indonesia and Vietnam. It focuses on two intertwined processes of economic decolonization and reconstruction in the two countries after the Second World War, paying special attention to political and institutional factors involved in these processes. The study demonstrates that, although differences in the political situations resulted in the adoption of divergent strategies, the Vietnamese and Indonesian leadership were in fact pursuing similar long-term goals, namely: achieving economic independence. The Indonesian government was determined to get rid of the economic legacy of Dutch colonialism by placing the whole economy under the strong state control and ownership, in accordance with the spirit of Guided Democracy and Guided Economy in the late 1950s and the early 1960s. This effort resembled much the socialist transformation of North Vietnam in the 1950s and the various means by which the government of South Vietnam concentrated economic power in its hands during the late 1950s and the early 1960s.

The study first concentrates on major differences to the political and institutional framework of Indonesia and Vietnam immediately after Independence. Indonesian leaders were mainly Nationalists who were affiliated with various political parties. Many of them had served in the Dutch colonial authority and the Japanese administration and therefore had an extensive knowledge and experience in the field of economic management. By contrast, the majority of members of the government of the Democratic Republic of Vietnam (DRV) were revolutionary leaders adhering to Marxist ideology. In 1951, the Vietnamese Communist Party officially declared its leadership of the country, leading inexorably to a 'partification' of the state. The intrusion of the Party members into the state apparatus was accelerated in North Vietnam after 1954,

and by 1960, the Party had gained control of most important positions in the DRV government. Even if the Vietnamese Nationalists obtained important positions in the DRV government in the early months after Independence, they were soon eliminated only to re-emerge again in South Vietnam after the partition of the country as a result of the Geneva Agreement in 1954.

The differences in political and professional backgrounds of the leadership of Indonesia and Vietnam had a great impact on the process of economic decolonization in the two countries. Highly aware of Dutch concerns about the future of their economic interests in Indonesia, the Indonesian leaders sought to achieve Dutch recognition of Indonesian sovereignty by economic concessions. The Indonesian pragmatic policy resulted in the agreements reached at the Round Table Conference in November 1949. Indonesia was at long last granted its Transfer of Sovereignty from the Netherlands on 27 December 1949.

The Vietnamese leaders had also tried to prevent war by diplomatic negotiation. Economic concessions made by Hồ Chí Minh to the French in the *Modus Vivendi* of 14 September 1946 were similar to those made by the Indonesian leaders to the Dutch in the Linggadjati Agreement in 1947 and the Finec Agreement in 1949, with the exception of the stipulations about Indonesian debt obligations. The aggression of French officials in Vietnam, who were determined to break off relations with the Communist-controlled Vietnamese government, frustrated the efforts to reach a peaceful settlement by President Hồ Chí Minh and the top leaders of the French government in Paris.

Following the pattern of the steady expansion of Việt Minh-controlled territories in the early 1950s, French mines and factories in North Vietnam gradually fell into the hands the Việt Minh and industrial installations in the cities as well as the rubber plantations in South Vietnam were under constant attack. Under such unfavourable conditions, French companies thought it expedient to withdraw their operations from Vietnam. The withdrawal of the French business from Vietnam began in 1948 and became the prevailing tendency in the early 1950s. Banking corporations and manufacturing firms gradually transferred their business to other French colonies or back to France. The remaining French firms in North Vietnam moved to the South after the implementation of the Geneva Agreement in 1954-1955. The southwards evacuation of the French was accompanied by the emigration of Chinese and Vietnamese Roman Catholics.

The economic position of the French and the Chinese in South Vietnam was soon challenged by Diệm's policies of economic nationalism. During the land reform promulgated in late 1956, major French rice plantations were transferred to Vietnamese ownership. By imposing restrictive administrative measures, Diệm's government forced the French companies to liquidate their businesses to Vietnamese. By the fall of the Diệm regime in November 1963, almost all foreign companies associated with French colonialism had been placed under control of the Vietnamese authorities.

Strikingly, at the time the French companies began to move out of Vietnam, the Dutch held on to their economic position in Indonesia. The Dutch predominance in the Indonesian economy only became subject to a radical change in December 1957, when almost all Dutch-owned companies were taken over by the Indonesian trade unions and the military. They were officially nationalized by the Indonesian government in 1959. The takeover of the British and American enterprises took place between 1963 and 1965 in conjunction with Soekarno's defective Confrontation policy. On 24 April 1965, President Soekarno officially decreed that all foreign enterprises were to be placed under government control. Indonesia was completely freed of control by foreign capital for the first time.

Another aspect of the economic struggles in Vietnam and Indonesia concerned the new national forms of economy that were established to replace their former colonial counterparts. The 1945 Constitution of the Republic of Indonesia stressed the importance of state control of the economy, but this desired economic system faded into the realm of dreams. The Indonesian pragmatic strategy in the late 1940s and the early 1950s was to accept the inevitable necessity of foreign control over large segments of the economy in pursue of political independence and economic development. Consequently, main features of the Dutch colonial economy remained largely intact in Indonesia in the immediate post-Independence period. State control was exercised only in the fields of supervision, co-operatives and the formation of a small number of state enterprises.

The 1945 Constitution of the DRV favoured a moderate system of state control. The DRV government initially exercised little intervention in the economy during the early years after Independence. Change began to infiltrate the system in 1951 when the Communist Party officially took over the policy making of the DRV. The principles of a socialist economy were gradually brought into effect in North Vietnam. Between December 1953 and July 1956, the Party carried out a radical land reform, which erased the former systems of land ownership in the Vietnamese countryside. Land reform was followed by collectivization campaigns, under which land was incorporated into agricultural production co-operatives. The socialist transformation in industry, handicrafts and commerce began in late 1957. By 1960, the socialist transformation in North Vietnam had by and large been completed and the Party-state had taken control of all the important means of production and distribution. The economic re-organization in South Vietnam also led to a concentration of economic power in the hands of the Diệm government. Under land reform a larger part of confiscated land became government owned. The government established new state-owned enterprises to purchase the majority of shares or even take full control of existing foreign companies. New foreign investment was only accepted in the form of joint ventures, in which the government held at least 51 per cent of equity.

A radical change in the structure of the Indonesian economy occurred in the late 1950s and the early 1960s. It was characterized by the state taking the direct control and management of the national economy under the policy of the Guided Economy. Following the reinstitution of the 1945 Constitution of the Republic of Indonesia in July 1959, its radical economic principles were brought into effect. The management of foreign enterprises was entrusted to various government agencies, whose board of directors consisted of selected cabinet ministers, army officers and representatives of the Communist-led trade unions. This was different from the situation in North Vietnam where the Party cadres took on full responsibility for the management of state enterprises and co-operatives. Moreover, whereas North and South Vietnam received aid from the Socialist bloc and capitalist countries, respectively, the Indonesian economy was increasingly geared towards self-reliance. Soekarno sought to build an Indonesian kind of Socialism, or the so-called '*Socialism à la Indonesia*'. Despite their differences, Indonesian Socialism and its counterpart in North Vietnam displayed similarities in terms of the centrally planned administration of the national economy. Here, the Indonesians and the Vietnamese at long last obtained their primary goals of economic nationalism. All principles of their former colonial economies were abandoned and a truly national economy was constructed in the two countries. Although the price for this economic transformation was high, the achievement of independence in their economic affairs had laid foundation for the development of Indonesia and Vietnam in the subsequent periods.